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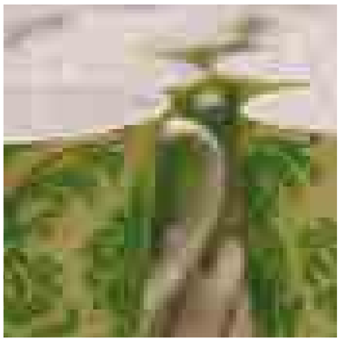


www.picknpay.co.za

Pick 'n Pay Stores Limited (Incorporated in the Republic of South Africa)

(Registration number 1968/008034/06)

(JSE code: PIK) (ISIN code: ZAE000005443)

"Pick 'n Pay" or "The Company"

. . . and well positioned for the future.

Group Profile

Founded in 1967 as a family controlled business with 4 small stores in the Western Cape, Pick 'n Pay listed on The JSE Limited (JSE) Securities Exchange the following year, and consequently grew into a leading retail group. Concentrating on food, clothing and general merchandise, the Pick 'n Pay Group is managed through 3 divisions; each with their own management boards. These divisions are the Pick 'n Pay Retail Division; the Group Enterprises Division; and Franklins Australia.

communities

Our Communities will keep on benefiting from our ongoing 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.

customers

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.

employees

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

shareholders

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.

suppliers

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.

Celebrating forty memorable years of quality shopping . . .

Pick 'n Pay's longstanding record of success is based on consistently applying seven enduring principles:

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

. . . with continued growth and renewed possibilities . . .

Group Value Added Statement

for the year ended 28 February 2007

PICK 'n PAY STORES LIMITED AND ITS SUBSIDIARIES

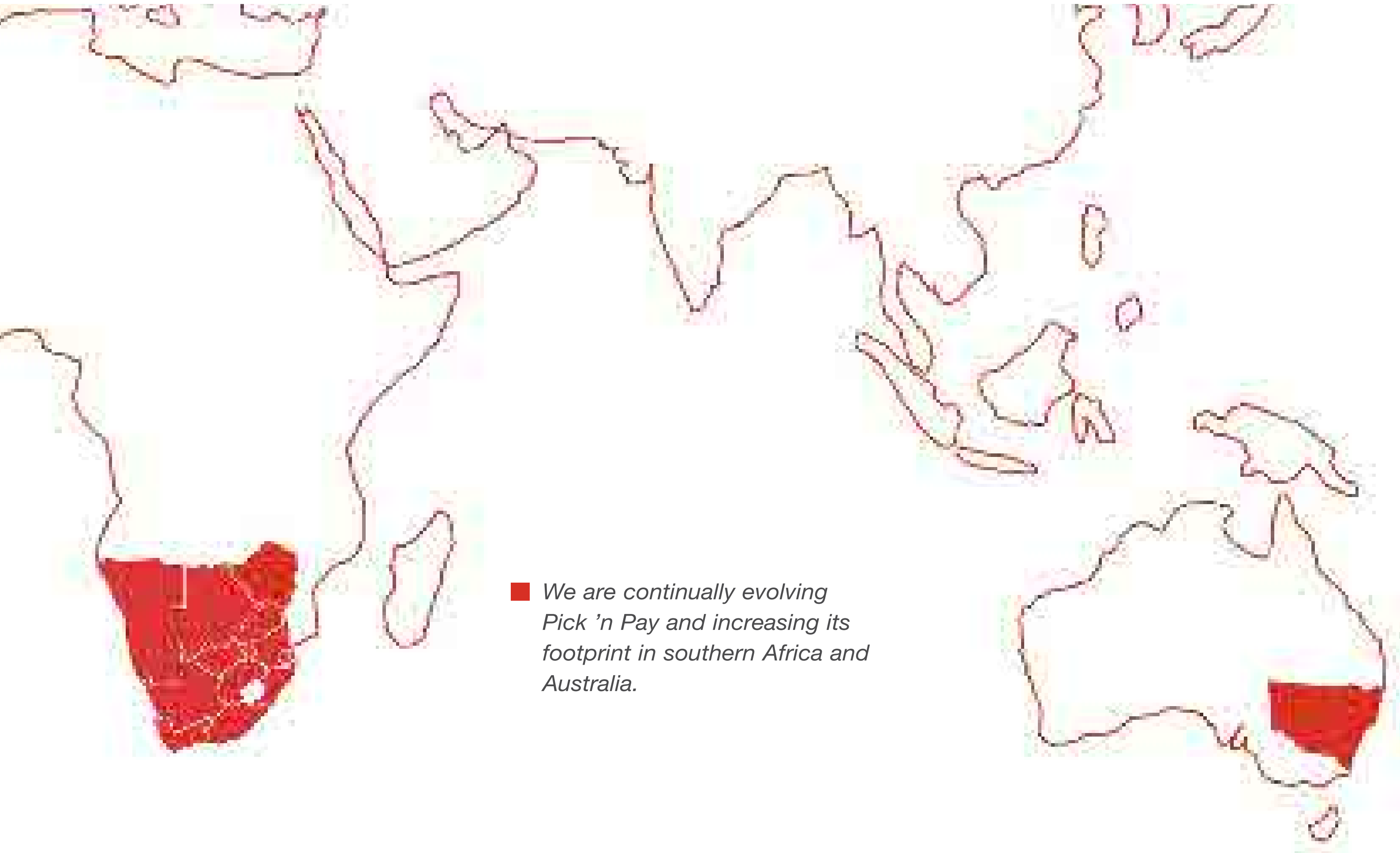
	Feb 2007 Rm	Feb 2007 % of turnover	Feb 2007 %	Feb 2006 Rm	Feb 2006 % of turnover	Feb 2006 %
Turnover	**39 337.1**			35 078.4		
Amounts paid for merchandise and expenses	**(33 913.1)**			(30 268.3)		
Interest and dividends received	**41.6**			56.9		
Share of associate's profit	**26.1**			23.4		
Value added	**5 491.7**	**14.0**	**100.0**	4 890.4	13.9	100.0
Utilised						
Employee salaries, wages and other benefits	**3 810.6**		**69.4**	3 439.8		70.3
Investors: Dividends and interest paid	**573.1**		**10.4**	489.6		10.0
Tax	**529.7**		**9.6**	384.5		7.9
Retained for – Replacement of assets	**426.4**		**7.8**	325.4		6.7
– Growth	**151.9**		**2.8**	251.1		5.1
	5 491.7		**100.0**	4 890.4		100.0

STORE FORMATS

	Number of stores		
			Projected
	2006	2007	2008
Hypermarkets	14	16	18
Supermarkets	152	159	163
Franchise	179	190	210
Clothing	18	24	29
Liquor stores	22	36	56
Pharmacies (within Hypermarkets)	6	10	12
Supermarkets	126	127	127
Supermarkets	54	60	65
Hardware stores	3	6	10
Franklins			
Supermarkets	79	76	79
Franchise	—	2	10
Total number of stores	**653**	**706**	**779**
Associate			
Supermarkets	54	56	56

. . . for all our stakeholders.

Growing new partnerships both locally and globally...



We are continually evolving Pick 'n Pay and increasing its footprint in southern Africa and Australia.

THE NUMBER OF EMPLOYEES IN THE PICK 'n PAY FAMILY

	2005	2006	**2007**
Corporate	47 700	49 000	**49 200**
Southern Africa	43 100	44 600	**44 800**
Australia	4 600	4 400	**4 400**
Franchise	12 700	13 200	**14 000**
Total	**60 400**	**62 200**	**63 200**

A sound mission

We serve

With our hearts we create a great place to be

With our minds we create an excellent place to shop

Key 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

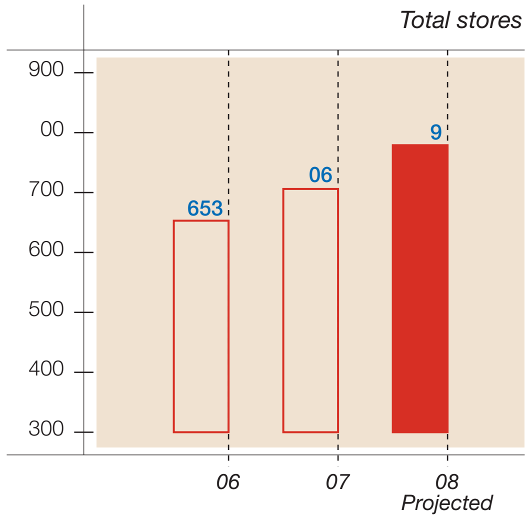
We take individual responsibility

We foster personal growth and opportunity

We support and participate in our communities

We are all accountable

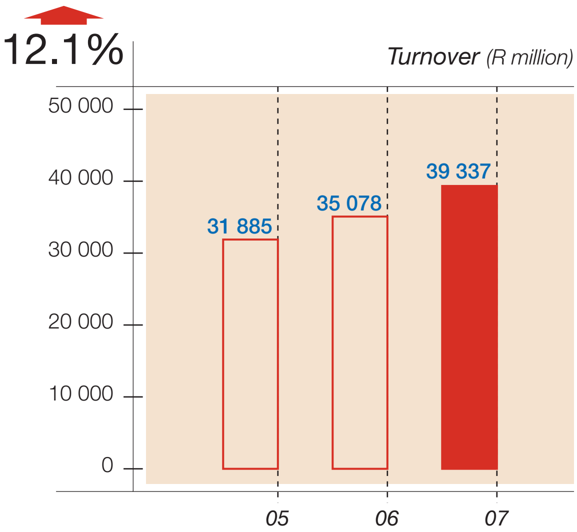
We live by honesty and integrity

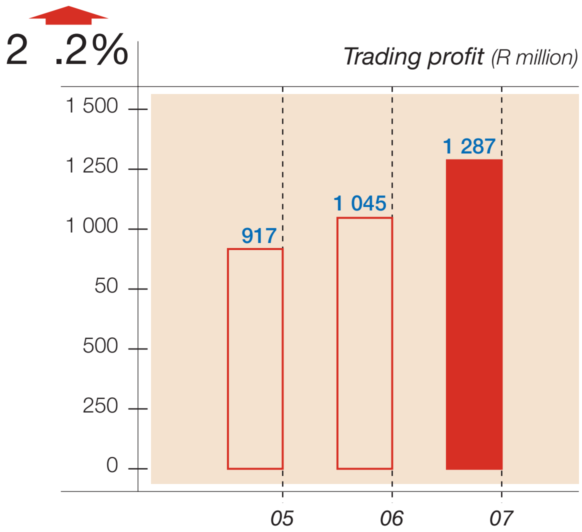


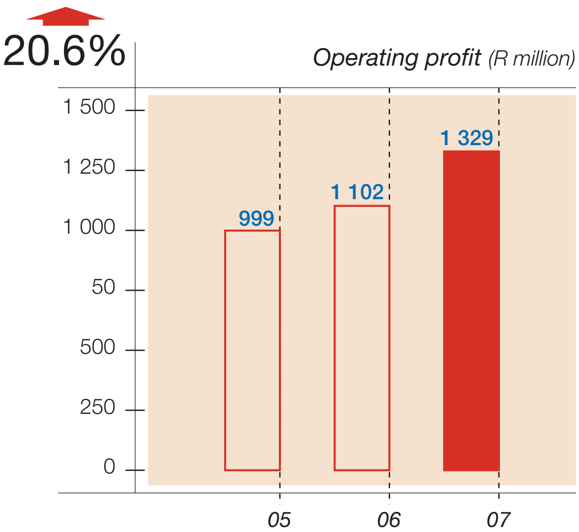
Our solid foundation will ensure a future filled with great achievements . . .

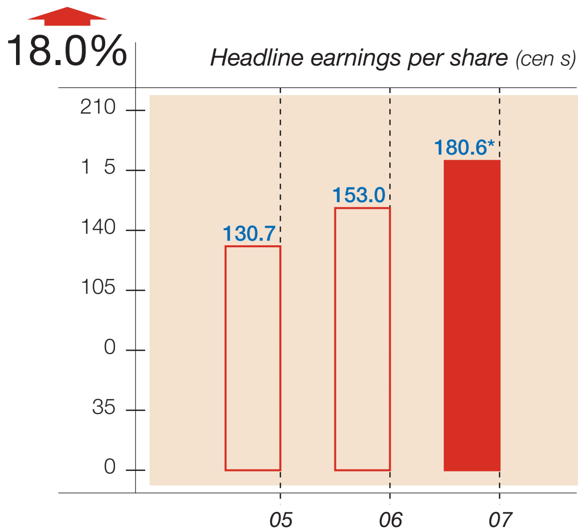
Financial Highlights

for the year ended 28 February 2007

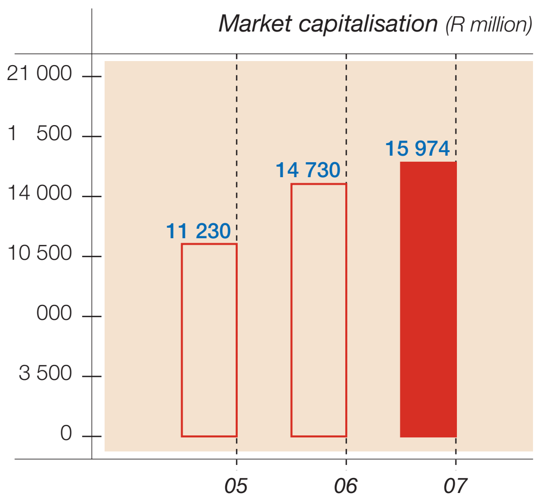


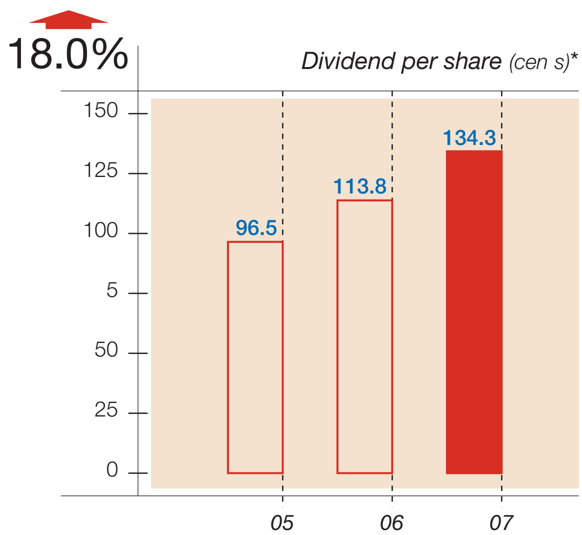






*Before reversal of deferred tax asset (note 6)





*The dividend per share presented above is the interim dividend paid in the current ear and the final dividend declared after ear-end, but in respect of current ear profit7

Chairman's Statement

for the year ended 28 February 2007

Raymond Ackerman
Chairman

OPENING COMMENT

It has been a busy year for our company.

Off a very high base, Pick 'n Pay turned in a solid result, yielding an increase in our dividend for the year of 18%.

A number of milestones characterised the year under review. Our CEO, Sean Summers, ended 33 years' service, 11 of which at the helm. Under his leadership the Company was taken to a new level which led to strong financial growth and a significantly increased shareholder value. On behalf of the Board, I would like to thank Sean again for a wonderful tenure.

As always, the group remains future focused and has continued its tradition of long-term planning and long-term thinking

Our new CEO, Nick Badminton, previously our Retail MD, is ideally placed to succeed Sean. Nick has already made his presence felt in the best possible way and has overseen a thorough strategic review of the Group. A number of new appointments have been made under Nick's leadership and a series of very exciting initiatives will be announced during the 2008 financial year.

As always, the Group remains focused on the future and has continued its tradition of long-term planning and long-term thinking. To this end, we have recommitted ourselves to Australia with a further A$50 million capital investment and a strategic focus on franchise.

We will also be opening our Longmeadow Distribution facility in Gauteng, which is an evolutionary step in terms of supply chain management and distribution.

Another manifestation of our forward planning is our investment in operating efficiency and increased analytical capability through our investment in SAP, which is now being rolled out.

I am pleased to report that we have appointed both a fulltime Sustainable Development General Manager and a Transformation director, both of which illustrate the importance we place on these issues. Issues of employment equity, entrepreneurial development and commercial equity in particular are receiving our full attention.

On the sustainability front, we have recorded a number of highlights this year, which are addressed in our abridged sustainability report on page 20.

During this financial year, we contributed R46 million, or a full 7% of post-tax profit, on social initiatives.

While in the past, these issues were not seen as important by investors, they are now, correctly, seen as key to a responsible retailer's future, and I am proud that Pick 'n Pay has led the way.

Last year, I reported that we had embarked on a strategic rethink, facilitated by Bain Management Consultants. This "health check" has developed into a new strategy which will be implemented in the coming year.

What has not changed, of course, are our values and principles that lie at the foundation of our business and in particular as they pertain to our adherence to the highest standards of corporate governance.

We have also worked hard on our relationship with our unions and have elected a high-road in terms of how we structure our relationship in the future. Our discussions with them have been honest, forthright and most encouraging.

OBSERVATIONS

In November, we opened our first Hypermarkets in some 14 years, both stores in the Pretoria area, with a further two due to be opened this coming year.

All of our retail operations performed well, although Score's result was disappointing.

During the second half of the year, the cost of certain staple items began to rise well above the rate of inflation. This is a worrying trend, particularly as it relates to the price of maize, a highly sensitive item in the South African environment. Pick 'n Pay continues to make every effort to keep the price of staple foods as low as possible and frequently, retails basic bread at below cost.

ACKNOWLEDGEMENTS

Our core retail division has again produced strong earnings growth under Nick Badminton's stewardship and our franchise operation under "Family" has had a very good year. Nick and his team have concentrated on improving our offering, increasing our footprint and importantly, planning for our future. New concept stores in the Cape and Gauteng have been positively accepted by customers.

Aubrey Zelinsky and his team have done very well at Franklins in reducing losses and in rolling out franchise. The systems have worked well, the warehouse facility has delivered an efficient service, costs were reduced, and management continues to be motivated. I thank Aubrey and his team for their good performance.

We also thank Chris Reed and his team at Score for all the work undertaken in the past year. Hugh Bland and his team performed extremely well at Boxer and I would like to congratulate 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.

CLOSING REMARKS

Pick 'n Pay has built its reputation on quality, price and commitment to community. It has been an interesting exercise this year to review how our consumers see us, and particularly in looking closely at their views on price. It has become clear to us that our reputation for quality and community commitment is well understood by our customers. However, while we have delivered consistently on price, their perception is not necessarily aligned. It remains for us to demonstrate that they really do have it all – quality, price and an unwavering commitment to community.

Probably the most important value that our customers give us is their trust. This is something we will never compromise or undervalue.

Our Government has proved yet again that their management of the economy is commendable. We have achieved a great deal in the 13 years of our democracy, but much still has yet to be done. In particular, our focus must be on improving education, crime prevention, job creation and health and to this end, Pick 'n Pay will continue to invest in strategic community projects aimed at assisting in these four core areas.

As a Group we have also committed a further R30 million over the next 3 years to promote broad-based black enterprise development.

I thank Nick for the leadership he has already shown and for what is to come in the years ahead.

There is a new energy at Pick ’n Pay as we celebrate our 40th year and I am looking forward to 2008

Colin Hultzer has elected to retire from the Board at the next AGM. We thank him for his many years of wise counsel and especially for his dedication as Chairman of the Audit Risk and Compliance Committee. We wish him well for the future.

I would also like to take the opportunity of welcoming Jeff van Rooyen to the Board. We will benefit much from the value, experience and innovation he will bring to our Board and wish him a long and happy relationship with us.

There is a new energy at Pick ’n Pay as we celebrate our 40th year and I am looking forward to 2008.

Raymond Ackerman

Chairman

Boards of Directors

1. 2. 3. 4. 5. 6. 7.

Pick 'n Pay Stores Limited

EXECUTIVE DIRECTORS

1. **Raymond Ackerman**•‡ (76)
   Chairman
   Appointed 1968
   Years of Service 40

2. **Nick Badminton** (45)
   CEO
   Appointed 1 March 2007
   Years of Service 27

3. **David Robins**** (53)
   Deputy Chairman
   Appointed 2002
   Years of Service 12

4. **Wendy Ackerman**
   Employee Liaison & Benefits
   Appointed 1981
   Years of Service 40

5. **Dennis Cope** (56)
   Group Finance Director
   Appointed 1997
   Years of Service 29

Sean Summers (53)
CEO
Retired 28 February 2007
Years of Service 33

NON-EXECUTIVE DIRECTOR

6. **Gareth Ackerman***†•‡ (49)
   Non-Executive Director
   Appointed 1990

INDEPENDENT NON-EXECUTIVE DIRECTORS

7. **René de Wet**†•‡ (64)
   Appointed 1975

8. **Hugh Herman***† (66)
   Appointed 1976

9. **Ben van der Ross***‡ (60)
   Appointed 2000

10. **Colin Hultzer***†•‡ (71)
    Audit, Risk and Compliance Committee Chairman
    Appointed 1991

8. 9. 10. 11. 12. 13. 14.

11. **Connie Nkosi**•
Appointed 1996

12. **David Nurek***† (57)
Remuneration Committee Chairman
Lead Non-Executive Director
Appointed 1999

13. **Jeff van Rooyen*** (57)
Appointed 5 March 2007

COMPANY SECRETARY

14. **Gary Lea** (41)
Appointed April 2002
Years of Service 10

Pick 'n Pay Holdings Limited

Gareth Ackerman (49)
Chairman
Appointed 1987

Raymond Ackerman (76)
Appointed 1981

Wendy Ackerman
Appointed 1981

René de Wet (64)
Appointed 1981

Hugh Herman (66)
Appointed 1981

Colin Hultzer (71)
Appointed 1993

* Members of the Audit, Risk and Compliance Committee
† Members of Remuneration Committee
• Members of Nomination Committee
‡ Members of Corporate Governance Committee
** German

Overview of the year's result

As we enter our 40th year of serving our customers we are pleased to report that the Group has produced another strong performance.

Turnover

Group turnover at R39.3 billion showed an increase of 12.1% for the year. This was after a strong second half trading performance, producing a 13.9% increase.

Trading Profit

Trading profit increased by 23.2% and the trading profit margin from 3.0% to 3.3% in the current year.

Operating Profit

The operating profit increase of 20.6% is lower than that of trading profit due to the decrease in interest received. The lower interest received is a result of the average cash balances being lower than last year due to significant capital investments of R1.1 billion, and increased dividend payments and share repurchases.

Nick Badminton
Chief Executive Officer

Group turnover at R39.3 billion showed an increase of 12.1%

Headline Earnings per Share

Headline earnings per share increased by 18.0%, before the reversal of a deferred tax asset of R46.4 million in relation to previous years' Score operating losses. As this charge has not arisen from current year activity we consider a headline earnings calculation excluding this charge to more fully reflect the Group's result for the year. The deferred tax asset has been reversed in light of Score's disappointing current year performance. In this regard we have also impaired goodwill of R36.3 million relating to Score. This goodwill impairment has no effect on headline earnings.

Dividends

We have increased our final dividend by 18.5% to 107.25 cents per share for Pick 'n Pay Stores Limited and 52.35 cents per share for Pick 'n Pay Holdings Limited. This brings the total dividend for the year to 134.25 cents per share for Pick 'n Pay Stores Limited and 65.52 cents per share for Pick 'n Pay Holdings Limited.

Pick 'n Pay Retail division

The Pick 'n Pay Retail division produced a solid performance showing real growth in both turnover and Group profit contribution.

Supermarkets

We opened 10 new corporate stores during the year, converted 2 corporate stores to the Pick 'n Pay Family franchise format and had to close our Claremont store in Cape Town due to the site being redeveloped. Claremont will re-open during the 2009 financial year. For the 2008 financial year we already have 7 new corporate stores confirmed to be opened and will convert 3 to the franchise format.

Family Franchise

We continue to expand our successful Family franchise format opening 11 new stores during the past financial year including one in Namibia.

We have another exciting year ahead of us, opening a further 20 Family stores during the 2008 financial year, including 3 corporate conversions.

Hypermarkets

The opening of 2 new Hypermarkets in Montana and Centurion during the second half of the financial year was a highlight. We have received good customer acceptance of our new design of Hypermarket and we expect these openings, together with the 2 new Hypermarkets planned for the 2008 financial year, to provide a revived momentum for growth in this large store format.

Other brands

The division continues to expand its other store formats increasing the number of stand-alone Clothing stores to 24 and Liquor stores to 36 at year end. During the next financial year we will open a further 5 Clothing and 20 Liquor stores.

Nedbank, in conjunction with Pick 'n Pay, has re-launched and rejuvenated the Go Banking customer offering with a very focused campaign to expand its customer base. Early indications of this new campaign are very positive.

Group Enterprises

Score Supermarkets

Score continued its conversion of stores to the Nambawane format completing 18 conversions in the second half of the year. These additional refurbishments helped Score produce a better second half performance. Nevertheless we are disappointed with the results for the year and in this regard are reviewing various options on the future direction of Score. The brand now operates 127 stores.

Boxer Superstores

Boxer had a very good year, despite the toughening trading conditions, showing good real growth in both turnover and profit contribution. Boxer opened 9 new stores including 3 Boxer Build hardware stores. During the 2008 financial year, Boxer will continue to expand its footprint by opening a further 5 supermarkets and 4 Boxer Build hardware stores.

TM Supermarkets

The TM operation in Zimbabwe continues to show great resilience in a very difficult trading environment. The operation has produced another very strong performance. However, due to the worsening economic conditions in Zimbabwe and a lack of available foreign exchange, the possibility of remitting dividends is currently remote.

As the exchange rate at which we would realistically be able to remit funds has deteriorated we have impaired the carrying value of our investment by R64 million to R9.1 million.

Notwithstanding this we continue to give our full support to the management of TM and hope that the economic situation in Zimbabwe improves in the not too distant future.

Fruit & Veg City

In February 2007 we decided jointly with Fruit & Veg City, following the Competition Commission recommendation, not to pursue the acquisition.

Franklins Australia

The results for the year reflect a substantial improvement in overall profitability and general operational efficiencies. A $10.2 million turnaround reduced losses from $19.0 million to $8.8 million through the stability and cost effectiveness of its new warehousing and distribution capabilities.

During the year 3 new corporate stores were opened and a further 3 stores are confirmed to be opened in the 2008 financial year. In the same period 5 stores were closed, 2 of which were relocated in existing shopping centres.

In order to capitalise and build on the current business platform the Board has committed to a significant capital investment programme in our corporate stores over the coming years. This additional investment in the Franklins business confirms the Board's commitment to growing our business in Australia.

The Franklins Franchise system was successfully launched during the year with the conversion of 2 stores (1 being the conversion of a corporate store). Since conversion, both of these franchise stores have shown double digit sales growth.

The roll-out of further franchise stores is now a priority and we are pleased to report that we have recently concluded agreements for the conversion of a further 4 stores to the Franklins Franchise system. This will take the total number of franchise stores to 6. We are confident that these conversions, together with others planned for the 2008 financial year, will give momentum to the expansion of the Franklins Franchise system.

Transformation of the Group from a BEE perspective has been given renewed priority

Sustainability

To illustrate the importance Pick 'n Pay places on sustainability, we have appointed a full time sustainability General Manager, Tessa Chamberlain to head up and drive our sustainability strategy for the Group. We have included a high level summary of the report later in this annual report.

Transformation

Transformation of the Group from a BEE perspective has been given renewed priority. We have appointed Suzanne Ackerman-Berman as the Transformation director with the specific task of ensuring the Group makes significant progress over the next five years on all seven pillars of the DTI's BEE scorecard. Our immediate emphasis will be on:

- Enterprise development by expanding the work currently undertaken by our BEE foundation
- Attaining the goal of having 60 black franchisees within 3 years
- Formalising and practicing the policy on preferential procurement
- Developing programmes to fast track employment equity candidates in all departments

Systems

The conversion to SAP accounting systems throughout the Group is in progress with a successful implementation of the finance module in the head office accounting department, the Western Cape region and Score Supermarkets. The Western Cape region is converting all store back office systems and,

together with the rest of the Retail division, these conversions will be completed during the 2009 financial year. We are confident that the new system will be more robust and lead to greater operating efficiencies.

Strategy

We have completed a strategic review of the South African business with the assistance of Bain Management Consultants. We completed a similar review in 1994 which resulted in over 10 years of substantial growth.

We have had a chance to absorb the review findings and have put in place an integrated change plan to set us up for the next 10 years.

A substantial element of the review was in-depth customer research with 2 000 customers across South Africa. Listening to one's customers is always an enlightening experience and this was no different. This confirmed to us that we have strong appeal across all of South Africa. It also highlighted some important areas where we need to improve.

Our vision is to extend our position as South Africa's favourite and most admired grocery retailer.

This vision is built on five strategic pillars.

Defend and grow leadership in LSM 8-10 heartland

Our core market is the relatively affluent Living Standard Measure (LSM) 8-10 customer. We must continue to meet and exceed the needs of this demanding customer group. We are undertaking a range of initiatives the most important of which are:

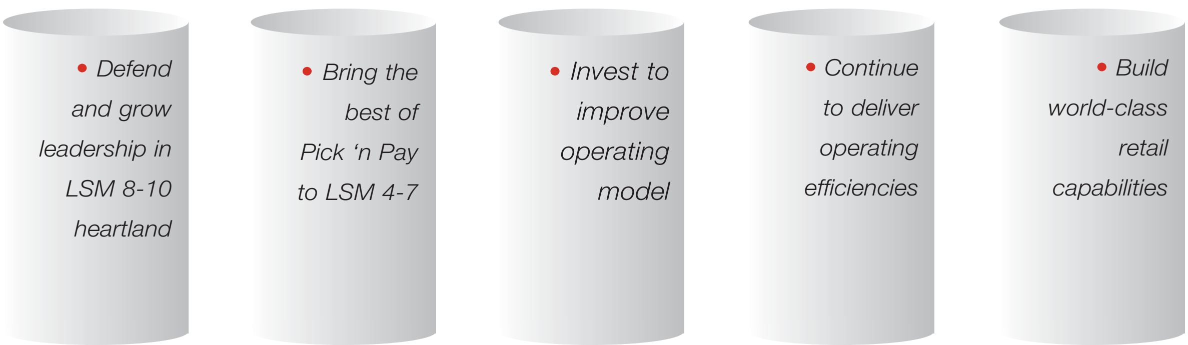
- In-store delivery – get it right at the front line
- Continuous improvement of 'Fresh'
- Faster, simpler shopping experiences
- Relentless focus on improving value for money
- Targeted relevant marketing communications
- Elevating our best stores to an even higher level

Bring the best of Pick 'n Pay to LSM 4-7

We have a significant untapped opportunity to grow in historically disadvantaged areas. We have heard loud and clear from our customers that they want Pick 'n Pay. We will be expanding our store footprint rapidly whilst at the same time ensuring that the Pick 'n Pay experience is every bit as good as it is in our more 'upmarket' stores.

Through our in-store and local marketing communications we will also be working hard to improve our price perception. We have the best prices in the country but can do more to get our message across. We must convince our customers that they do have it all: great stores, great products, great service and great prices.

5 Strategic Pillars



Our vision is to extend our position as South Africa's favourite and most admired grocery retailer

"Black Diamonds"™ is the term TNS Research Surveys gives to the emerging and emerged black middle and upper class – an important and highly influential consumer group comprising 2.6 million customers, spanning all LSM groups. We were particularly pleased to see that Pick 'n Pay ranked first in 17 of 19 factors that are most important to Black Diamond consumers.

Invest to improve the operating model

This includes two important initiatives: Supply chain and SAP. Our supply chain will evolve over the next three to four years to the point where more than 60% of our merchandise is distributed centrally rather than direct to store. This will help us improve our on-shelf availability, in-store space utilisation, and achieve cost efficiencies that will enable us to offer even lower prices to our customers.

As mentioned the SAP roll-out continues and will be complete in the next 12 to 18 months. We are already seeing significant benefits from this project.

Continue to deliver operating efficiencies

We have set ourselves a challenging target for Group operating expenses and will meet this by eliminating unnecessary waste and through further improvements to our processes.

Build world-class retail capabilities

We continue to invest in the development of our own people and making selective external appointments where we need to bring in specific areas of expertise. Our organisation will also continue to evolve.

There is a vast amount of activity in the business right now to deliver against these priorities and we have already made great progress.

Prospects

With the launch of our 40th birthday campaign and various other initiatives throughout the Group, we are confident of being able to achieve good growth in headline earnings per share during the 2008 financial year.

I wish to thank my management teams for all of their support and commitment over the last year.

Nick Badminton

Chief Executive Officer

MESSAGE FROM NICK BADMINTON – CEO

Previously Pick ’n Pay has reviewed its sustainable development performance in the Company’s annual report. This year represents the first time that we publish dedicated reports for our customers, employees and suppliers, as well as a comprehensive report online. This reflects the growing importance the Company places on this critical issue, as well as the increasing attention that our customers are placing on sustainability as a whole.

Indicative also of our commitment is the appointment of a fulltime and dedicated General Manager, Tessa Chamberlain, whose specific brief is to ensure that Pick ’n Pay’s sustainability strategy reaches its fullest potential, and serves as a business benchmark.

Those of you familiar with the Company will know that our commitment to community underpins the founding values of the Company. An early manifestation of this was our compliance with the 1987 Montreal Protocol and the preparation of a 14 point plan for the environment. In 1990, we launched our Green Range of products, while in 1991 the company completed its first-ever Environmental Audit.

There have been numerous environmental milestones since then, the most recent being Pick ’n Pay becoming the first major South African retailer to engage with the WWF’s Southern African Sustainable Seafood Initiative, to improve the sustainability of our seafood business.

Pick ’n Pay is also the first retail company in South Africa to participate in the Carbon Disclosure Project. We recently announced our partnership with and major sponsorship of the Organic Freedom Project, an enterprise development project aimed at growing and processing organic products, including biofuel. The project is operated by the non-profit organisation Organic Freedom Project (OFP).

In keeping with the Company’s focus on social investment, Pick ’n Pay contributed R46 million, or a full 7% of post-tax profit, on social initiatives during the 2007 financial year.

Our response to the challenge of sustainability reflects an appreciation of the role that a company of our size, reach and scale can have on the economic, social and environmental future of our country. Our experience over the past forty years 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.

Over the past year we have made meaningful progress in promoting sustainable development within Pick ’n Pay. Some of the highlights include:

- developing a sustainability vision and action plan with clear objectives and targets for the next five years on key issues;
- appointing a General Manager with specific responsibilities for promoting sustainable development throughout the Company;
- our commitment of an additional R30 million over the next 3 years to promote broad-based black economic empowerment, with a particular focus on enterprise development;
- our ongoing investments in promoting staff training and development, and in addressing HIV/Aids in the workplace;
- our continued efforts aimed at reducing our environmental footprint; and
- numerous initiatives supported through our CSI programme.

While it is encouraging to see the progress we have made over the past few years, I am looking forward to the exciting new sustainability initiatives we have in store for the coming years. We will be reporting on our progress for each of these initiatives, which I believe will further consolidate our reputation as a trusted employer and a responsible member of the community.

Thank you for reading this report. I would ask you to provide us with frank feedback on our performance.

Nick Badminton

Chief Executive Officer

STATEMENT BY TESSA CHAMBERLAIN GENERAL MANAGER, SUSTAINABLE DEVELOPMENT

As the recently appointed General Manager, Sustainable Development for the Pick 'n Pay Group, it is a pleasure to introduce the fourth annual review of our sustainable development performance. This section provides a succinct overview of our 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 2007.

We have presented this summary review in the form of feedback that responds to the specific interests of our principal stakeholder groups. A more detailed account of our sustainable development performance is provided in a separate online report.

Our vision and strategy for sustainable development has been changing apace with recent developments internationally, and reflects the growing recognition within the retail sector of the positive contribution that we can make to social and environmental issues. This potential lies both within the manner in which we manage our employees, stores and distribution activities, as well as the influence that we have through our vast network of relationships, including in particular the relationship with our consumers and suppliers.

The cornerstones of our sustainability vision include commitments to:

- furthering our efforts to promote black economic empowerment and enterprise development;
- reducing our carbon footprint throughout our operations by improved energy and transport management;
- minimising waste and energy usage;
- developing partnerships to promote more sustainable retailing; and
- promoting greater awareness and innovation in our business and throughout our value chain.

With the aim of communicating more effectively with our targeted stakeholder groups, we have this year also produced very brief separate sustainable development reports for our employees, customers and suppliers. These reports will be available from our website at www.picknpay.co.za

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OUR SUSTAINABLE DEVELOPMENT KEY PERFORMANCE INDICATORS

The following table summarises our performance against our sustainable development key performance indicators (KPI). These indicators are a sub-set of the more comprehensive data collected as part of our Sustainable Development Management Framework.

	Pick 'n Pay's sustainable development key performance indicators	2007 KPI performance	2006 KPI performance
Economic and related core baseline indicators	Turnover	R39.3 billion (12.1% increase)	R35.1 billion (10.0% increase)
	Trading profit	R1 287.2 million (23.2% increase)	R1 044.9 million (13.9% increase)
	Operating profit	R1 328.8 million (20.6% increase)	R1 101.6 million (10.3% increase)
	Headline earnings per share***	180.55 cents (18.0% increase)	153.02 cents (17.1% increase)
	Dividends paid per share	134.25 cents (18.0% increase)	113.80 cents (17.9% increase)
	Total number of stores and distribution centres	See page 4 for store numbers	See page 4 for store numbers
	Number of environmental, health and safety and/or governance legal incidents*	Nil	Nil
Employee issues Pick 'n Pay Retail Division only*	Total number of employees	35 063	34 484
	New jobs created (direct employment only)	579	1 955
	Employee turnover	10%	7.66%
	Age and gender mix by employee grade	See online report	See online report
	Work-related fatalities	1	Nil
	Number of classified injuries	1 054 injuries requiring time off work 491 injuries requiring minor attention	1 074 injuries requiring time off work 926 injuries requiring minor attention
	Investment in employee training and development**	R32 million	R35.8 million
	Number of lost man days due to industrial action	141.25 man days (0.002% of our trading days)	62 trading days
Environmental issues Pick 'n Pay Retail Division only*	Energy usage – total (excluding offices)	data being verified	496 million kWh
	Energy usage – per m^2 per annum (excluding offices)	data being verified	583 kWh
	Water consumption – total (excluding offices)	data being verified	1.5 million kilolitres
	Water consumption – per m^2 per annum (excluding offices)	data being verified	1.85 kilolitres
	Waste	Reliable data not currently available	Reliable data not currently available
	Fuel usage (commercial and home shopping fleet)	data being verified	576 624 400 million litres (diesel)
	Carbon footprint (calculated from store energy use and fleet fuel use)	data being verified	n/a
Corporate social investment	CSI total spend	R46 million – 7% of post-tax profit	R46 million – 7% of post-tax profit

*These performance indicators relate only to the operations of Pick 'n Pay Retailers (Pty) Limited.

**The calculation of total investment in employee training and development was revised this year to exclude certain criteria, for instance expenditure for conferences, which has resulted in the apparent decrease in total training spend.

***Before reversal of a deferred tax asset of R46.4 million in 2007.

PROGRESS AGAINST OUR PREVIOUSLY STATED COMMITMENTS

Key

good progress/ongoing high standards;

adequate progress;

limited progress/scope for improvement.

Our stated commitments for 2006/7	What we have done	Rating
Complete the internal consultative process aimed at finalising the Company's strategic vision for sustainability and agree priority action areas and timeframes for implementation.	We have identified opportunities and initiatives to guide the implementation of our strategy and are in the process of finalising a detailed action plan, with committed resource requirements and clear timeframes.	
Finalise the implementation and roll-out of our sustainability information management system.	An intranet-based monitoring and reporting system has been implemented aimed at tracking our performance against a comprehensive set of sustainability performance data.	
Undertake required training and awareness activities, and ensure appropriate allocation of resources and assigned responsibilities.	An initial sustainability training and awareness plan has been developed. We are in the process of reviewing internal resource requirements and will commence training and awareness activities.	
Identify and implement energy, water and waste minimisation initiatives in our stores and offices, starting this year with a number of pilot projects.	We undertook a waste, energy and water opportunity assessment on 2 supermarkets and 1 hypermarket. A pilot implementation and roll-out programme for all our stores is being finalised.	
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.	The focus of our current supply chain audits is on food safety issues. We will extend our current auditing practices to include other aspects of the business, as well as broader social and environmental issues as required.	

Our sustainable development commitments for 2007/8	
In line with the cornerstones of our sustainability vision	**Broad-based black economic empowerment:** we will continue with our efforts to ensure that we go beyond the requirements of the Codes of Good Practice on Broad-based Black Economic Empowerment (the Codes), building in particular on our recent work in enterprise development.
	Reduced carbon footprint: we aim to monitor and measure the carbon footprint of our internal business activities with the aim of reducing our footprint; we will further improve energy efficiency in our operations, and we will investigate the feasibility and benefits of purchasing green energy.
	Reduced waste: we will implement a waste minimisation action plan at 3 of our supermarkets and 2 of our hypermarkets, with a view to rolling out the programme nationwide, and we will introduce a waste-oil-to-biodiesel initiative.
	Focused innovation initiatives: we will undertake research with the aim of identifying initiatives to reduce the environmental footprint of our packaging, and we will investigate opportunities for greener products (including in particular oganic produce) and develop design criteria for eco-effective stores.
	Partnerships: we will further develop partnerships to promote more sustainable sourcing, fairer trading practices and greater awareness of sustainability issues.
	We will implement a **sustainability communications strategy** aimed at ensuring a long-term shift in organisational culture that promotes effectiveness, partnership and awareness.

PROMOTING BROAD-BASED BLACK ECONOMIC EMPOWERMENT

In terms of promoting sustainable development in South Africa, one of our principal priorities relates to the promotion of broad-based black economic empowerment. During the year we have made significant strides in our commitment to promoting effective empowerment as a core part of our business strategy. A particular focus of our efforts has been on encouraging enterprise development, where we have great potential to make a positive impact by supporting emergent or existing farming enterprises. Since 2005 we have invested R10.4 million into BEE projects and we are committed to investing a further R30 million over the next three years.

The table below presents an overview of the progress we have made in addressing the seven pillars of the Codes, as well as an indication of our areas for improvement.

Scorecard component	Performance review and focus areas
Equity ownership	■ Through our broad-based employee share ownership scheme, over 10 000 Pick 'n Pay employees own shares or share options in the Group. ■ Currently 12 of our 172 South African franchises are black-owned and operated (51% to 75% ownership) and we aim to increase that number to 60 over the next three years. ■ Our franchise academy is a pivotal mechanism for developing black entrepreneurs as store owners.
Employment equity and management control	■ The BEE committee oversees implementation of our employment equity (EE) strategy. ■ For the third consecutive year we have achieved most, and exceeded some, EE targets (see graph in online report).
Skills development	■ In addition to the existing opportunities for skills development offered to all employees, we have introduced new programmes on leadership skills. ■ Our franchise academy is very successful: six individuals graduated in June 2006 and seven will graduate in June 2007. A further 17 enrolled in January 2007. On completion of the two-year training, these historically disadvantaged individuals, including former employees, typically partner with experienced traders to gain experience and optimise the likelihood of a successful operation.
Preferential procurement	■ Our buyers and procurement officers are required to seek, identify and procure from BEE compliant suppliers and service providers. ■ An independent external data management company has been contracted to measure our BEE spend against total spend, inventory, capital and other items. ■ We work closely with our suppliers to understand their BEE score and, where possible, assist them to improve their score.
Enterprise development	■ This year our BEE Fund contributed a further R5 million to support emergent or existing BEE enterprises nationwide. These funds and sustainable partnerships are managed by the Ackerman Pick 'n Pay Foundation. In addition to finance, these enterprises have market access through the Pick 'n Pay supply chain. ■ Since 2005 we have invested R10.4 million into BEE projects and we are committed to investing a further R30 million over the next three years. ■ Further information on some of our key BEE projects – such as our Flower Valley (Western Cape), the Bethlehem Farmers Trust (Free State), and KM Cosmetics (Gauteng) – are available in our separate, more detailed sustainability report.
Socio-economic development initiatives	■ Our total expenditure on corporate social investment (CSI) this year was R46 million, representing 7% of post-tax profit. ■ Funding policies, procedures and systems have been refined in order to enhance our CSI strategy and practice. ■ This year we allocated 85 bursaries (R5 000 each) for the development of our employees and their respective families at secondary and tertiary levels. ■ We have a trust fund to assist children of our employees orphaned through HIV/Aids.

OUR SUSTAINABILITY PERFORMANCE AT A GLANCE – RESPONDING TO STAKEHOLDER INTERESTS

The summary review of our sustainability performance is provided in the form of a structured response to the main interests of our principal stakeholder groups as identified during an independent stakeholder review process undertaken in early 2006. Additional quantitative performance information is provided in the accompanying tables. A more comprehensive review of these issues, as well as a full account of the outcomes of the stakeholder review process, will be available in our separate sustainable development report, online.

	Stakeholder group and their interests	What we have done/are doing
Employees	Ensuring health and safety in the workplace	■ We regret to report one fatality during the year: at our Durban Workshop supermarket one of our assistant managers was shot and killed by a security guard who robbed the store. The security guard was arrested and is standing trial. ■ Our National Occupational Health and Safety policy has been expanded to incorporate working documents that guide implementation of our health and safety programme and address inconsistent levels of legal compliance. ■ An emergency evacuation procedure is being developed for implementation in each store. ■ The number of injuries requiring minor attention is down 47% on last year. ■ Medical assistance is available to all in-store employees during staffing hours.
	Improve communication of the Company's sustainability vision and strategy	■ We are in the process of planning a communications strategy to share our sustainability vision with our employees and to listen to their responses. Our approach emphasises a business case for greener retailing based on human development at all levels of the organisation, including personal responsibility and professional skills development.
	Details on wage negotiations	■ In 2006 Pick 'n Pay and SACCAWU concluded a two-year wage agreement, as well as an agreement covering improved productivity and extended trading hours.
	Provide training to ensure a competent, motivated workforce and personal development	■ Diverse opportunities for training and development are provided to all our employees, including: 110 various on-the-job and ABET programmes; 16 000 additional training interventions planned for the year, to provide staff with appropriate financial, managerial, technical and related skills; strategically focused programmes to promote leadership development and to address a scarcity of industry skills. ■ We continue to invest in our own people and make selective external appointments when required.
	Ensuring employee well-being	■ We provide good working conditions, including attractive rates of pay and opportunities for personal growth and development. ■ Valuable fringe benefits include: medical scheme subsidised by the Company; broad-based employee share-ownership scheme; compulsory non-contributory provident fund for all permanent employees; life assurance scheme, housing loans and funeral scheme; disability benefits; maternity/paternity benefits, and long-service leave.
Investors, analysts and business partners	Management of corporate governance issues	■ Longstanding structures are in place to ensure that the highest ethical standards of corporate governance are being maintained. ■ Full details of the composition and responsibilities of the Board and Board committees are available in our comprehensive online report.
	Black economic empowerment	■ A review of our BEE initiatives against the seven pillars of the BEE Charter is provided on page 24.
	Relations with trade unions	■ We have a good working relationship with organised labour: 61% of our total 35 063 employees are members of SACCAWU and 10% are members of JAMAFO. ■ In 2006 a two-year wage agreement was finalised with SACCAWU. ■ We had 142 CCMA cases during the year.

	Stakeholder group and their interests	What we have done/are doing
Investors, analysts and business partners *(continued)*	Management of sustainable development throughout the Company	■ Tessa Chamberlain has been appointed General Manager, Sustainable Development; she is supported by the Board and a management team with clearly defined responsibilities. ■ Further implementation has been undertaken of our Sustainable Development Management Framework, a coordinated and systematic approach towards the planning, implementation, monitoring and reporting of our sustainable development strategy and performance. ■ An internal intranet-based sustainability performance reporting system has been introduced, facilitating the generation of a greater level of quantitative data. ■ Our sustainability strategy seeks to make provision for the challenges presented by our decentralised operations.
	Management of HIV/Aids	■ Our HIV/Aids policy and prevention and support programme has been revised to incorporate broader social issues and illnesses, to ensure a more holistic and effective approach to addressing the challenge of HIV/Aids. ■ A new system is in place to profile and assess our voluntary group of over a thousand peer-educators who implement our awareness and prevention programme, on an ongoing basis, to all our employees. ■ Progress has been made in establishing partnerships with government to enable our employees to have access to anti-retrovirals from established sites.
Customers	Ensuring sound management of food safety and consumer health	■ All precautions are taken to ensure absolutely safe products of the highest quality. ■ Best practice food safety applications are implemented at every stage from product development and production to transportation and sale in stores. ■ Third-party auditors check that our food safety policy is practically implemented at store level. ■ House-brand suppliers are visited and monitored to ensure compliance with all relevant legal requirements; assistance is provided in the implementation of rigorous hygiene and food safety standards stipulated in our Supplier Food Safety Standard. ■ A third-party food safety auditor audits all our housebrand suppliers annually, or if required, within 6 months of the last audit. ■ It remains difficult to provide accurate and meaningful information about the genetically modified status of products stocked.
	Promoting healthy living	■ Various activities and services to promote healthier consumption patterns include making healthier foods available, ensuring appropriate and informative labelling, providing dietary guidance and awareness initiatives, and responding to queries on food health and safety. ■ During the year we experienced a 17.2% growth in the sales volume of our organic products, and a 61% growth in the number of organic lines that we are offering, from 225 to 363 product lines.
	Supporting the local economy and promoting job creation	■ We make an important economic contribution through the provision of direct and indirect employment, and the payment of taxes. ■ We have a preferential procurement policy aimed at generating business for local suppliers and service providers, with an additional focus on BEE. ■ We promote social upliftment through the supply of affordable goods and CSI activities.

Customers *(continued)*	Stakeholder group and their interests	What we have done/are doing
	Ensuring high levels of service and customer satisfaction	■ We continue to provide focused training to ensure a trained, motivated workforce. ■ Customer Service Managers are in each store (excluding our franchise Family Stores where owner management plays a role) to ensure high levels of service and customer satisfaction and to provide personal assistance with any specific needs. ■ Ongoing initiatives are in place to ensure a safe environment for our customers and staff. ■ A toll-free Customer Careline is available seven days a week. ■ Our Home Shopping division website is being upgraded and is increasingly popular, as is our Go Banking initiative in partnership with Nedbank.
	Activities to reduce our impact on the environment	■ Initiatives in place to conserve energy and water consumption include: the installation of upright merchandise freezers with glass doors; use of fluorescent light fittings with electronic ballasts; a small scale solar energy generating initiative; use of heat reclaim systems; and installation of air-cooled air-conditioning plants and air-cooled refrigeration systems. ■ A waste, energy and water assessment study has been undertaken at 3 supermarkets and 2 hypermarkets; pilot waste action plans are to be implemented during the next year. ■ Initiatives to reduce the impacts of transportation include: using low sulphur-content diesel and ozone-friendly lubrication (oils) in our distribution vehicles which are fitted with best practice devices for noise reduction; and ensuring our refrigeration units in trucks comply with EU standards and that vehicle emissions are regulated according to EU standards. ■ All coolants containing CFCs have been phased out. ■ Recycling bins are provided at some of our supermarkets and hypermarkets for plastic, cardboard and packaging recycling that is discarded from store wastes; several suppliers take back packaging and plans are under way to explore further packaging waste minimisation opportunities. ■ Alternative locally produced, and more environmentally benign "Green Bag" shopping bags are made available to shoppers.
	Corporate social investment	■ Our total expenditure on CSI this year was R46 million, representing 7% of post-tax profit. ■ Our focus areas include: education and literacy; entrepreneurial development; access to primary health care; assistance to the disabled, street children, Aids sufferers; HIV/Aids prevention and support programmes; road safety; housing; feeding schemes; and sponsoring various sporting events. ■ Prominent campaigns include: Sunflower Fund for the bone marrow registry; the Quadriplegic Association of South Africa (QASA); the Kids in Parks initiative; and the Pick 'n Pay School Club programme. ■ Focus areas of The Ackerman Pick 'n Pay Foundation are: arts and culture; rural and community development; and job creation initiatives – currently supporting 14 projects.

Ten-year Review

PICK ’n PAY STORES LIMITED AND ITS SUBSIDIARIES

R million unless otherwise stated	10-year compound annual growth	2007	2006	2005	2004	2003*	2002*	2001*	2000*	1999*	1998*
OPERATING RESULTS											
Turnover	15%	**39 337.1**	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
Trading profit	27%	**1 287.2**	1 044.9	917.2	721.3	633.3	470.3	366.6	280.9	170.9	147.4
Operating profit	21%	**1 328.8**	1 101.6	998.6	803.2	725.1	542.8	447.5	383.9	294.7	240.0
Headline earnings (in 2007 – before deferred tax asset reversal)	25%	**823.5**	705.6	612.5	511.9	457.0	357.3	300.4	243.4	175.2	147.1
CONSOLIDATED BALANCE SHEETS											
Assets											
Non-current assets											
Goodwill		**714.3**	634.9	634.2	687.6	742.1	704.1	–	–	–	–
Intangible assets		**190.3**	110.9	25.3	–	–	–	–	–	–	–
Property		**752.2**	499.0	251.6	182.3	110.9	95.4	70.3	119.6	129.5	111.7
Equipment and vehicles		**1 773.0**	1 374.7	1 159.3	1 045.4	877.2	855.1	817.2	818.1	661.3	407.5
Investments		**0.2**	9.3	3.6	2.7	176.4	195.5	195.5	181.5	97.5	125.6
Investment in associate		**9.1**	47.0	23.6	15.0	12.6	11.0	9.5	8.0	6.5	5.8
Loans		**108.8**	96.7	95.8	89.6	97.5	89.2	135.8	105.0	101.9	86.5
Operating lease asset		**5.9**	4.8	3.7	2.5	2.1	2.0	2.0	1.8	1.8	1.5
Participation in export partnerships		**67.8**	71.8	102.7	127.6	143.3	149.3	166.2	183.4	194.6	188.3
Deferred tax		**151.2**	238.3	209.7	94.1	32.7	(18.1)	(40.8)	(50.3)	(104.2)	(108.7)
		3 772.8	3 087.4	2 509.5	2 246.8	2 194.8	2 083.5	1 355.7	1 367.1	1 088.9	818.2
Current assets											
Inventory	14%	**2 367.4**	1 984.2	1 858.6	1 563.1	1 507.3	1 265.2	864.8	728.9	714.3	608.3
Trade and other receivables		**943.7**	750.7	634.5	628.1	495.7	357.5	287.1	301.6	165.4	136.8
Cash and cash equivalents		**709.1**	944.6	1 329.0	1 502.5	1 035.6	986.5	1 085.3	773.3	907.2	917.1
		4 020.2	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
Total assets		**7 793.0**	6 766.9	6 331.6	5 940.5	5 233.4	4 692.7	3 592.9	3 170.9	2 875.8	2 480.4
Equity and liabilities											
Ordinary shareholders’ equity		**1 015.4**	854.9	704.4	774.0	644.3	786.6	494.3	352.6	216.2	191.4
Minority interest		**–**	–	–	–	–	–	19.6	18.4	14.0	12.3
Non-current liabilities											
Long-term debt		**181.8**	192.9	199.2	188.2	243.3	241.3	242.3	89.4	98.9	191.4
Retirement scheme obligations		**129.0**	194.8	189.8	145.0	125.9	123.5	109.2	113.4	120.6	99.5
Operating lease liability		**584.3**	554.4	505.5	430.8	428.9	391.0	314.4	300.5	284.0	255.6
		895.1	942.1	894.5	764.0	798.1	755.8	665.9	503.3	503.5	546.5
Current liabilities											
Short-term debt		**51.6**	79.5	61.7	159.9	186.7	17.2	15.3	13.1	95.3	4.8
Trade and other payables	15%	**5 605.4**	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
Tax		**225.5**	236.3	388.7	270.6	209.4	236.0	213.2	237.7	129.0	125.2
		5 882.5	4 969.9	4 732.7	4 402.5	3 791.0	3 150.3	2 413.1	2 296.6	2 142.1	1 730.2
Total equity and liabilities		**7 793.0**	6 766.9	6 331.6	5 940.5	5 233.4	4 692.7	3 592.9	3 170.9	2 875.8	2 480.4
Directors’ valuation – Property		**1 029.0**	781.4	476.6	365.5	247.4	223.0	232.4	291.0	270.4	277.8
– Investments		**0.2**	9.3	3.6	2.7	176.4	195.5	195.5	181.5	97.5	125.6
STATISTICS											
Number of outlets – Corporate		**504**	468	425	428	391	332	221	224	234	216
– Franchise		**192**	179	172	162	157	139	193	176	185	237
Total selling area – Corporate 000m²		**875**	803	790	800	748	678	503	492	497	465
– Franchise 000m²		**224**	215	205	198	187	173	206	187	162	153
Number of TM supermarkets		**56**	54	54	53	53	53	50	49	48	46
Number of auto centres		**5**	5	5	5	5	10	9	14	14	14
Total number of employees – Corporate **000’s		**49.2**	49.0	47.7	44.7	31.0	27.3	24.5	24.7	25.2	25.1

*The Group adopted International Financial Reporting Standards (IFRS) in the 2006 financial year. 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.

		10-year compound annual growth	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
PERFORMANCE MEASURES												
Turnover growth	%	15	**12.1**	10.0	8.9	11.8	39.2	24.4	11.2	10.1	12.6	12.0
Trading profit growth	%	27	**23.2**	13.9	27.2	13.9	34.7	28.3	30.5	64.4	15.9	21.2
Operating profit growth	%	21	**20.6**	10.3	24.3	10.8	33.6	21.3	16.6	30.3	22.8	26.4
Headline earnings growth	%	25	**16.7**	15.2	19.7	12.0	27.9	18.9	23.4	38.9	19.1	63.3
Trading profit on turnover	%		**3.3**	3.0	2.9	2.5	2.4	2.5	2.4	2.1	1.4	1.3
Operating profit on turnover	%		**3.4**	3.1	3.1	2.7	2.8	2.9	3.0	2.8	2.4	2.2
Headline earnings on turnover	%		**2.1**	2.0	1.9	1.7	1.7	1.9	2.0	1.8	1.4	1.3
Return on shareholders' equity	%		**88.1**	90.5	82.9	72.2	63.9	55.8	70.9	85.6	86.0	88.1
Return on total assets	%		**11.3**	10.8	10.0	9.2	9.2	8.6	8.9	8.1	6.5	6.4
Headline earnings per share	cents	25%	**180.6**	153.0	130.7	108.7	94.5	71.6	61.4	50.1	36.6	31.2
Headline earnings per share growth	%		**18.0**	17.1	20.2	15.1	32.0	16.5	22.5	37.1	17.1	61.0
Net asset value per share	cents	16%	**283.4**	247.1	200.9	203.1	165.9	189.0	134.4	107.6	74.3	75.3
JSE LIMITED INFORMATION												
Pick 'n Pay Stores Limited (PICKNPAY)												
Number of shares in issue*	millions		**486.1**	486.1	486.1	483.4	483.4	497.1	501.3	494.8	486.9	480.2
Market capitalisation	Rm	21%	**15 974.4**	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
Price earnings ratio	times		**18.2**	19.8	17.7	16.2	13.2	13.8	19.6	21.4	17.1	21.3
Dividend per share	cents	19%	**134.3**	113.8	96.5	80.0	69.0	51.8	42.9	34.8	27.6	22.3
Dividend cover	times		**1.3**	1.3	1.4	1.4	1.4	1.4	1.4	1.4	1.3	1.4
PICKNPAY ordinary shares												
Volume of shares traded*	millions		**255.0**	147.9	140.2	133.7	171.6	191.4	128.9	130.2	97.2	75.1
Percentage of shares traded	%		**52.5**	30.4	28.8	27.7	35.5	38.5	25.7	26.3	20.0	15.6
Share price – High	cents		**3 631**	3 200	2 494	1 850	1 500	1 350	1 400	1 195	1 010	850
– Low	cents		**2 580**	2 150	1 630	1 160	900	900	850	700	330	520
– Year-end	cents		**3 286**	3 030	2 310	1 760	1 245	985	1 205	1 075	781	808
Pick 'n Pay Holdings Limited (PIKWIK)												
Number of shares in issue	millions		**527.2**	527.2	527.2	527.2	527.2	527.2	522.6	516.3	508.5	502.8
Headline earnings per share	cents	24%	**85.7**	73.9	64.7	54.9	49.1	37.4	31.1	25.4	18.5	15.6
Dividend per share	cents	19%	**65.5**	55.0	47.1	39.1	33.7	25.3	20.9	17.0	13.6	11.0
PIKWIK ordinary shares												
Volume of shares traded**	millions		**76.0**	39.9	61.1	49.9	72.5	90.4	108.9	115.0	101.8	58.0
Percentage of shares traded	%		**14.4**	7.6	11.6	9.5	13.8	17.1	20.8	22.3	20.0	11.5
Share price – High	cents		**1 570**	1 420	1 135	814	610	540	580	445	430	380
– Low	cents		**1 170**	1 040	760	490	385	381	335	260	150	242
– Year-end	cents		**1 484**	1 355	1 125	800	520	420	490	400	310	375

*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	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 per share declared during the current financial year and the final dividend per share declared after year-end, in respect of the current financial year

Analysis of Shareholders

as at 28 February 2007

PICK 'n PAY STORES LIMITED

SHAREHOLDER SPREAD No. of shares held	No. of share-holders	%	No. of shares millions	%
1 – 1 000	3 177	49.5	1.3	0.3
1 001 – 10 000	2 365	36.9	7.9	1.6
10 001 – 100 000	668	10.4	20.8	4.3
100 001 – 1 000 000	160	2.5	48.5	10.0
Greater than 1 000 000	47	0.7	407.6	83.8
	6 417	**100.0**	**486.1**	**100.0**

DISTRIBUTION OF SHAREHOLDERS				
Holding company	1	—	257.3	52.9
Banks	111	1.7	35.9	7.4
Close corporations	73	1.1	0.2	—
Endowment funds	48	0.7	1.0	0.2
Individuals	4 813	75.1	17.4	3.6
Insurance companies	43	0.7	7.7	1.6
Investment companies	21	0.3	12.3	2.5
Medical aid Schemes	10	0.2	0.7	0.1
Mutual funds	210	3.3	45.0	9.3
Nominees and trusts	740	11.6	13.4	2.8
Other corporations	60	0.9	0.5	0.1
Pension funds	161	2.5	60.5	12.4
Private companies	116	1.8	28.7	5.9
Public companies	9	0.1	0.8	0.2
Pick 'n Pay Employee share trust	1	—	4.7	1.0
	6 417	**100.0**	**486.1**	**100.0**

PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	5	0.1	288.9	59.4
Directors and their associates	2	—	1.2	0.2
Pick 'n Pay Holdings Ltd	1	—	257.3	52.9
Pick 'n Pay Retailers (Pty) Ltd	1	—	25.7	5.3
Pick 'n Pay Employee share trust	1	—	4.7	1.0
Public shareholders	6 412	99.9	197.2	40.6
	6 417	**100.0**	**486.1**	**100.0**

BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE		
Pick 'n Pay Holdings Ltd	257.3	52.9
Public Investment Corporation	38.9	8.0
Pick 'n Pay Retailers (Pty) Ltd	25.7	5.3
Old Mutual Group	9.7	2.0
Sanlam	8.5	1.7
Genesis	6.0	1.2
Rand Merchant Bank	5.4	1.1
Barclays Bank	5.0	1.0

PICK 'n PAY HOLDINGS LIMITED

SHAREHOLDER SPREAD No. of shares held	No. of share-holders	%	No. of shares millions	%
1 – 1 000	2 153	23.7	1.2	0.2
1 001 – 10 000	5 062	55.7	20.9	4.0
10 001 – 100 000	1 633	18.0	46.2	8.8
100 001 – 1 000 000	198	2.2	59.6	11.3
Greater than 1 000 000	34	0.4	399.3	75.7
	9 080	**100.0**	**527.2**	**100.0**

DISTRIBUTION OF SHAREHOLDERS				
Banks	38	0.4	8.3	1.6
Close corporations	79	0.9	0.9	0.2
Endowment funds	65	0.7	2.7	0.5
Individuals	6 742	74.3	57.2	10.7
Insurance companies	12	0.1	13.9	2.6
Investment companies	8	0.1	21.4	4.1
Medical aid scheme	3	—	0.4	0.1
Mutual funds	101	1.1	59.2	11.2
Nominees and trusts	1 704	18.8	315.9	60.0
Other corporations	62	0.7	1.3	0.2
Pension funds	64	0.7	19.4	3.7
Private companies	192	2.1	11.5	2.2
Public companies	9	0.1	0.3	0.1
Pick 'n Pay Employee share trust	1	—	14.8	2.8
	9 080	**100.0**	**527.2**	**100.0**

PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	19	0.1	280.7	53.2
Directors and their associates	11	0.1	8.6	1.6
Pick 'n Pay Stores Ltd directors	4	—	0.3	0.1
Ackerman Family Trust	1	—	254.9	48.3
Pick 'n Pay Retirement Scheme	1	—	0.6	0.1
Pick 'n Pay Employee share trust	1	—	14.8	2.8
Subsidiary company	1	—	1.5	0.3
Public shareholders	9 061	99.9	246.5	46.8
	9 080	**100.0**	**527.2**	**100.0**

BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE		
Ackerman Family Trust	254.9	48.3
Liberty Group	20.6	3.9
Old Mutual Group	19.8	3.8
Employee share trust	14.8	2.8
Public Investment Corporation	10.5	2.0
Investec	9.0	1.7
Investment Solutions	8.4	1.6
Nedbank Group	7.1	1.4

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 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 Pick 'n Pay Retail Division, the Group Enterprises Division and Franklins Australia. Each division has its own management board, with Franklins' Managing Director 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 eight 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 balances for buying forward on a rising market

LEADERSHIP DEVELOPMENT

The non-executive directors evaluate 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.

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 for download through our website. A brief outline of the role and responsibility of each committee is provided below:

- **Audit, Risk and Compliance:**
  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. The external and internal auditors have unrestricted access to the committee and all of its members throughout the year.
- **Remuneration:**
  This 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 at a competitive level in relation to 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 their interests to that of shareholders.

- **Nominations:**
  This 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:**
  This 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, who manages the Retail and GE management boards personally, has a managing director (MD) of Franklins to assist in discharging this responsibility. The duties and responsibilities of the MD 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 an 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 Pick ’n Pay Group shares must be approved internally as follows:

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

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

PARTY POLITICAL SUPPORT

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

DIRECTORS' ATTENDANCE AT MEETINGS

Pick 'n Pay Stores Limited Board meetings

Director	19 April 2006	1 June 2006	16 Oct 2006	16 Feb 2007	AGM 15 June 2006
Raymond Ackerman *(Chairman)*	P	P	P	P	P
David Robins *(Deputy Chairman)*	P	P	P	P	P
Sean Summers *(CEO)*	P	P	P	P	P
Gareth Ackerman	P	P	P	P	P
Wendy Ackerman	P	P	P	P	P
Dennis Cope	P	A	P	P	P
René de Wet	P	P	P	P	P
Hugh Herman	P	P	P	P	P
Colin Hultzer	P	P	A	P	P
David Nurek	P	P	P	P	P
Connie Nkosi	P	P	P	P	P
Ben van der Ross	P	P	P	P	P

Pick 'n Pay Holdings Limited Board meetings

Director	19 April 2006	16 Oct 2006	16 Feb 2007	AGM 15 June 2006
Gareth Ackerman *(Chairman)*	P	P	P	P
Raymond Ackerman	P	P	P	P
Wendy Ackerman	P	P	P	P
René de Wet	P	P	P	P
Hugh Herman	P	P	P	P
Colin Hultzer	P	A	P	P

Audit, Risk and Compliance committee meetings

Director	18 April 2006	13 Oct 2006
Colin Hultzer *(Chairman)*	P	P
Gareth Ackerman	P	P
David Nurek	P	P
Hugh Herman	P	P
Ben van der Ross	P	P

Remuneration committee meetings

Director	24 April 2006	9 Oct 2006
David Nurek *(Chairman)*	P	P
Gareth Ackerman	P	P
René de Wet	P	P
Hugh Herman	P	P
Colin Hultzer	P	P

P = Present A = Apology

NON-EXECUTIVE DIRECTORS' REMUNERATION

Directors are remunerated for various services rendered on behalf of the Board, as indicated in the table below:

Directors' fees

	2007	2006
Chairman of the Board	**R1 500**	R1 500
Lead Director	**R80 000**	R80 000
Member of the Board	**R240 000**	R240 000
Chairman of the Audit, Risk and Compliance committee	**R150 000**	R120 000
Member of the Audit, Risk and Compliance committee	**R60 000**	R40 000
Chairman of the Remuneration committee	**R80 000**	R80 000
Member of the Remuneration committee	**R40 000**	R40 000
Member of the Nominations committee	**R40 000**	R40 000

Shareholders' Information

ANNUAL GENERAL MEETINGS ("AGMs") 14 JUNE 2007

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 registered office, Pick 'n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town.

The minutes of the previous AGMs held on 15 June 2006 are available on our website.

DIVIDENDS

	Pick 'n Pay Stores Limited Share code: PIK ISIN code: ZAE000005443		Pick 'n Pay Holdings Limited Share code: PWK ISIN code: ZAE000005724			
	No.	Amount (cents)	No.	Amount (cents)	Last date of trade	Date of payment
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	27.00	50	13.17	1 Dec 2006	11 Dec 2006
Final	78	107.25	51	52.35	1 June 2007	11 June 2007
Interim	79		52		7 Dec 2007	18 Dec 2007
Final	80		53		6 June 2008	17 June 2008

PRELIMINARY PROFIT ANNOUNCEMENTS

Interim to 31 August 2007: about 16 October 2007

Final to 28 February 2008: about 22 April 2008

PUBLICATION OF 2008 ANNUAL REPORT

Mid-May 2008

REGISTERED OFFICE

Pick 'n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town 7708

COMPANY SECRETARY

Gary Lea

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PROMOTION OF ACCESS TO INFORMATION ACT

Information Officer – Penny Hinde

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AUDITORS

KPMG Inc.

ATTORNEYS

Edward Nathan Sonnenbergs Inc.

PRINCIPAL BANKERS

ABSA Limited, First National Bank of Southern Africa Limited

JSE LIMITED SPONSOR

Investec Bank Limited, 100 Grayston Drive, Sandton 2196

Group Annual Financial Statements and Other Information

CONTENTS

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.

Directors' Approval and Company Secretary's Certificate

PICK 'n PAY STORES LIMITED AND ITS SUBSIDIARIES

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 2007 and are signed on their behalf by:

Raymond Ackerman
Chairman

Nick Badminton
Chief Executive Officer

Dennis 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 2007

PICK 'n PAY STORES LIMITED AND ITS SUBSIDIARIES

To the members of

PICK 'n PAY STORES LIMITED

We have audited the Group annual financial statements and the annual financial statements of Pick 'n Pay Stores Limited, which comprise the balance sheets at 28 February 2007, and the income statements, the statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes and the directors' report, as set out on pages 41 to 83.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Pick 'n Pay Stores Limited at 28 February 2007, and its consolidated and separate financial performance and consolidated and separate 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 Auditor

Per **David Friedland**
Chartered Accountant (SA)
Registered Auditor
Director
8 May 2007
8th Floor
MSC House
Mediterranean Street
Cape Town
8001

PICK 'n PAY STORES LIMITED AND ITS SUBSIDIARIES

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 43 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	2007	% increase/ (decrease)	2006
Headline earnings (note 6)	**180.55***	18.0	153.02
Basic earnings (note 6)	**148.13**	(2.9)	152.49
Dividends (note 7)	**117.50**	17.5	100.00

*Headline earnings per share presented before the reversal of a deferred tax asset of R46.4 million. As the reversal has not arisen from current year activity the Group considers a headline earnings calculation excluding this charge to more fully reflect its result for the year.

DIVIDENDS PAID AND DECLARED

A cash dividend (No. 76) of 90.50 cents per share was paid to shareholders on 12 June 2006.

A cash dividend (No. 77) of 27.00 cents per share was paid to shareholders on 11 December 2006.

This brings the total dividend paid in the year to 117.50 cents per share, an increase of 17.5% on the dividend of 100.00 cents per share paid last year (see note 7 for further details).

The directors have declared a cash dividend (No. 78) of 107.25 cents per share. The last day of trade in order to participate in the dividend (cum dividend) will be Friday, 1 June 2007. Shares will trade ex dividend from the commencement of business on Monday, 4 June 2007 and the record date is Friday, 8 June 2007. The dividend will be paid on Monday, 11 June 2007. Share certificates may not be dematerialised or rematerialised between Monday, 4 June 2007 and Friday, 8 June 2007, both dates inclusive.

As dividend No. 78 was declared on 23 April 2007 it will only be accounted for in the 2008 financial year.

The declaration of this dividend will result in a charge for Secondary Tax on Companies of R61.7 million, which will be accounted for in the 2008 financial year.

SHARE CAPITAL

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

1 March 2006	486 133 882
Issued during the year	–
28 February 2007	**486 133 882**

At year-end a subsidiary company held 25 736 561 (2006: 25 736 561) treasury shares in the Company.

In addition to the above, as at year-end, the Pick 'n Pay Employee Share Purchase Trust held 4 401 561 shares in the Company and 14 780 363 shares in Pick 'n Pay Holdings Limited, which are accounted for as treasury shares. These shares are held to meet obligations of options granted.
A second subsidiary company also holds 1 520 103 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

SPECIAL RESOLUTIONS

On 15 June 2006 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 allow notices to be sent to directors and members via electronic means of communication.

Subsidiary companies' special resolutions

No special resolutions were passed by subsidiary companies during the year.

DIRECTORS AND SECRETARY

In terms of the Company's Articles of Association the directors listed on page 103 retire by rotation, and except for Colin Hultzer, offer themselves for re-election. Information pertaining to the directors and the secretary appear on pages 12 and 13.

HOLDING COMPANY

The holding company is Pick 'n Pay Holdings Limited.

DIRECTORS' INTEREST IN SHARES

	2007	2006
	%	%
Beneficial	**0.3**	0.7
Non-beneficial	**26.4**	26.2
	26.7	26.9

SUBSIDIARY COMPANIES

Details of subsidiary companies are presented in note 29.

BORROWINGS

The Company's overall level of debt decreased from R272.4 million to R233.4 million during the year.

Income Statements

for the year ended 28 February 2007

PICK 'n PAY STORES LIMITED AND ITS SUBSIDIARIES

	Notes	GROUP 2007 Rm	GROUP 2006 Rm	COMPANY 2007 Rm	COMPANY 2006 Rm
Revenue	1	**41 128.1**	36 664.9	**573.5**	499.3
Turnover		**39 337.1**	35 078.4	**—**	—
Cost of merchandise sold		**(32 443.2)**	(29 060.1)	**—**	—
Gross profit		**6 893.9**	6 018.3	**—**	—
Other trading income	1	**1 749.4**	1 529.6	**0.1**	8.8
Trading expenses		**(7 354.9)**	(6 500.5)	**(1.2)**	(5.3)
Employee costs		**(3 810.6)**	(3 439.8)	**—**	—
Occupancy		**(992.1)**	(901.3)	**—**	—
Operations		**(1 130.3)**	(954.3)	**—**	—
Merchandising and administration	1	**(1 421.9)**	(1 205.1)	**(1.2)**	(5.3)
Profit on sale of investments		**8.2**	—	**—**	—
Loss on sale of property, equipment and vehicles		**(9.4)**	(2.5)	**—**	—
Trading profit/(loss)	2	**1 287.2**	1 044.9	**(1.1)**	3.5
Interest received		**41.6**	56.7	**3.2**	4.8
Operating profit		**1 328.8**	1 101.6	**2.1**	8.3
Interest paid		**(49.3)**	(37.6)	**(3.2)**	(10.9)
Dividends received		**—**	0.2	**570.2**	485.7
Share of associate's profit	12	**26.1**	23.4	**—**	—
Impairment of investment in associate	12	**(64.0)**	—	**—**	—
Impairment of goodwill	8	**(36.3)**	—	**—**	—
Profit before tax		**1 205.3**	1 087.6	**569.1**	483.1
Tax	5	**(529.7)**	(384.5)	**—**	(34.5)
Profit for the year		**675.6**	703.1	**569.1**	448.6
Earnings per share – cents					
Basic	6	**148.13**	152.49		
Diluted basic	6	**139.86**	144.42		

Balance Sheets

as at 28 February 2007

PICK 'n PAY STORES LIMITED AND ITS SUBSIDIARIES

	Notes	GROUP 2007 Rm	GROUP 2006 Rm	COMPANY 2007 Rm	COMPANY 2006 Rm
ASSETS					
Non-current assets					
Goodwill	8	**714.3**	634.9	**—**	—
Intangible assets	9	**190.3**	110.9	**—**	—
Property, equipment and vehicles	10	**2 525.2**	1 873.7	**—**	—
Investments	11	**0.2**	9.3	**0.2**	0.2
Investments in subsidiaries	29	**—**	—	**38.3**	38.3
Investment in associate	12	**9.1**	47.0	**—**	—
Amount owing by a subsidiary company	19	**—**	—	**—**	94.1
Loans	13	**108.8**	96.7	**260.7**	81.3
Operating lease asset	22	**5.9**	4.8	**—**	—
Participation in export partnerships	14	**67.8**	71.8	**—**	—
Deferred tax	15	**151.2**	238.3	**—**	—
		3 772.8	3 087.4	**299.2**	213.9
Current assets					
Inventory	16	**2 367.4**	1 984.2	**—**	—
Trade and other receivables		**943.7**	750.7	**0.3**	—
Cash and cash equivalents		**709.1**	944.6	**—**	—
Tax	5	**—**	—	**2.6**	0.8
		4 020.2	3 679.5	**2.9**	0.8
Total assets		**7 793.0**	**6 766.9**	**302.1**	**214.7**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	17	**6.1**	6.1	**6.1**	6.1
Share premium		**26.0**	26.0	**26.0**	26.0
Equity element of convertible debentures	17	**16.0**	16.0	**16.0**	16.0
Treasury shares	18	**(630.2)**	(509.9)	**—**	—
Share-based payment reserve	4	**68.0**	38.8	**—**	—
Accumulated profits		**1 342.4**	1 248.1	**141.4**	143.5
Revaluation reserve		**—**	8.2	**—**	—
Foreign currency translation reserve		**187.1**	21.6	**—**	—
Total shareholders' equity		**1 015.4**	854.9	**189.5**	191.6
Non-current liabilities					
Amount owing to subsidiary company	19	**—**	—	**98.9**	—
Long-term debt	20	**181.8**	192.9	**—**	11.6
Retirement scheme obligations	21	**129.0**	194.8	**—**	—
Operating lease liability	22	**584.3**	554.4	**—**	—
		895.1	942.1	**98.9**	11.6
Current liabilities					
Short-term debt	20	**51.6**	79.5	**11.6**	9.7
Trade and other payables	23	**5 605.4**	4 654.1	**2.1**	1.8
Tax	5	**225.5**	236.3	**—**	—
		5 882.5	4 969.9	**13.7**	11.5
Total equity and liabilities		**7 793.0**	**6 766.9**	**302.1**	**214.7**

Statements of Changes in Equity

for the year ended 28 February 2007

PICK 'n PAY STORES LIMITED AND ITS SUBSIDIARIES

	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**
GROUP										
At 1 March 2005 – as previously stated		6.1	26.0	16.0	(423.8)	16.4	1 028.1	2.5	43.5	**714.8**
Prior year adjustment	31						(10.4)			**(10.4)**
At 1 March 2005 – as restated		6.1	26.0	16.0	(423.8)	16.4	1 017.7	2.5	43.5	**704.4**
Total recognised income and expense for the year							703.1	5.7	(21.9)	**686.9**
Profit for the year							703.1			**703.1**
Gains and losses recognised directly in equity:										
Revaluation of listed investments	11							5.7		**5.7**
Foreign currency translation									(21.9)	**(21.9)**
Dividends paid	7						(452.0)			**(452.0)**
Share repurchases	18				(132.0)					**(132.0)**
Take-up of share options by employees	18				45.9		(20.7)			**25.2**
Share options expense	4					22.4				**22.4**
At 28 February 2006		**6.1**	**26.0**	**16.0**	**(509.9)**	**38.8**	**1 248.1**	**8.2**	**21.6**	**854.9**
Total recognised income and expense for the year							675.6	(8.2)	165.5	**832.9**
Profit for the year							675.6			**675.6**
Gains and losses recognised directly in equity:										
Revaluation of listed investments recycled to the income statement	11							(8.2)		**(8.2)**
Foreign currency translation									165.5	**165.5**
Dividends paid	7						(523.8)			**(523.8)**
Share repurchases	18				(221.2)					**(221.2)**
Take-up of share options by employees	18				100.9		(57.5)			**43.4**
Share options expense	4					29.2				**29.2**
At 28 February 2007		**6.1**	**26.0**	**16.0**	**(630.2)**	**68.0**	**1 342.4**	**—**	**187.1**	**1 015.4**
COMPANY										
At 1 March 2005		6.1	26.0	16.0	—	—	181.0	—	—	**229.1**
Profit for the year							448.6			**448.6**
Dividends paid	7						(486.1)			**(486.1)**
At 28 February 2006		6.1	26.0	16.0	—	—	143.5	—	—	**191.6**
Profit for the year							569.1			**569.1**
Dividends paid	7						(571.2)			**(571.2)**
At 28 February 2007		**6.1**	**26.0**	**16.0**	**—**	**—**	**141.4**	**—**	**—**	**189.5**

Cash Flow Statements

for the year ended 28 February 2007

PICK 'n PAY STORES LIMITED AND ITS SUBSIDIARIES

	Notes	GROUP 2007 Rm	GROUP 2006 Rm	COMPANY 2007 Rm	COMPANY 2006 Rm
Trading profit/loss		**1 287.2**	1 044.9	**(1.1)**	3.5
Profit on sale of investments		**(8.2)**	—	**—**	—
Loss on sale of property, equipment and vehicles		**9.4**	2.5	**—**	—
Depreciation and amortisation	2	**426.4**	325.4	**—**	—
Share options expense	4	**29.2**	22.4	**—**	—
Net operating lease obligations	22	**28.8**	47.8	**—**	—
Increase/(decrease) in trade and other payables		**868.1**	377.9	**0.3**	(2.2)
Increase in inventory		**(383.2)**	(125.6)	**—**	—
(Increase)/decrease in trade and other receivables		**(189.1)**	(85.2)	**(0.3)**	3.6
Amounts advanced by a subsidiary company	19	**—**	—	**193.0**	66.4
Cash generated by trading activities		**2 068.6**	1 610.1	**191.9**	71.3
Interest received		**41.6**	56.7	**3.2**	4.8
Cash generated by operations		**2 110.2**	1 666.8	**195.1**	76.1
Interest paid		**(49.3)**	(37.6)	**(3.2)**	(10.9)
Dividends received		**—**	0.2	**570.2**	485.7
Dividends paid	7	**(523.8)**	(452.0)	**(571.2)**	(486.1)
Tax paid	5	**(449.9)**	(565.5)	**(1.8)**	(34.6)
Cash flows from operating activities		**1 087.2**	611.9	**189.1**	30.2
Acquisition of stores	8	**(2.2)**	(5.2)	**—**	—
Intangible asset additions	9	**(79.8)**	(90.0)	**—**	—
Property additions	10	**(280.3)**	(273.5)	**—**	—
Proceeds on disposal of property		**29.2**	25.3	**—**	—
Equipment and vehicle additions	10	**(743.3)**	(537.6)	**—**	—
Proceeds on disposal of equipment and vehicles		**—**	24.3	**—**	—
Leased vehicle additions	10	**(23.4)**	(25.3)	**—**	—
Proceeds on sale of investments		**9.1**	—	**—**	—
Loans advanced		**(12.1)**	(0.9)	**(179.4)**	(22.1)
Cash flows from investing activities		**(1 102.8)**	(882.9)	**(179.4)**	(22.1)
Debt (repaid)/raised		**(38.9)**	4.3	**(9.7)**	(8.1)
Share repurchases	18	**(221.2)**	(132.0)	**—**	—
Take-up of share options by employees		**43.4**	25.2	**—**	—
Cash flows from financing activities		**(216.7)**	(102.5)	**(9.7)**	(8.1)
Net decrease in cash and cash equivalents		**(232.3)**	(373.5)	**—**	—
Cash and cash equivalents at 1 March		**944.6**	1 329.0	**—**	—
Effect of exchange rate fluctuations on cash and cash equivalents		**(3.2)**	(10.9)	**—**	—
Cash and cash equivalents at 28 February		**709.1**	944.6	**—**	—

PICK 'n PAY STORES LIMITED AND ITS SUBSIDIARIES

Pick 'n Pay Stores Limited is domiciled in South Africa. The consolidated financial statements of the Company for the year ended 28 February 2007 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in its associate, TM Supermarkets (Pvt) Limited.

The consolidated and separate financial statements were authorised for issue by the directors on 8 May 2007.

The consolidated and separate financial statements are presented in South African Rands, which is the Company's functional currency, rounded to the nearest million, unless otherwise stated. They are prepared on the going concern and historical cost bases, unless otherwise stated.

Unless otherwise stated, all accounting policies of the Company are identical to that of the Group.

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 and separate financial statements have been prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board (IASB). 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 and separate financial statements. The accounting policies have been applied consistently by all Group entities.

Certain comparative amounts have been reclassified to conform with the current year's presentation (note 1).

BASIS OF CONSOLIDATION

Investment in subsidiaries

The consolidated 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, 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 is included in the consolidated financial statements.

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

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 of that interest 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 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 assets, liabilities and contingent liabilities acquired.

PICK 'n PAY STORES LIMITED AND ITS SUBSIDIARIES

Goodwill is stated at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill is allocated to the Group's subsidiaries (cash-generating units) which represent the lowest level within the Group at which goodwill is monitored for internal management purposes. The underlying key assumptions of the tests of impairment include, but are not limited to, profit and cash flow forecasts and multiples of weekly turnover. 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 taken directly to the income statement.

INTANGIBLE ASSETS

Development costs

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss when incurred.

Intangible assets acquired and subsequent expenditure

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.

Amortisation

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 current estimated useful life of development costs in respect of SAP software is seven 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.

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 when 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
Equipment and vehicles – leased	4 to 5 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.

Service contracts dependent on specific underlying assets

The Group adopted IFRIC 4: Determining whether an Arrangement contains a Lease, which is mandatory for annual periods beginning on or after 1 January 2006, in its 2007 consolidated financial statements. Where the Group enters into a contract that depends on the use of a specific asset and that contract conveys the right to use the specific asset, the arrangement is treated as a lease. Recognition criteria in terms of IAS 17: Leases are applied to determine whether the arrangement should be treated as a finance lease or an operating lease.

INVENTORY

Inventory comprises merchandise for resale and consumables. Inventory is measured 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 inventory losses. Obsolete, redundant and slow moving items are identified on a regular basis and are written down to their estimated net realisable values. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

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 comprise cash and cash equivalents, investments, trade receivables and loans, participation in export partnerships, payables and debt. These instruments are initially recognised at fair value. For those instruments not measured at fair value through profit and loss, transactions costs are included on initial measurement.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group’s contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and

PICK 'n PAY STORES LIMITED AND ITS SUBSIDIARIES

rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

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.

Trade receivables and loans

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

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 profit or loss is calculated using the effective interest rate method.

IMPAIRMENT OF ASSETS

Non-financial 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 profit or loss. 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.

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. 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 transferred to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of an asset or a cash-generating unit 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 for a non-financial asset 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 amortisation, if no impairment loss had been recognised. Impairment losses in respect of goodwill are not reversed.

An impairment loss for a financial asset is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

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.

TRADING PROFIT

Trading profit is net income and expenditure from trading operations, excluding interest received and interest paid.

OPERATING PROFIT

Operating profit is trading profit including interest received.

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 as an expense in profit or loss 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 recognised using the balance sheet liability method, providing for temporary differences between the

PICK ’n PAY STORES LIMITED AND ITS SUBSIDIARIES

carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not raised for the following temporary differences: the initial recognition of goodwill and the initial recognition of assets or liabilities in a transaction that is not a business combination and that neither affects accounting nor taxable profit.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged to profit or loss, 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 profit or loss, 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. To the extent that it is probable that STC credits will be utilised, a deferred tax asset is raised.

FOREIGN CURRENCY

Transactions in foreign currency

Transactions denominated in foreign currencies are translated to the functional currency of the Group at the rates of exchange ruling on the dates of the transactions. Gains and losses arising from such transactions are recognised in profit or loss on settlement date or balance sheet date, whichever is the earlier.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the rates of exchange ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and amortised cost in foreign currency translated at the exchange rate at the end of the period. The net effect of unrealised exchange rate differences is recognised in profit or loss in the period in which they occur, except for differences arising on the translation of available-for-sale equity instruments.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, 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 accruals 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 after 7 November 2002 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 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

A segment is a distinguishable component of the Group that is engaged in providing related products (business segment), or in providing products within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those of other segments. The Group’s primary format for segment reporting is based on geographic segments.

PICK 'n PAY STORES LIMITED AND ITS SUBSIDIARIES

	GROUP		COMPANY	
	2007 Rm	2006 Rm	**2007 Rm**	2006 Rm
1. REVENUE				
Revenue comprises:				
Turnover	**39 337.1**	35 078.4	**—**	—
Interest received	**41.6**	56.7	**3.2**	4.8
Dividends received	**—**	0.2	**570.2**	485.7
Other trading income	**1 749.4**	1 529.6	**0.1**	8.8
Incentive fee income	**1 625.5**	1 414.8	**—**	—
Franchise fee income	**94.6**	87.4	**—**	—
Property lease income	**29.3**	27.4	**—**	—
Administration fee income	**—**	—	**0.1**	8.8
	41 128.1	36 664.9	**573.5**	499.3
Cost recoveries of R119.7 million in respect of certain merchandise expenditure were reflected as incentive fee income in the prior year. These have been reclassified and are no longer shown as income, but reflected as a reduction of merchandise and administration expenditure. This reclassification has had no effect on earnings.				
2. TRADING PROFIT				
Trading profit is stated after taking into account the following expenses:				
Auditors' remuneration	**9.1**	6.7		
Audit	**7.6**	5.6		
Other	**1.5**	1.1		
Amortisation of intangible assets (note 9)	**7.8**	4.5		
Depreciation (note 10)	**418.6**	320.9		
Property	**11.9**	5.1		
Equipment and vehicles – owned	**384.9**	302.3		
Equipment and vehicles – leased	**21.8**	13.5		
Operating lease charges	**706.2**	641.0		
Property – minimum lease payments	**688.6**	620.1		
– turnover clause payments	**17.6**	20.9		
Operating lease charges				
Leases contained within service agreements	**54.4**	44.5		

PICK ’n PAY STORES LIMITED AND ITS SUBSIDIARIES

3. DIRECTORS’ REMUNERATION AND INTEREST IN SHARES

3.1 Directors’ remuneration

GROUP

In the current year, directors’ remuneration was paid by a subsidiary company.	Fees for Board meetings R’000	Fees for committee and other work R’000	Remu-neration R’000	Retirement and medical contri-butions R’000	Perfor-mance bonus* R’000	Fringe and other benefits R’000	Expense relating to share options granted R’000	Total R’000
2007								
Non-executive directors								
Gareth Ackerman**	240.0	240.0						480.0
René de Wet**	240.0	180.0						420.0
Hugh Herman**	240.0	100.0						340.0
Colin Hultzer**	240.0	330.0						570.0
Connie Nkosi	240.0	40.0						280.0
David Nurek	240.0	220.0						460.0
Ben van der Ross	240.0	60.0						300.0
	1 680.0	1 170.0	—	—	—	—	—	2 850.0
Executive directors								
Raymond Ackerman**	1.5	—	2 490.0	25.9	2 500.0	248.8	—	5 266.2
Wendy Ackerman**	1.5	—	522.9	—	700.0	111.0	—	1 335.4
Dennis Cope	1.5	—	1 429.5	332.1	2 000.0	191.6	829.1	4 783.8
David Robins	1.5	—	1 329.0	313.4	1 200.0	234.2	624.9	3 703.0
Sean Summers	1.5	—	3 304.2	720.8	—	5 822.0***	768.1	10 616.6
	7.5	—	9 075.6	1 392.2	6 400.0	6 607.6	2 222.1	25 705.0
Total remuneration 2007	**1 687.5**	**1 170.0**	**9 075.6**	**1 392.2**	**6 400.0**	**6 607.6**	**2 222.1**	**28 555.0**
2006								
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**

*The performance bonus relates to the amount provided for in the current financial year.
**Also directors of Pick ’n Pay Holdings Limited.
***Includes an amount of R5.4 million in respect of early retirement.

PICK ’n PAY STORES LIMITED AND ITS SUBSIDIARIES

3. DIRECTORS’ REMUNERATION AND INTEREST IN SHARES *(continued)*

GROUP

3.2 Share options held by directors 1997 Share Option Scheme	Year granted	Option grant price	Balance held at 1 March 2006	Granted during the year	Taken up in year at grant price	Forfeited during the year	**Balance held at 28 February 2007**	Gain on options taken up Rm	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**		Now
	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
	2006	28.00		12 857			**12 857**		April 2008
	2006	28.00		9 643			**9 643**		April 2009
	2006	28.00		9 643			**9 643**		April 2010
			663 934	32 143	—	—	**696 077**	—	
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**		Now
	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
	2006	28.00		7 857			**7 857**		April 2008
	2006	28.00		5 893			**5 893**		April 2009
	2006	28.00		5 893			**5 893**		April 2010
			295 653	19 643	—	—	**315 296**	—	
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**		Now
	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)	**—**		—
	2006	28.00		42 857			**42 857**		April 2008
	2006	28.00		32 143		(32 143)	**—**		—
	2006	28.00		32 143		(32 143)	**—**		—
			2 505 751	107 143	—	(564 286)	**2 048 608**	—	

*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 92.

3. DIRECTORS' REMUNERATION AND INTEREST IN SHARES *(continued)*

GROUP

3.3 Executive Share Incentive Scheme*

	Balance held at 1 March 2006 000's	Average purchase price per share R	Shares granted during the year 000's	Purchase price per share	**Number of shares at 28 February 2007 000's**	Date available
Dennis Cope	1 073.4	5.24	38.6	22.70	**1 112.0**	December 2007
David Robins	322.0	5.24	11.6	22.70	**333.6**	December 2007
Sean Summers	2 683.6	5.24	96.4	22.70	**2 780.0**	December 2007

*Granted prior to 7 November 2002

3.4 Directors' direct interest in shares

	Balance held at 1 March 2006 000's	Additions during the year	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 2007 000's**	Beneficial/ non-beneficial interest
Dennis Cope	200.1	—	—	—	—	—	**200.1**	Beneficial
Sean Summers	2 190.0	—	—	(1 190.0)	33.9	40.4	**1 000.0**	Beneficial

Except for the indirect interest in the shares of the Company through Pick 'n Pay Holdings Limited (see page 93) no other directors have either a direct beneficial or non-beneficial interest in the shares of the Company.

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 have to 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

		GROUP 2007 Number of options 000's	GROUP 2006 Number of options 000's
4. SHARE-BASED PAYMENTS *(continued)*			
Outstanding share options			
Movement in the total number of share options granted is as follows:			
At 1 March		**27 963.2**	17 508.6
New options granted*		**5 866.5**	12 969.7
Options taken up**		**(2 703.3)**	(1 622.4)
Options forfeited		**(1 648.0)**	(892.7)
At 28 February		**29 478.4**	27 963.2
Percentage of isued shares		**6.1%**	5.7%
Options available for granting under current authorisation		**35 177.4**	36 692.6
*Average grant price of options granted during the year		**R27.79**	R22.22
**Average grant price of options taken up during the year		**R10.50**	R8.82
Outstanding options may be taken up during the following financial years:			
Year	Average grant price		
2008	R11.48	**6 179.3**	
2009	R14.48	**4 602.1**	
2010	R20.23	**3 874.8**	
2011	R22.14	**10 681.7**	
2012 and thereafter	R26.62	**4 140.5**	
		29 478.4	
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 96.			
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		**4 401.6**	131.0
On behalf of share purchase scheme participants		**252.9**	299.4
		4 654.5	430.4

PICK 'n PAY STORES LIMITED AND ITS SUBSIDIARIES

4. SHARE-BASED PAYMENTS *(continued)*

Fair value

The Group 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.

The fair value of each option grant in Pick 'n Pay Stores Limited (PIK) and Pick 'n Pay Holdings Limited (PWK) 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	PWK	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	PWK	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	PWK	881.2	1	R8.75	R7.90	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	PWK	1 076.4	1	R12.75	R11.49	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
2007	PWK	860.8	1	R14.84	R13.25	18.94	3.98	8.37
2007	PIK	5 866.5	2 – 7	R25.80 – R34.10	R25.00 – R29.75	22.35 – 35.50	3.65 – 4.35	6.97 – 8.70

[a] The expected volatility is determined based on the rolling historical volatility over the expected option term that prevailed at the grant date.

[b] 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.

[c] 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	GROUP 2007 Rm	GROUP 2006 Rm
The movement in the share-based payment reserve is as follows:		
At 1 March	**38.8**	16.4
Share options expense for the year	**29.2**	22.4
At 28 February	**68.0**	38.8

PICK 'n PAY STORES LIMITED AND ITS SUBSIDIARIES

	GROUP 2007 Rm	GROUP 2006 Rm	COMPANY 2007 Rm	COMPANY 2006 Rm
5. TAX				
Tax comprises:				
South African normal tax				
– current year	**393.0**	383.3		1.8
– prior year overprovision	**—**	(44.6)		—
Deferred tax (note 15)				
– current year	**71.3**	46.3		—
– prior year overprovision	**—**	(55.6)		—
Secondary tax on companies				
– current year	**46.1**	74.4		32.7
– deferred (note 15)	**19.3**	(19.3)		—
Total tax charge	**529.7**	384.5	**—**	34.5
	%	%	**%**	%
Statutory tax rate	**29.0**	29.0	**29.0**	29.0
Exempt income	**(0.3)**	(0.2)	**(29.1)**	(29.2)
Secondary tax on companies	**5.4**	5.1	**—**	6.8
Non-deductible share options expense	**0.7**	0.6	**—**	—
Other non-deductible expenditure	**1.1**	0.9	**0.1**	0.5
Share of associate's profit	**(0.6)**	(0.6)	**—**	—
Impairment of investment	**1.5**	—	**—**	—
Impairment of goodwill	**0.9**	—	**—**	—
Prior year deferred tax reversal	**—**	(5.1)	**—**	—
Reversal of previously recognised deferred tax asset	**3.8**	7.5	**—**	—
Prior year current tax reversal	**—**	(4.1)	**—**	—
Tax losses not utilised	**2.1**	2.6	**—**	—
Other	**0.3**	(0.3)	**—**	—
Effective tax rate	**43.9**	35.4	**—**	7.1
Tax paid comprises:	**Rm**	Rm	**Rm**	Rm
Owing to/(due from) – 1 March	**236.3**	388.7	**(0.8)**	(0.7)
Current tax charge	**393.0**	383.3	**—**	1.8
Prior year overprovision	**—**	(44.6)	**—**	—
Secondary tax on companies	**46.1**	74.4	**—**	32.7
(Owing to)/due from – 28 February	**(225.5)**	(236.3)	**2.6**	0.8
Total tax paid	**449.9**	565.5	**1.8**	34.6

PICK 'n PAY STORES LIMITED AND ITS SUBSIDIARIES

	GROUP	
	2007 Cents per share	2006 Cents per share
6. BASIC, HEADLINE AND DILUTED EARNINGS PER SHARE		
Basic (note 6.1)	**148.13**	152.49
Headline – before deferred tax asset reversal (note 6.1)*	**180.55**	153.02
Headline (note 6.1)	**170.38**	153.02
Diluted basic (note 6.2)	**139.86**	144.42
Diluted headline (note 6.2)	**160.79**	144.92
*As the reversal of the deferred tax asset has not arisen from current year activity the Group considers a headline earnings calculation excluding this charge to more fully reflect its result for the year		
6.1 Basic and headline earnings per share	**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)	**675.6**	703.1
Headline earnings before deferred tax asset reversal	**823.5**	705.6
Headline earnings	**777.1**	705.6
and:	**Number of shares 000's**	Number of shares 000's
The weighted average number of ordinary shares in issue during the year:	**456 137.4**	461 072.2
Reconciliation between basic and headline earnings:	**Rm**	Rm
Basic earnings (profit for the year)	**675.6**	703.1
Adjustments:	**101.5**	2.5
Profit on sale of property	**—**	(4.3)
Loss on sale of equipment and vehicles	**9.4**	6.8
Profit on sale of investments	**(8.2)**	—
Impairment of investment in associate	**64.0**	—
Impairment of goodwill	**36.3**	—
Headline earnings	**777.1**	705.6
Reversal of deferred tax asset	**46.4**	—
Headline earnings before deferred tax reversal	**823.5**	705.6

PICK 'n PAY STORES LIMITED AND ITS SUBSIDIARIES

	GROUP	
	2007 Number of shares 000's	2006 Number of shares 000's
6. BASIC, HEADLINE AND DILUTED EARNINGS PER SHARE *(continued)*		
Movement in the weighted average number of ordinary shares in issue comprises:		
At 1 March	**461 072.2**	468 703.6
Prior year share issue now fully weighted	**—**	707.5
Current year net share repurchases by a subsidiary company	**(4 128.9)**	(2 231.2)
Prior year share repurchases now fully weighted	**(971.9)**	(6 658.4)
Prior year sale of treasury shares by the share trust, now fully weighted	**166.0**	550.7
At 28 February	**456 137.4**	461 072.2
	Rm	Rm
6.2 Diluted basic and diluted headline earnings per share		
The calculation of diluted basic earnings and diluted headline earnings per share is based on:		
Diluted basic earnings	**677.9**	706.5
Diluted headline earnings	**779.4**	709.0
and:	**Number of shares 000's**	Number of shares 000's
The diluted weighted average number of ordinary shares in issue during the year:	**484 717.2**	489 171.2
Reconciliation between basic and diluted headline earnings:	**Rm**	Rm
Basic earnings (profit for the year)	**675.6**	703.1
Debenture interest after tax	**2.3**	3.4
Diluted basic earnings	**677.9**	706.5
Headline earnings adjustments (note 6.1)	**101.5**	2.5
Diluted headline earnings	**779.4**	709.0
Reconciliation of the weighted average number of ordinary shares in issue for diluted earnings per share:	**Number of shares 000's**	Number of shares 000's
Weighted average number of ordinary shares in issue (note 6.1)	**456 137.4**	461 072.2
Shares to be issued on conversion of debentures (note 17)	**20 000.0**	20 000.0
Dilutive effect of share options	**8 579.8**	8 099.0
Weighted average number of ordinary shares in issue for purposes of calculating diluted earnings per share	**484 717.2**	489 171.2

Refer to note 17 for the number of shares in issue.

PICK 'n PAY STORES LIMITED AND ITS SUBSIDIARIES

	GROUP AND COMPANY	
	2007 Cents per share	2006 Cents per share
7. DIVIDENDS		
No. 76 – declared 19 April 2006 – paid 12 June 2006	**90.50**	76.70
No. 77 – declared 16 October 2006 – paid 11 December 2006	**27.00**	23.30
Total dividends paid for the year	**117.50**	100.00
	Rm	Rm
Total value of dividends paid by the Company	**571.2**	486.1
Dividends paid to Group entities	**(47.4)**	(34.1)
Total value of dividends paid by the Group	**523.8**	452.0
For further details, including dividends declared after 28 February 2007, refer to the Directors' Report on page 41 and shareholders' information on page 36.		

	GROUP	
	2007 Rm	2006 Rm
8. GOODWILL		
Cost		
At 1 March	**634.9**	634.2
Acquisition of stores	**2.2**	5.2
Foreign currency translation	**113.5**	(4.5)
	750.6	634.9
Impairment – Score Supermarkets Operating Limited Group	**(36.3)**	—
Carrying value at 28 February	**714.3**	634.9
In accordance with the Group's accounting policies, an impairment test of goodwill has been performed (refer page 47). The tests performed identified an impairment in the goodwill carried in respect of Score Supermarkets. The key assumptions underlying the impairment review performed are not anticipated to change in the foreseeable future.		
9. INTANGIBLE ASSETS		
Software development		
Cost		
At 1 March	**115.4**	25.3
Additions	**79.8**	90.0
Foreign currency translation	**8.8**	0.1
At 28 February	**204.0**	115.4
Accumulated amortisation		
At 1 March	**4.5**	—
Amortisation charge for the year	**7.8**	4.5
Foreign currency translation	**1.4**	—
At 28 February	**13.7**	4.5
Carrying value at 28 February	**190.3**	110.9

PICK 'n PAY STORES LIMITED AND ITS SUBSIDIARIES

10. PROPERTY, EQUIPMENT AND VEHICLES	GROUP Property owned Rm	Equipment and vehicles owned* Rm	Equipment and vehicles leased** Rm	Total 2007 Rm
2007				
Cost				
At 1 March 2006	552.7	2 994.8	139.7	**3 687.2**
Additions	280.3	743.3	23.4	**1 047.0**
Disposals	(29.2)	(161.4)	—	**(190.6)**
Foreign currency translation	14.0	76.7	7.6	**98.3**
At 28 February 2007	**817.8**	**3 653.4**	**170.7**	**4 641.9**
Accumulated depreciation				
At 1 March 2006	53.7	1 738.5	21.3	**1 813.5**
Disposals	—	(152.0)	—	**(152.0)**
Depreciation charge for the year	11.9	384.9	21.8	**418.6**
Foreign currency translation	—	35.2	1.4	**36.6**
At 28 February 2007	**65.6**	**2 006.6**	**44.5**	**2 116.7**
Carrying value at 28 February 2007	**752.2**	**1 646.8**	**126.2**	**2 525.2**
Directors' valuation of property at 28 February 2007	**1 077.9**			

	Property owned Rm	Equipment and vehicles owned* Rm	Equipment and vehicles leased** Rm	Total 2006 Rm
2006				
Cost				
At 1 March 2005 – as previously stated	304.2	2 517.4	96.2	**2 917.8**
Prior year adjustment – recognition of finance leases contained in service agreements (note 30)	—	—	25.7	**25.7**
At 1 March 2005 – as restated	304.2	2 517.4	121.9	**2 943.5**
Additions	273.5	537.6	25.3	**836.4**
Disposals	(25.0)	(59.8)	(7.5)	**(92.3)**
Foreign currency translation	—	(0.4)	—	**(0.4)**
At 28 February 2006	**552.7**	**2 994.8**	**139.7**	**3 687.2**
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	—	0.2	—	**0.2**
At 28 February 2006	**53.7**	**1 738.5**	**21.3**	**1 813.5**
Carrying value at 28 February 2006	**499.0**	**1 256.3**	**118.4**	**1 873.7**
Directors' valuation of property at 28 February 2006	**831.2**			

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

**Leased equipment and vehicles secure lease liabilities disclosed in note 20.

Property with a carrying value of R89.5 million (Directors' valuation – R137.8 million) is ceded as security for long-term borrowings (refer note 20).

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

	GROUP 2007 Rm	GROUP 2006 Rm	COMPANY 2007 Rm	COMPANY 2006 Rm
11. INVESTMENTS				
Listed shares at market value				
Prism Holdings Limited	**—**	8.7		
Mobile Industries Limited	**—**	0.4		
Total listed shares at 28 February	**—**	9.1	**—**	—
Reconciliation of carrying amount of listed shares:				
At 1 March	**9.1**	3.4		
Unrealised surplus on revaluation	**—**	5.7		
Sale of Prism Holdings Limited	**(8.7)**	—		
Sale of Mobile Industries Limited	**(0.4)**	—		
At 28 February	**—**	9.1	**—**	—
Comprising:				
Cost	**—**	0.9		
Unrealised surplus on revaluation	**—**	8.2		
Unlisted shares at fair value				
Business Partners Limited	**0.2**	0.2	**0.2**	0.2
Total investments at 28 February	**0.2**	9.3	**0.2**	0.2
Directors' valuation of unlisted investments	**0.2**	0.2	**0.2**	0.2

12. INVESTMENT IN ASSOCIATE	**Country**	**Ownership**	Ownership
The Group has the following investment in an associate:			
TM Supermarkets (Pvt) Limited	Zimbabwe	**25%**	25%
		Rm	Rm
At 1 March		**47.0**	23.6
Current share of profit		**26.1**	23.4
Impairment recognised		**(64.0)**	—
At 28 February		**9.1**	47.0
Comprising:			
Cost of investment		**5.0**	5.0
Share of post-acquisition profits		**68.1**	42.0
Impairment recognised		**(64.0)**	—
Summary hyper-inflated financial information of TM Supermarkets (Pvt) Limited – translated at closing rates		**100%**	100%
Assets		**53.9**	253.6
Liabilities		**34.1**	157.0
Equity		**19.8**	96.6
Turnover		**216.3**	1 338.1
Profit for the year		**7.9**	117.0

R24.1 million of the Group's current share of profits was recognised during the six month period ended 31 August 2006. During that period, the Zimbabwe Reserve Bank was holding official foreign currency auctions, and profits were translated at those official auction rates.

Foreign currency auctions are no longer held by the Zimbabwe Reserve Bank, therefore with no official auction rate, profits are currently translated into Rands at an accepted parallel rate (R1: Z$1 900 at 28 February 2007). This rapid deterioration in the exchange rate, together with worsening economic conditions and the lack of available foreign exchange in Zimbabwe, has necessitated an impairment in the Group's investment in TM Supermarkets.

PICK 'n PAY STORES LIMITED AND ITS SUBSIDIARIES

	GROUP 2007 Rm	GROUP 2006 Rm	COMPANY 2007 Rm	COMPANY 2006 Rm
13. LOANS				
The following loans have been advanced by subsidiary companies:				
Employees				
Directors				
At 1 March	**1.3**	1.3		
Advanced	**–**	–		
Repaid	**(0.5)**	–		
At 28 February	**0.8**	1.3	**–**	–
Other employees	**105.0**	88.4		
Loans to participants of the share purchase scheme	**2.7**	3.3		
Total employee loans	**108.5**	93.0	**–**	–
Trading loans	**0.6**	4.0		
Holding company loan	**(0.3)**	(0.3)		
Employee Share Purchase Trust	**–**	–	**260.7**	81.3
Total loans at 28 February	**108.8**	96.7	**260.7**	81.3

Loans to directors and employees are secured, bear interest at varying rates subject to a maximum rate of 8% (2006: 8%) per annum and have varying repayment terms. Loans to employees from the Employee Share Purchase Trust are payable within 10 years from the date of advance.

The loan by the Company to the Employee Share Purchase Trust is shown at cost, is interest free, has no fixed terms of repayment and is secured by the underlying assets of the trust and a guarantee from a subsidiary company.

	GROUP 2007 Rm	GROUP 2006 Rm	COMPANY 2007 Rm	COMPANY 2006 Rm
14. PARTICIPATION IN EXPORT PARTNERSHIPS During the years 1987 to 1999, a subsidiary company participated in various export partnerships, whose business was the purchase and export sale of marine containers. The partnerships bought and sold marine containers in terms of long-term suspensive purchase and credit sale agreements respectively, with repayment terms usually over a 10 to 15-year period.	**67.8**	71.8	**–**	–

The participation in export partnerships is measured at amortised cost using the effective interest rate method. Amortised cost is the cost of original participation less subsequent principal repayments received, plus the cumulative amortisation of the difference between the initial amount and the maturity amount, less any write down for impairment or uncollectability. Any impairment in the amounts due to the Group by virtue of its participation in export partnerships would result in a corresponding reduction in the carrying value of the related deferred tax liability. Consequently such impairment would have no impact on the income statement of the Group.

PICK ’n PAY STORES LIMITED AND ITS SUBSIDIARIES

	GROUP 2007 Rm	GROUP 2006 Rm
15. DEFERRED TAX		
The movement in deferred tax is as follows:		
At 1 March – as previously stated	**238.3**	205.5
Prior year adjustment – straight-lining of operating lease rentals (note 31)	**–**	4.2
At 1 March – as restated	**238.3**	209.7
Income statement movement	**(71.3)**	9.3
Export partnerships	**4.9**	6.7
Property, equipment and vehicles	**(8.0)**	5.6
Operating leases	**6.5**	10.8
Retirement benefits	**(19.1)**	1.5
Income and expense accruals	**(9.2)**	(3.2)
Reversal of deferred tax asset – Score Supermarkets (2006: Franklins)	**(46.4)**	(81.4)
Computed tax losses	**–**	13.7
Overprovision in respect of foreign currency translation	**–**	55.6
Secondary tax on companies	**(19.3)**	19.3
Balance sheet movement		
Foreign currency translation	**3.5**	–
At 28 February	**151.2**	238.3
Comprising:		
Computed tax losses*	**–**	46.4
Operating leases	**147.4**	140.9
Retirement benefits	**37.4**	56.5
Income and expense accruals	**56.3**	62.0
Secondary tax on companies	**–**	19.3
Export partnerships	**(70.7)**	(75.6)
Property, equipment and vehicles	**(19.2)**	(11.2)
Total deferred tax asset	**151.2**	238.3

*In respect of Score Supermarkets Operating Limited group, approximately R116.2 million of computed tax losses, for which no deferred tax asset has been raised, are available for set-off against future taxable income.
In respect of Interfrank Group Holdings Pty Limited (Franklins) in Australia, approximately R420.7 million of computed tax losses, for which no deferred tax asset has been raised, are available for set-off against future taxable income.

	GROUP 2007 Rm	GROUP 2006 Rm
16. INVENTORY		
Inventory comprises:		
Merchandise for resale	**2 351.2**	1 971.6
Consumables	**16.2**	12.6
	2 367.4	1 984.2

PICK ’n PAY STORES LIMITED AND ITS SUBSIDIARIES

	GROUP AND COMPANY	
	2007 Rm	2006 Rm
17. 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 the number of shares in issue during the year is as follows:	**Number of shares 000’s**	Number of shares 000’s
At 1 March	**486 133.8**	486 133.8
Shares issued	**—**	—
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 (note 18)	**4 401.6**	131.0
Treasury shares held in a subsidiary company (note 18)	**25 736.6**	25 736.6
	30 138.2	25 867.6
Shares held outside the Group	**455 995.6**	460 266.2
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.		
	Rm	Rm
Equity element of unissued 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.

PICK ’n PAY STORES LIMITED AND ITS SUBSIDIARIES

	GROUP	
	2007 Rm	2006 Rm
18. 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	**509.9**	423.8
Share repurchases	**221.2**	132.0
Take-up of share options by employees	**(100.9)**	(45.9)
At 28 February	**630.2**	509.9
The movement in the number of treasury shares held is as follows:	**Number of shares 000’s**	Number of shares 000’s
Pick ’n Pay Stores Limited		
At 1 March	**25 867.6**	22 996.4
Shares purchased during the year	**6 928.4**	4 319.7
Shares sold during the year, pursuant to the take-up of share options by employees	**(2 657.8)**	(1 448.5)
At 28 February	**30 138.2**	25 867.6
Comprises:		
Shares held by share trust	**4 401.6**	131.0
Shares held by a subsidiary company	**25 736.6**	25 736.6
Average purchase price of shares purchased during the year	**R30.84**	R25.87
Pick ’n Pay Holdings Limited		
At 1 March	**20 857.2**	22 865.2
Shares purchased during the year	**595.8**	1 594.7
Shares sold during the year, pursuant to the take-up of share options by employees	**(5 152.5)**	(3 602.7)
At 28 February	**16 300.5**	20 857.2
Comprises:		
Shares held by share trust	**14 780.4**	19 368.4
Shares held by a subsidiary company	**1 520.1**	1 488.8
Average purchase price of shares purchased during the year	**R13.38**	R12.99
	COMPANY	
19. AMOUNT OWING TO/(OWING BY) A SUBSIDIARY COMPANY		
At 1 March	**(94.1)**	(160.5)
Advances received during the year	**193.0**	66.4
As 28 February	**98.9**	(94.1)
The loan is unsecured, bears no interest and has no fixed terms of repayment.		

PICK 'n PAY STORES LIMITED AND ITS SUBSIDIARIES

	GROUP		COMPANY	
	2007 Rm	2006 Rm	**2007 Rm**	2006 Rm
20. INTEREST-BEARING DEBT				
Finance leases	**126.6**	120.7	**–**	–
Secured loans in respect of leased vehicles with a carrying value of R103.2 million (note 10) held under finance lease agreements bearing interest at prime bank rate less 2% and payable monthly in arrears, over a 4-year period.	**103.0**	95.0	**–**	–
Secured loans in respect of leased equipment with a carrying value of R23.0 million (note 10) held under finance lease agreements bearing interest at a current average rate of 10.99% and payable monthly in arrears, over a 5-year period.	**23.6**	25.7	**–**	–
Other debt	**106.8**	151.7	**11.6**	21.3
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 (note 17).	**11.6**	21.3	**11.6**	21.3
Short-term loan facility guaranteed by the Company and a subsidiary company, bearing interest at a current average rate of 3.69%.	**5.7**	37.4	**–**	–
Secured loan in respect of property with a carrying value of R89.5 million (note 10) bearing interest at 11.4% and payable monthly in arrears, over a 15-year period.	**89.5**	93.0	**–**	–
Total interest-bearing debt at 28 February	**233.4**	272.4	**11.6**	21.3
***Less:* Amount repayable within one year**	**(51.6)**	(79.5)	**(11.6)**	(9.7)
Amount repayable after one year	**181.8**	192.9	**–**	11.6
At 28 February finance lease rentals are payable as follows:				
Within 1 year				
Capital repayments	**30.4**	28.9		
Interest	**11.7**	9.0		
Cash flows	**42.1**	37.9		
Within 2 to 5 years				
Capital repayments	**96.2**	91.8		
Interest	**15.4**	11.7		
Cash flows	**111.6**	103.5		
Total cash flows	**153.7**	141.4		
Comprising:				
Capital	**126.6**	120.7		
Interest	**27.1**	20.7		

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 (including The Blue Ribbon Meat Corporation (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	2 644
Membership of SACCAWU National Provident Fund	787

The Score provident funds are administered by Alexander Forbes Consultants and Actuaries, who also provide consulting and actuarial servcies. 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	2 855
	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	301
	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	43
	Administrator	Momentum Administration Services

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

21.3 Interfrank Group Holdings Pty Limited (Franklins)

Franklins’ employees are members of one of two funds:

A The Interfrank Superannuation Fund
This fund is for all corporate, head office and other non-retail employees. It is underwritten by AMP Life Limited as part of their Custom Super Plan. Approximately 300 employees are members of this scheme.

B The Retail Industry Superannuation Fund
This fund is for all employees covered by the Enterprise Bargaining Agreement. 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.

PICK 'n PAY STORES LIMITED AND ITS SUBSIDIARIES

21. RETIREMENT BENEFITS *(continued)*

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 17 375 members of the Pick 'n Pay Retirement Scheme and 1 215 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 with 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.

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 16 855 employees who have elected to join this fund.

21. RETIREMENT BENEFITS *(continued)* **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	**GROUP** **Total obligation 2007 Rm**	Total obligation 2006 Rm
The amount recognised in the balance sheet is as follows:						
Present value of funded obligations	187.3	495.3	145.5	22.3	**850.4**	736.8
Fair value of assets	(187.3)	(401.3)	(110.5)	(31.8)	**(730.9)**	(527.8)
Funded position	—	94.0	35.0	(9.5)	**119.5**	209.0
Unrecognised actuarial gain/(loss)	—	—	—	9.5	**9.5**	(14.2)
Present value of unfunded obligations	—	94.0	35.0	—	**129.0**	194.8
Amounts recognised in the income statement are as follows:						
Current service cost	33.1	22.9	2.5	6.1	**64.6**	50.7
Interest on the obligation	15.6	44.0	11.3	1.9	**72.8**	65.9
Expected return on the plan assets	(15.0)	(29.5)	(6.8)	(2.2)	**(53.5)**	(45.7)
Net actuarial (gains)/losses recognised	(13.4)	(53.1)	6.7	3.3	**(56.5)**	15.1
Total included in employee costs	20.3	(15.7)	13.7	9.1	**27.4**	86.0
Cumulative unrecognised gains/(losses):						
Net cumulative unrecognised gain/(loss) – 1 March	—	(15.1)	—	0.9	**(14.2)**	(27.2)
Actuarial gain/(loss) – obligation	(7.7)	(28.5)	(21.6)	0.2	**(57.6)**	(4.8)
Actuarial gain – assets	21.1	96.7	14.9	5.1	**137.8**	2.7
Actuarial gain/(loss) to be recognised	(13.4)	(53.1)	6.7	3.3	**(56.5)**	15.1
Net cumulative unrecognised gain/(loss) – 28 February	—	—	—	9.5	**9.5**	(14.2)
In terms of IAS 19, the Group 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	—	127.8	67.0	—	**194.8**	189.8
Net expense in the income statement	20.3	(15.7)	13.7	9.1	**27.4**	86.0
Contributions	(20.3)	(18.1)	(45.7)	(9.1)	**(93.2)**	(81.0)
Net liability – 28 February	—	94.0	35.0	—	**129.0**	194.8

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	GROUP **Total obligation 2007 Rm**	Total obligation 2006 Rm
Movement in the fund's obligations and plan assets recognised on the balance sheet is as follows:						
Change in liability						
Liability – 1 March	147.7	456.9	113.9	18.3	**736.8**	651.5
Service cost	33.1	22.9	2.5	6.1	**64.6**	50.7
Interest cost	15.6	44.0	11.3	1.9	**72.8**	65.9
Actuarial (gain)/loss	7.7	28.5	21.6	(0.2)	**57.6**	4.8
Benefits paid	(16.8)	(57.0)	(3.8)	(3.8)	**(81.4)**	(36.1)
Liability – 28 February	187.3	495.3	145.5	22.3	**850.4**	736.8
Change in plan assets						
Plan assets – 1 March	147.7	314.0	46.9	19.2	**527.8**	434.5
Expected return	15.0	29.5	6.8	2.2	**53.5**	45.7
Actuarial gain	21.1	96.7	14.9	5.1	**137.8**	2.7
Contributions by employer	20.3	18.1	45.7	9.1	**93.2**	81.0
Benefits paid	(16.8)	(57.0)	(3.8)	(3.8)	**(81.4)**	(36.1)
Plan assets – 28 February	187.3	401.3	110.5	31.8	**730.9**	527.8
Actuarial return on plan assets	36.0	126.2	21.7	7.3	**191.2**	48.4
Asset mix	%	%	%	%	**%**	%
Equity	66.1	66.1	66.1	66.1	**66.1**	33.3
Fixed interest	33.5	33.5	33.5	33.5	**33.5**	14.5
Property	0.4	0.4	0.4	0.4	**0.4**	—
Other*	—	—	—	—	**—**	52.2
	100.0	100.0	100.0	100.0	**100.0**	100.0

*The other assets include non-market related insurance policy investments.

The principal actuarial assumptions at the last valuation date are:	1 June 2006 % per annum	1 June 2005 % per annum
Discount rate	9.00	10.00
Future salary increases	6.36	7.01
Future pension increases	5.00	4.40
Annual increase in health care costs	7.33	8.31
Expected rate of return*	10.00	10.00

*The expected rate of return on plan assets was determined by assuming that the fixed interest assets would earn a return equal to the discount rate of 9%, with a further 2% risk premium applied to the equities and property, giving a weighted average return of 10% based on the current asset allocation.

Contributions to defined contribution funds:	**2007 Defined contribution benefits Rm**	2006 Defined contribution benefits Rm
Current contributions	**178.7**	155.1

PICK ’n PAY STORES LIMITED AND ITS SUBSIDIARIES

	GROUP 2007 Rm	GROUP 2006 Rm
22. OPERATING 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. In terms of IAS 17, operating leases with fixed rental escalations are charged to the income statement on a straight-line basis. This results in the raising of a liability for future lease expenses and an asset for future lease income on the balance sheet. This liability and asset is reversed during the latter part of each lease term when the actual cash flow exceeds the income statement amounts.		
Operating lease asset		
At 1 March	**4.8**	3.7
Accrual for future lease income	**1.1**	1.1
At 28 February	**5.9**	4.8
Operating lease liability		
At 1 March – as previously stated	**554.4**	490.9
Prior year adjustment – accrual for additional future lease expenditure (note 31)	**–**	14.6
At 1 March – as restated	**554.4**	505.5
Accrual for future lease expenditure	**29.9**	48.9
At 28 February	**584.3**	554.4
At 28 February future non-cancellable minimum lease rentals are payable during the following financial years:		
Cash flow due in 2008	**690.8**	606.1
Creation of lease liability	**33.9**	36.6
Income statement expense	**724.7**	642.7
Cash flow due in 2009 – 2012	**2 447.0**	2 319.4
Reversal of lease liability	**(77.2)**	(58.1)
Income statement expense	**2 369.8**	2 261.3
Cash flow due after 2013	**3 134.9**	2 918.5
Reversal of lease liability	**(541.0)**	(532.9)
Income statement expense	**2 593.9**	2 385.6

PICK 'n PAY STORES LIMITED AND ITS SUBSIDIARIES

	GROUP		COMPANY	
	2007 Rm	2006 Rm	**2007 Rm**	2006 Rm
22. LEASES *(continued)*				
Total operating lease commitments	**5 688.4**	5 289.6		
Comprising:				
Total future cash flows	**6 272.7**	5 844.0		
Operating lease liability	**(584.3)**	(554.4)		
At 28 February future minimum rentals receivable from non-cancellable sub-lease contracts amount to:				
Total future cash flows	**113.3**	81.3		
Operating lease asset	**(5.9)**	(4.8)		
Total operating lease income receivable	**107.4**	76.5	**–**	–
23. TRADE AND OTHER PAYABLES				
Trade and other payables comprise:				
Leave pay obligations	**220.5**	195.8	**–**	–
Trade and other creditors	**5 384.9**	4 458.3	**2.1**	1.8
	5 605.4	4 654.1	**2.1**	1.8
24. COMMITMENTS				
All capital expenditure will be funded from internal cash flow.				
Authorised capital expenditure				
Contracted for				
Property	**228.6**	139.3		
Equipment and vehicles	**32.2**	14.3		
Intangible assets	**39.7**	43.2		
Not contracted for				
Property	**6.0**	511.7		
Equipment and vehicles	**868.3**	639.6		
Total commitments	**1 174.8**	1 348.1	**–**	–

PICK 'n PAY STORES LIMITED AND ITS SUBSIDIARIES

25. SEGMENTAL REPORT

GROUP

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 geographic segments is as follows:

	Southern Africa		Australia		Total	
	2007 Rm	2006 Rm	**2007 Rm**	2006 Rm	**2007 Rm**	2006 Rm
Segment revenue	**36 527.2**	32 429.4	**4 600.9**	4 235.5	**41 128.1**	36 664.9
Turnover	**35 067.9**	31 143.6	**4 269.2**	3 934.8	**39 337.1**	35 078.4
Turnover – Australian Dollars			**807.2**	810.9		
Segment result						
Trading profit/(loss)	**1 333.6**	1 137.6	**(46.4)**	(92.7)	**1 287.2**	1 044.9
Trading loss – Australian Dollars			**(8.8)**	(19.0)		
Depreciation and amortisation, included in trading profit/(loss)	**(365.5)**	(279.7)	**(60.9)**	(45.7)	**(426.4)**	(325.4)
Impairment losses	**(100.3)**	—	**—**	—	**(100.3)**	—
Goodwill, included in total assets	**137.1**	171.2	**577.2**	463.7	**714.3**	634.9
Total assets, net of deferred tax	**6 310.8**	5 358.7	**1 331.0**	1 169.9	**7 641.8**	6 528.6
Total liabilities, net of tax	**6 010.4**	5 187.6	**541.7**	488.1	**6 552.1**	5 675.7
Capital expenditure	**1 073.4**	813.7	**55.6**	117.9	**1 129.0**	931.6

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
Colin Hultzer	Pick 'n Pay Retirement Scheme	Trustee
	Pick 'n Pay Medical Scheme	Trustee
David Nurek	Investec Bank Limited	Senior executive
	Trencor Limited	Non-executive director

PICK 'n PAY STORES LIMITED AND ITS SUBSIDIARIES

26. RELATED PARTY TRANSACTIONS *(continued)*

Except for certain administrative costs carried by a subsidiary company on behalf of the Pick 'n Pay Retirement Scheme and the Pick 'n Pay Medical Scheme, transactions between the Group and these entities have occurred under terms and conditions that are no more favourable than those entered into with third parties in arm's length transactions.

Related party transactions include:

(i) The Pick 'n Pay Retirement and Medical Schemes administer the Company's retirement and medical plans respectively.
(ii) Investec Bank Limited manages cash resources and assets on behalf of Group companies, the Pick 'n Pay Retirement Scheme and the Pick 'n Pay Medical Scheme.
(iii) Investec Asset Management Limited manages a portion of the Pick 'n Pay Retirement Scheme's assets.
(iv) A subsidiary company participates in export partnerships with Trencor Limited group entities (note 14).

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 not disclosed above.

Shares held by directors

The percentage shares held by directors of the Company at the balance sheet date is disclosed in the Directors' Report on page 42. 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 any significance with any Group company during the year under review.

Key management personnel remuneration comprises:

	GROUP		COMPANY	
	2007 Rm	2006 Rm	**2007 Rm**	2006 Rm
Directors' fees	**2 857.5**	2 747.5	**–**	2 747.5
Remuneration for management services	**17 592.6**	16 791.4		–
Retirement and medical aid contributions	**3 161.3**	2 546.8		–
Performance bonus	**15 900.0**	18 987.5		–
Fringe and other benefits	**6 919.2**	1 335.8		–
Expense relating to share options granted	**6 590.0**	5 467.0		–
	53 020.6	47 876.0	**–**	2 747.5

The Company has the following related party transactions:

(i) Dividends received from subsidiary companies and paid to its holding company.
(ii) Interest received from a subsidiary company.
(iii) Loan received from a subsidiary company and made to the Pick 'n Pay Employee Share Purchase Trust.
(iv) Directors' fees paid in prior year.

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 2007 the following amounts were outstanding under forward foreign exchange contracts, to be paid within nine months of year-end:

Currency	Millions	Average exchange rate	Rand equivalent Rm
Euro	1.8	9.67	17.0
US Dollar	7.1	7.36	52.0
			69.0

The fair value of foreign exchange contracts at 28 February 2007 was R67.2 million and the ensuing loss has been charged to the income statement.

In relation to the participation in export partnerships, a fixed rate of exchange was set for purposes of converting the foreign currency receipts in respect of the partnership's sales into SA Rands. Any exchange differences are for the account of the managing partner of the partnerships and will have no impact on the earnings of the Group.

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 the individual franchisees 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 14). The Group's directors have considered the credit risk relating to these aspects warranted and have satisfied themselves as to the creditworthiness 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

	GROUP 2007 Rm	GROUP 2006 Rm
27. FINANCIAL INSTRUMENTS *(continued)*		
At 28 February the Group's loan facilities comprised:		
Total borrowing facilities granted by financial institutions	**3 581.2**	2 731.8
Total actual borrowings and utilisation of facilities	**(298.1)**	(284.0)
Unutilised borrowing facilities	**3 283.1**	2 447.8

Interest rate risk

The effective rates on financial instruments at 28 February 2007 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		8.5	709.1				**709.1**
Trade and other receivables						943.7	**943.7**
Participation in export partnerships						67.8	**67.8**
Loans	3.3		10.5	37.3	61.0		**108.8**
Investments						0.2	**0.2**
Total financial assets			719.6	37.3	61.0	1 011.7	**1 829.6**
Liabilities							
Trade and other payables						5 605.4	**5 605.4**
Interest-bearing debt		10.2	51.6	116.6	65.2		**233.4**
Total financial liabilities			51.6	116.6	65.2	5 605.4	**5 838.8**
Net financial assets/ (liabilities)			668.0	(79.3)	(4.2)	(4 593.7)	**(4 009.2)**

Fair values of financial instruments

At 28 February 2007 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 14.

28. ACCOUNTING STANDARDS AND INTERPRETATIONS TO BE ADOPTED IN FUTURE YEARS

International Financial Reporting Standards ("IFRS")

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 28 February 2007, and have not been applied in preparing these consolidated financial statements. Those standards and interpretations which are applicable to the Group are presented below.

IFRS 7 Financial Instruments: Disclosures and the Amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures

These statements require additional disclosure about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the Group's 2008 financial statements, will require additional disclosures with respect to the Group's financial instruments and share capital.

IFRS 8 Segmental Reporting

Extends the scope of segmental reporting, requiring significant additional disclosures.

IFRIC 8 Scope of IFRS 2 Share-based Payments

This interpretation addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified. IFRIC 8 will become mandatory for the Group's 2008 financial statements, with retrospective application required. IFRIC 8 is not expected to have a material impact on the consolidated financial statements.

IFRIC 10 Interim Financial Reporting and Impairment

IFRIC 10 prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IFRIC 10 will become mandatory for the Group's 2008 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Group first applied the measurement criteria of IAS 36 and IAS 39, respectively (i.e. 1 January 2004).

PICK 'n PAY STORES LIMITED AND ITS SUBSIDIARIES

	COMPANY 2007 Rm	COMPANY 2006 Rm
29. INVESTMENTS 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
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)		
Pick 'n Pay (Steeldale) (Pty) Limited		
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.		
The attributable earnings of subsidiaries are	**851.7**	825.1
The attributable losses of subsidiaries are	**136.9**	99.6

PICK 'n PAY STORES LIMITED AND ITS SUBSIDIARIES

30. CHANGE IN ACCOUNTING POLICY

The following change in accounting policy has been made to comply with IFRIC 4: Determining whether an arrangement contains a lease.

IFRIC 4 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 use 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.

The Group identified equipment used by third party distribution centre operators as finance leases and the trucks used by contracted operators to distribute merchandise to our stores as operating leases.

Finance lease charges are now accounted for as depreciation and interest paid. The effect on the comparative balance sheet is as follows:

	GROUP 2006 Rm
Increase in assets – leased equipment (note 10)	
Cost	25.7
Increase in debt (note 20)	
Secured loans	25.7
Long-term portion	20.6
Short-term portion	5.1

The change in accounting policy in respect of operating leases has had no effect on prior year earnings. Operating lease charges in respect of underlying vehicles have been disclosed separately in note 2.

31. PRIOR YEAR ADJUSTMENT

With the adoption of IFRS in the 2006 financial year, an error was made in the restatement of opening balances relating to operating lease liabilities. This has been corrected as a prior year adjustment to opening equity with no effect on comparative earnings.

The effect on the comparative balance sheet is as follows:

Increase in assets	
Deferred tax (note 15)	4.2
Increase in liabilities	
Operating lease liability (note 22)	14.6
Decrease in equity	
Accumulated profits	10.4

Directors' Approval and Company Secretary's Certificate

PICK 'n PAY HOLDINGS LIMITED AND ITS SUBSIDIARIES

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 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 2007 and are signed on their behalf by:

Gareth Ackerman
Chairman

Raymond Ackerman
Chief Executive Officer

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 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 2007

Independent Auditors' Report

PICK 'n PAY HOLDINGS LIMITED AND ITS SUBSIDIARIES

To the members of

PICK 'N PAY HOLDINGS LIMITED

We have audited the Group annual financial statements and the annual financial statements of Pick 'n Pay Holdings Limited, which comprise the balance sheets at 28 February 2007, and the income statements, the statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes and the directors' report, as set out on pages 86 to 97.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Pick 'n Pay Holdings Limited at 28 February 2007, and its consolidated and separate financial performance and consolidated and separate 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 Auditor

Per **David Friedland**
Chartered Accountant (SA)
Registered Auditor
Director
8 May 2007
8th Floor
MSC House
Mediterranean Street
Cape Town
8001

Directors' Report

for the year ended 28 February 2007

PICK 'n PAY HOLDINGS LIMITED AND ITS SUBSIDIARIES

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 88 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	2007	% increase/ (decrease)	2006
Headline earnings (note 2)	**85.70***	16.0	73.90
Basic earnings (note 2)	**70.31**	(4.5)	73.65
Dividends (note 3)	**57.35**	17.5	48.80

*Headline earnings per share presented before the reversal of a deferred tax asset of R24.6 million. As the reversal has not arisen from current year activity the Group considers a headline earnings calculation excluding this charge to more fully reflect its result for the year.

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 57.35 cents, to that of Pick 'n Pay Stores Limited (PICKNPAY), 117.50 cents, determines the relative value of a Pick 'n Pay Holdings Limited share, which based on these figures, is 48.8% (2006: 48.8%) of a Pick 'n Pay Stores Limited share.

INVESTMENT

The Company's sole asset is its 52.9% (2006: 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

A cash dividend (No. 49) of 44.18 cents per share was paid to shareholders on 12 June 2006.

A cash dividend (No. 50) of 13.17 cents per share was paid to shareholders on 11 December 2006.

The directors have declared a cash dividend (No. 51) of 52.35 cents per share. The last day of trade in order to participate in the dividend (cum dividend) will be Friday, 1 June 2007. Shares will trade ex dividend from the commencement of business on Monday, 4 June 2007 and the record date is Friday, 8 June 2007. The dividend will be paid on Monday, 11 June 2007. Share certificates may not be dematerialised or rematerialised between Monday, 4 June 2007 and Friday, 8 June 2007, both dates inclusive.

As dividend No. 51 was declared on 23 April 2007 it will only be accounted for in the 2008 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 36.

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 14 780 363 and 1 520 103 shares in the Company, respectively. These shares are reflected as treasury shares in the annual financial statements.

GOING CONCERN

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

PICK ’n PAY HOLDINGS LIMITED AND ITS SUBSIDIARIES

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 15 June 2006, 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 allow notices to be sent to directors and members via electronic means of communication.

SUBSIDIARY COMPANY SPECIAL RESOLUTIONS

On 15 June 2006, Pick ’n Pay Stores Limited passed the same special resolutions as the Company.

DIRECTORS AND SECRETARY

In terms of the Company’s Articles of Association the directors listed on page 108 retire by rotation, and except for Colin Hultzer, offer themselves for re-election. Information pertaining to the directors and the secretary appears on page 13.

DIRECTORS’ INTEREST IN SHARES

	2007 %	2006 %
Beneficial	**0.2**	0.2
Non-beneficial	**49.8**	49.4
	50.0	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 31 to 35 also apply to Pick ’n Pay Holdings Limited.

Income Statements

for the year ended 28 February 2007

PICK 'n PAY HOLDINGS LIMITED AND ITS SUBSIDIARIES

	Notes	GROUP 2007 Rm	GROUP 2006 Rm	COMPANY 2007 Rm	COMPANY 2006 Rm
Revenue		**41 128.1**	36 664.9	**302.4**	257.3
Turnover		**39 337.1**	35 078.4	**—**	—
Cost of merchandise sold		**(32 443.2)**	(29 060.1)	**—**	—
Gross profit		**6 893.9**	6 018.3	**—**	—
Other trading income		**1 749.4**	1 529.6		
Trading expenses		**(7 354.9)**	(6 500.5)	**—**	—
Employee costs		**(3 810.6)**	(3 439.8)	**—**	—
Occupancy		**(992.1)**	(901.3)	**—**	—
Operations		**(1 130.3)**	(954.3)	**—**	—
Merchandising and administration		**(1 421.9)**	(1 205.1)	**—**	—
Profit on sale of investments		**8.2**	—	**—**	—
Loss on sale of property, equipment and vehicles		**(9.4)**	(2.5)	**—**	—
Trading profit		**1 287.2**	1 044.9	**—**	—
Interest received		**41.6**	56.7		
Operating profit		**1 328.8**	1 101.6	**—**	—
Interest paid		**(49.3)**	(37.6)	**—**	—
Dividends received		**—**	0.2	**302.4**	257.3
Share of associate's profit		**26.1**	23.4	**—**	—
Impairment of investment in associate		**(64.0)**	—	**—**	—
Impairment of goodwill		**(36.3)**	—	**—**	—
Profit before tax		**1 205.3**	1 087.6	**302.4**	257.3
Tax		**(529.7)**	(384.5)	**—**	—
Profit for the year		**675.6**	703.1	**302.4**	257.3
Profit for the year attributable to:					
Equity holders of the Company		**357.6**	372.2	**302.4**	257.3
Minority shareholders		**318.0**	330.9	**—**	—
		675.6	703.1	**302.4**	257.3
Earnings per share – cents					
Basic	2	**70.31**	73.65		
Diluted basic	2	**65.38**	68.22		

Balance Sheets

as at 28 February 2007

PICK 'n PAY HOLDINGS LIMITED AND ITS SUBSIDIARIES

	Notes	GROUP 2007 Rm	GROUP 2006 Rm	COMPANY 2007 Rm	COMPANY 2006 Rm
ASSETS					
Non-current assets					
Goodwill		**714.3**	634.9	**—**	—
Intangible assets		**190.3**	110.9	**—**	—
Property, equipment and vehicles		**2 525.2**	1 873.7	**—**	—
Investments	4	**0.2**	9.3	**128.0**	128.0
Investment in associate		**9.1**	47.0	**—**	—
Loans		**109.1**	97.0	**—**	—
Operating lease asset		**5.9**	4.8	**—**	—
Participation in export partnerships		**67.8**	71.8	**—**	—
Deferred tax		**151.2**	238.3	**—**	—
		3 773.1	3 087.7	**128.0**	128.0
Current assets					
Inventory		**2 367.4**	1 984.2	**—**	—
Trade and other receivables		**943.7**	750.7	**0.4**	0.3
Cash and cash equivalents		**709.1**	944.6	**—**	—
		4 020.2	3 679.5	**0.4**	0.3
Total assets		**7 793.3**	6 767.2	**128.4**	128.3
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	**(60.6)**	(71.5)	**—**	—
Share-based payment reserve		**36.0**	20.5	**—**	—
Accumulated profits		**235.4**	281.5	**—**	—
Revaluation reserve		**—**	4.3	**—**	—
Foreign currency translation reserve		**101.0**	13.4	**—**	—
Attributable to equity holders of the Company		**439.2**	375.6	**127.4**	127.4
Minority interest		**576.2**	479.3	**—**	—
Total shareholders' interest		**1 015.4**	854.9	**127.4**	127.4
Non-current liabilities					
Long-term debt		**181.8**	192.9	**—**	—
Retirement scheme obligations		**129.0**	194.8	**—**	—
Operating lease liability		**584.3**	554.4	**—**	—
		895.1	942.1	**—**	—
Current liabilities					
Short-term debt		**51.6**	79.5	**—**	—
Trade and other payables		**5 605.7**	4 654.4	**1.0**	0.9
Tax		**225.5**	236.3	**—**	—
		5 882.8	4 970.2	**1.0**	0.9
Total equity and liabilities		**7 793.3**	6 767.2	**128.4**	128.3

Statements of Changes in Equity

for the year ended 28 February 2007

PICK 'n PAY HOLDINGS LIMITED AND ITS SUBSIDIARIES

	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
GROUP										
At 1 March 2005 – as previously stated		6.6	120.8	(60.9)	8.7	221.9	1.3	23.1	393.3	**714.8**
Prior year adjustment						(5.5)			(4.9)	**(10.4)**
At 1 March 2005 – as restated		6.6	120.8	(60.9)	8.7	216.4	1.3	23.1	388.4	**704.4**
Total recognised income and expense for the year		—	—	—	—	372.2	3.0	(9.7)	321.4	**686.9**
Profit for the year						372.2			330.9	**703.1**
Gains and losses recognised directly in equity:										
Revaluation of listed investments							3.0		2.7	**5.7**
Foreign currency translation								(9.7)	(12.2)	**(21.9)**
Dividends paid	3					(257.3)				**(257.3)**
Dividends paid by subsidiary to minorities									(194.7)	**(194.7)**
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**
Share options expense					11.8				10.6	**22.4**
At 28 February 2006		6.6	120.8	(71.5)	20.5	281.5	4.3	13.4	479.3	**854.9**
Total recognised income and expense for the year		—	—	—	—	357.6	(4.3)	87.6	392.0	**832.9**
Profit for the year						357.6			318.0	**675.6**
Gains and losses recognised directly in equity:										
Revaluation of listed investments recycled to the income statement							(4.3)		(3.9)	**(8.2)**
Foreign currency translation								87.6	77.9	**165.5**
Dividends paid	3					(302.4)				**(302.4)**
Dividends paid by subsidiary to minorities									(221.4)	**(221.4)**
Share repurchases	6			(8.0)						**(8.0)**
Subsidiary's share repurchases						(112.9)			(100.3)	**(213.2)**
Take-up of share options	6			18.9		(3.0)				**15.9**
Take-up of subsidiary's share options						14.6			12.9	**27.5**
Share options expense					15.5				13.7	**29.2**
At 28 February 2007		**6.6**	**120.8**	**(60.6)**	**36.0**	**235.4**	**—**	**101.0**	**576.2**	**1 015.4**
COMPANY										
At 1 March 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**
Profit for the year						302.4				**302.4**
Dividends paid	3					(302.4)				**(302.4)**
At 28 February 2007		**6.6**	**120.8**	**—**	**—**	**—**	**—**	**—**	**—**	**127.4**

Cash Flow Statements

for the year ended 28 February 2007

PICK 'n PAY HOLDINGS LIMITED AND ITS SUBSIDIARIES

	Note	GROUP 2007 Rm	GROUP 2006 Rm	COMPANY 2007 Rm	COMPANY 2006 Rm
Trading profit		**1 287.2**	1 044.9	**—**	—
Profit on sale of investments		**(8.2)**	—		
Loss on sale of property, equipment and vehicles		**9.4**	2.5		
Depreciation and amortisation		**426.4**	325.4	**—**	—
Share options expense		**29.2**	22.4	**—**	—
Net operating lease obligations		**28.8**	47.8	**—**	—
Increase in trade and other payables		**867.8**	377.6	**0.1**	0.2
Increase in inventory		**(383.2)**	(125.6)	**—**	—
Increase in trade and other receivables		**(189.1)**	(85.2)	**(0.1)**	(0.2)
Cash generated by trading activities		**2 068.3**	1 609.8	**—**	—
Interest received		**41.6**	56.7	**—**	—
Cash generated from operations		**2 109.9**	1 666.5	**—**	—
Interest paid		**(49.3)**	(37.6)		
Dividends received		**—**	0.2	**302.4**	257.3
Dividends paid by Company	3	**(302.4)**	(257.3)	**(302.4)**	(257.3)
Dividends paid to minorities		**(221.4)**	(194.7)	**—**	—
Tax paid		**(449.9)**	(565.5)	**—**	—
Cash flows from operating activities		**1 086.9**	611.6	**—**	—
Acquisition of stores		**(2.2)**	(5.2)	**—**	—
Intangible asset additions		**(79.8)**	(90.0)		
Property additions		**(280.3)**	(273.5)		
Proceeds on disposal of property		**29.2**	25.3	**—**	—
Equipment and vehicle additions		**(743.3)**	(537.6)	**—**	—
Proceeds on disposal of equipment and vehicles		**—**	24.3	**—**	—
Leased vehicle additions		**(23.4)**	(25.3)	**—**	—
Proceeds on sale of investments		**9.1**	—		
Loans advanced		**(11.8)**	(0.6)	**—**	—
Cash flows from investing activities		**(1 102.5)**	(882.6)	**—**	—
Debt (repaid)/raised		**(38.9)**	4.3	**—**	—
Share repurchases		**(221.2)**	(132.0)	**—**	—
Take-up of share options by employees		**43.4**	25.2	**—**	—
Cash flows from financing activities		**(216.7)**	(102.5)	**—**	—
Net decrease in cash and cash equivalents		**(232.3)**	(373.5)	**—**	—
Cash and cash equivalents at 1 March		**944.6**	1 329.0	**—**	—
Effect of exchange rate fluctuations on cash and cash equivalents		**(3.2)**	(10.9)		
Cash and cash equivalents at 28 February		**709.1**	944.6	**—**	—

PICK 'n PAY HOLDINGS LIMITED AND ITS SUBSIDIARIES

Except as presented below, the accounting policies and notes to the annual financial statements and consolidated annual financial statements for Pick 'n Pay Holdings Limited are identical to those disclosed for Pick 'n Pay Stores Limited on pages 47 to 83.

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 55.
The following share options are held by directors:
1997 Share Option Scheme

	Year granted	Option grant price	Balance held at 1 March 2006	Granted during the year	Taken up in year at grant price	**Balance held at 28 February 2007**	Gain on options taken up Rm	Available for take-up
Directors – Pick 'n Pay Stores Limited								
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

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 2006 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 2007 000's**	Beneficial/ non-beneficial interest
Directors – Pick 'n Pay Holdings Limited								
Raymond Ackerman*	664.7	—	—	(6.3)	—	—	**658.4**	Beneficial
Gareth Ackerman**	2 831.2	25.2	11.96	—	—	—	**2 856.4**	Non-beneficial
Raymond Ackerman/ Wendy Ackerman/ Gareth Ackerman***	257 802.0	1 954.0	14.72	—	—	—	**259 756.0**	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)	14.68	18.2	**—**	Beneficial

*The disposal for the year was a donation for no consideration.

**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 254.9 million shares and 4.9 million shares held by the Mistral Trust, of which these directors are trustees.

PICK ’n PAY HOLDINGS LIMITED AND ITS SUBSIDIARIES

	GROUP 2007 Cents per share	GROUP 2006 Cents per share
2. BASIC, HEADLINE AND DILUTED EARNINGS PER SHARE		
Basic (note 2.1)	**70.31**	73.65
Headline – before deferred tax asset reversal (note 2.1)*	**85.70**	73.90
Headline (note 2.1)	**80.87**	73.90
Diluted basic (note 2.2)	**65.38**	68.22
Diluted headline (note 2.2)	**75.17**	68.46
*As the reversal of the deferred tax asset has not arisen from current year activity the Group considers a headline earnings calculation excluding this charge to more fully reflect its result for the year.		
2.1 Basic and headline earnings per share	**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)	**357.6**	372.2
Headline earnings before deferred tax asset reversal	**435.9**	373.5
Headline earnings	**411.3**	373.5
and:	**Number of shares 000’s**	Number of shares 000’s
The weighted average number of ordinary shares in issue during the year:	**508 670.3**	505 367.9
Reconciliation between basic and headline earnings:	**Rm**	Rm
Basic earnings (profit for the year)	**357.6**	372.2
Adjustments:	**53.7**	1.3
Profit on sale of property	**—**	(2.3)
Loss on sale of equipment and vehicles	**5.0**	3.6
Profit on sale of investments	**(4.5)**	—
Impairment of investment in associate	**34.0**	—
Impairment of goodwill	**19.2**	—
Headline earnings	**411.3**	373.5
Reversal of deferred tax asset	**24.6**	—
Headline earnings before deferred tax reversal	**435.9**	373.5
Movement in the weighted average number of ordinary shares in issue comprises:	**Number of shares 000’s**	Number of shares 000’s
At 1 March	**505 367.9**	501 132.7
Net sale of treasury shares by the share trust, pursuant to the take-up of share options	**3 302.4**	4 235.2
At 28 February	**508 670.3**	505 367.9

PICK 'n PAY HOLDINGS LIMITED AND ITS SUBSIDIARIES

	GROUP 2007 Rm	GROUP 2006 Rm
2. BASIC, HEADLINE AND DILUTED EARNINGS PER SHARE *(continued)*		
2.2 Diluted basic and diluted headline earnings per share		
The calculation of diluted basic earnings and diluted headline earnings per share is based on:		
Diluted basic earnings	**338.8**	353.5
Diluted headline earnings	**389.7**	354.8
and:	**Number of shares 000's**	Number of shares 000's
The diluted weighted average number of ordinary shares in issue during the year:	**518 383.3**	518 214.7
	Rm	Rm
Reconciliation between basic and diluted headline earnings:		
Basic earnings (profit for the year)	**357.6**	372.2
Debenture interest after tax	**1.1**	1.7
Pick 'n Pay Stores Limited's dilution effect	**(19.9)**	(20.4)
Diluted basic earnings	**338.8**	353.5
Diluted headline earnings adjustments	**53.7**	1.3
Pick 'n Pay Stores Limited's dilution effect	**(2.8)**	—
Diluted headline earnings	**389.7**	354.8
Reconciliation of the weighted average number of ordinary shares in issue for diluted earnings per share:	**Number of shares 000's**	Number of shares 000's
Weighted average number of ordinary shares in issue	**508 670.3**	505 367.9
Dilutive effect of share options	**9 713.0**	12 846.8
Weighted average number of ordinary shares in issue for purposes of calculating diluted earnings per share	**518 383.3**	518 214.7
	GROUP AND COMPANY	
	Cents per share	Cents per share
3. DIVIDENDS		
No. 49 – declared 19 April 2006 – paid 12 June 2006	**44.18**	37.43
No. 50 – declared 16 October 2006 – paid 11 December 2006	**13.17**	11.37
Total dividends paid for the year	**57.35**	48.80
	Rm	Rm
Total value of dividends paid by the Company	**302.4**	257.3
For further details, including dividends declared after 28 February 2007, refer to the Directors' Report on page 86 and shareholders' information on page 36.		
	COMPANY	
4. INVESTMENT IN SUBSIDIARY		
Pick 'n Pay Stores Limited		
257 345 334 (2006: 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	**8 456.4**	7 797.6

PICK 'n PAY HOLDINGS LIMITED AND ITS SUBSIDIARIES

	GROUP AND COMPANY 2007 Rm	GROUP AND COMPANY 2006 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
Number of shares in issue at 28 February is made up as follows:	**Number of shares 000's**	Number of shares 000's
Treasury shares held in the share trust (note 6)	**14 780.4**	19 368.4
Treasury shares held in a subsidiary company (note 6)	**1 520.1**	1 488.8
	16 300.5	20 857.2
Shares held outside the Group	**510 948.6**	506 391.9
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.

	GROUP Number of options 000's	GROUP Number of options 000's
Movement in the total number of shares granted is as follows:		
At 1 March	**19 581.5**	22 552.9
New options granted*	**860.8**	1 076.4
Options taken up**	**(5 232.3)**	(3 993.4)
Options forfeited	**–**	(54.4)
At 28 February	**15 210.0**	19 581.5
Percentage of issued shares	**2.9%**	3.7%
Options available for granting under current authorisation	**77 058.6**	72 687.1
*Average grant price of options granted during the year	**R12.15**	R11.49
**Average grant price of options taken up during the year	**R3.09**	R3.42

Outstanding options granted may be taken up during the following financial years:

Year	Average grant price	
2008	R4.58	**14 790.0**
2009	R5.10	**180.0**
2010	R5.10	**240.0**
		15 210.0

The Employee Share Purchase Trust, which administers the 1997 Share Option Scheme, holds the following number of ordinary shares:	**Number of shares 000's**	Number of shares 000's
As a hedge against shares granted or to be granted by that Scheme reflected as treasury shares	**14 780.4**	19 368.4
On behalf of share purchase scheme participants	**627.6**	707.0
	15 408.0	20 075.4

	GROUP 2007 Rm	GROUP 2006 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	**71.5**	60.9
Share repurchases	**8.0**	20.7
Take-up of share options by employees	**(18.9)**	(10.1)
At 28 February	**60.6**	71.5
The movement in the number of treasury shares held is as follows:	**Number of shares 000's**	Number of shares 000's
At 1 March	**20 857.2**	22 865.2
Shares purchased during the year	**595.8**	1 594.7
Shares sold during the year, pursuant to the take-up of share options by employees	**(5 152.5)**	(3 602.7)
At 28 February	**16 300.5**	20 857.2
Comprises:		
Shares held by share trust	**14 780.4**	19 368.4
Shares held by a subsidiary company	**1 520.1**	1 488.8
Average purchase price of shares purchased during the year	**R13.38**	R12.99

Divisional Directors

The following Executives are Divisional Directors of our main operating companies

PICK 'N PAY RETAILERS (PTY) LTD.

CHAIRMAN'S EXECUTIVE COMMITTEE (EXCO)

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

RETAIL DIVISION MANAGEMENT BOARD

Nick Badminton (45)
CEO
Years of Service 27

Jonathan Ackerman (40)
Marketing
Years of Service 16

Suzanne Ackerman-Berman (44)
Transformation
Years of Service 12

Dennis Cope (56)
Group Finance
Years of Service 29

Paul Connellan (52)
Foods
Years of Service 29

Harold Dawson (48)
Technology & Systems
Years of Service 17

Bakar Jakoet (51)
Finance
Years of Service 22

Izak Joubert (37)
Property & Operations
Years of Service 14

Dallas Langman (37)
Head of Supermarkets/Hypermarkets
Years of Service 17

Isaac Motaung (52)
Human Resources
Years of Service 31

Neal Quirk (51)
Franchise
Years of Service 25

Bronwen Rohland (43)
Head of Group Services
Years of Service 21

Linda Saacks (51)
Employee Training & Development
Years of Service 27

Chris van Rooyen (49)
General Merchandise
Years of Service 27

GROUP ENTERPRISES EXECUTIVE COMMITTEE

Nick Badminton (45)
CEO
Years of Service 27

Hugh Bland (52)
Boxer
Years of Service 19

Dennis Cope (56)
Group Finance
Years of Service 29

Adrian Naude (36)
Liaison
Years of Service 9

Chris Reed (46)
Score
Years of Service 22

David Robins (53)
Business Developments
Years of Service 12

FRANKLINS AUSTRALIA DIRECTORS AND MANAGEMENT BOARD

Aubrey Zelinsky (57)
Managing Director
Years of Service 37

Nick Badminton (45)
CEO
Years of Service 27

Dennis Cope (56)
Group Finance
Years of Service 29

Roni Perlov (44)
Finance
Years of Service 8

David Robins (53)
Deputy Chairman
Years of Service 12

HYPERMARKET GENERAL MANAGERS

Duncan Pentz (50)
Head of Hypermarkets
Years of Service 26

Mark Bishop (44)
Wonderpark
Years of Service 24

David Crewe (43)
Princess Crossing
Years of Service 19

Jan de Beer (34)
Brackenfell
Years of Service 9

Hoosain Hansrod (54)
Norwood
Years of Service 27

Ian Hughes (40)
Moffett Park
Years of Service 20

Patrick Kgengwenyane (35)
Klerksdorp
Years of Service 9

Johannes Letswalo (47)
Soweto
Years of Service 23

Steve Longmore (33)
Faerie Glen
Years of Service 12

Piet Lubbe (44)
Greenstone
Years of Service 22

John Lucas (53)
Ottery
Years of Service 28

Nigel Money (36)
Centurion
Years of Service 12

Ravi Naidoo (38)
Durban
Years of Service 19

Louis Nunes (40)
Northgate
Years of Service 18

Folkers Oosthuizen (41)
Bedworth Park
Years of Service 19

Devin Richter (33)
Bloemfontein
Years of Service 14

Jeff Ramoroto (42)
Steeledale
Years of Service 17

Craig Tapping (34)
Boksburg
Years of Service 15

Jacques van Rooyen (47)
Montana
Years of Service 20

SUPERMARKET GENERAL MANAGERS

Dion Blom (40)
KwaZulu-Natal
Years of Service 17

Anil Gopichund (38)
Gauteng Corporate
Years of Service 20

Abdurahman Hamdulay (35)
Western Cape
Years of Service 14

Kevin Korb (47)
Gauteng
Years of Service 25

Luke Louw (49)
Northern Region
Years of Service 25

Wim Theron (39)
Eastern Cape
Years of Service 9

Jarett van Vuuren (33)
Western Cape Corporate
Years of Service 14

Johan van Zyl (36)
Northern Region Corporate
Years of Service 15

Dirk Venter (53)
Free State
Years of Service 26

CORPORATE GENERAL MANAGERS

Michael Anderson (41)
Food Distribution – Gauteng
Years of Service 4

Peter Arnold (45)
Fresh Foods
Years of Service 23

George Barry (49)
Franchise – KZN
Years of Service 16

Malcolm Baxter (59)
Store Planning
Years of Service 38

Solly Bendrau (51)
General Merchandise
Years of Service 29

Gigi Bisogno (51)
National Perishable Buyer
Years of Service 30

Anthony Brown (38)
Corporate Foods – Gauteng
Years of Service 13

Tessa Chamberlain (47)
Sustainability
Years of Service 8

Rob Clifford (58)
National Operations
Years of Service 13

Michael Coles (52)
Clothing
Years of Service 12

Charl Cowley (35)
Group Audit Services
Years of Service 7

Dharmalingum Dass (49)
General Merchandise
Years of Service 29

Louis de Beer (50)
Bakeries
Years of Service 28

Helen de Light (52)
Industrial Relations
Years of Service 21

Ivan Diepraam (53)
Franchise – Merchandise
Years of Service 26

Stuart Duffield (49)
General Merchandise
Years of Service 29

Llywellyn Dyer (43)
Corporate Brands
Years of Service 21

Brian Gregson (47)
Operations – Gauteng
Years of Service 19

Cornelius Grobbelaar (55)
Group Audit Services
Years of Service 25

Ronnie Herzfeld (60)
Corporate Finance
Years of Service 32

Cindy Jenks (37)
Corporate Brands
Years of Service 16

George Jones (59)
Employee Benefits
Years of Service 19

Kobus Kuyler (48)
Safety & Security
Years of Service 4

Gary Lea (41)
Group Finance
Company Secretary
Years of Service 10

Pearly Ling (42)
National Operations
Years of Service 10

Warren Lupke (34)
National Produce
Years of Service 14

Warren Marsden (52)
E-Commerce
Years of Service 29

Rodney Mundell (50)
General Merchandise
Years of Service 25

Ray Murray (58)
Corporate
Years of Service 32

Malcolm Mycroft (50)
Marketing
Years of Service 29

Kader Patel (46)
Hypermarkets – Foods
Years of Service 24

Cedric Ross (46)
Hypermarkets – Foods
Years of Service 24

Frikkie Rossouw (58)
Home Shopping
Years of Service 32
Retired 31 March 2007

Dave Rappoport (56)
Hypermarkets – General Merchandise
Years of Service 36

Andre Siebrits (50)
Pick 'n Pay Go Banking
Years of Service 29

David Smith (52)
Supermarkets – National Foods
Years of Service 32

Rob Speedy (37)
Business Systems
Years of Service 15

Andrew Sutherland (36)
General Merchandise
Years of Service 15

Dalene van Aswegen (56)
Property
Years of Service 26

Frans van der Colff (48)
Franchise
Years of Service 19

Lyndsay Webster-Rozon (36)
Strategy
Years of Service 7

Leon Wilkisky (60)
Systems – Store Automation
Years of Service 35

Kevin Wynne (48)
Human Resources
Years of Service 26

BUYERS

Rowan Armstrong (43)
General Merchandise
Years of Service 22

Grant Barkhuizen (49)
Eastern Cape
Years of Service 25

Roy Campbell (51)
General Merchandise
Years of Service 30

Neil Cooke (49)
Corporate Brands
Years of Service 27

Shane Green (42)
Western Cape
Years of Service 24

Moosa Hans (60)
Hypermarkets
Years of Service 27
Retired 31 March 2007

Geoff Kahn (58)
Hypermarkets
Years of Service 37

Des Moodley (52)
KwaZulu-Natal
Years of Service 32

Hennie Roets (37)
General Merchandise
Years of Service 17

Alan van den Berg (40)
Gauteng
Years of Service 20

Naas van Poucke (49)
Western Cape – Distribution
Years of Service 24

ADMINISTRATION

Julian Adriaans (45)
Information Services
Years of Service 7

David Braun (54)
Corporate Assignments
Years of Service 29

Liza de Freitas (34)
Northern Region – Chief Accountant
Years of Service 11

Graeme Gathmann (36)
Hypermarkets – Chief Accountant
Years of Service 11

Cindy Hoffmann (47)
Human Resources – Gauteng
Years of Service 18

Mike Horney (39)
Human Resources – Hypermarkets
Years of Service 4

Christine Janse van Rensburg (48)
National Human Resources
Years of Service 18

Loretta Kelly (52)
Corporate Accountant
Years of Service 36

Graeme Laithwaite (62)
Corporate Expense Control
Years of Service 23

Henry Lefevre (59)
Group Audit Services
Years of Service 35

Karyn Leibbrandt (47)
KwaZulu-Natal – Chief Accountant
Years of Service 22

Vaughn Linden (47)
Franchise
Years of Service 15

Jacque Lombard (37)
Western Cape – Franchise
Years of Service 13

Jonathan MacMillan (37)
Western Cape – Chief Accountant
Years of Service 15

Beverley Marks (50)
SAP
Years of Service 19

Yacoob Mola (52)
Human Resources
Years of Service 18

Anton Smith (40)
Gauteng – Customer Relations Manager
Years of Service 10

Petrus Steyn (37)
Gauteng – Chief Accountant
Years of Service 12

Brian Strydom (52)
Eastern Cape – Chief Accountant
Years of Service 23

Mohammed Vally (53)
FDC – Chief Accountant
Years of Service 34

Vaughan Veale (53)
Franchise
Years of Service 25

SCORE SUPERMARKETS GENERAL MANAGERS

Leon de Lange (40)
Operations
Years of Service 19

Ralene Haynes (38)
Finance
Years of Service 5

David Ramsden (47)
Merchandise
Years of Service 25

Anderson Tshaya (57)
Human Resources
Years of Service 17

BLUE RIBBON MEAT OPERATIONAL DIRECTORS

Ian Crook (49)
National General Manager
Years of Service 25

Tracey Wellington (40)
Finance
Years of Service 14

GENERAL MANAGERS

Peter Elliot (52)
Gauteng
Years of Service 30

Zoran Endekovski (41)
Gauteng
Years of Service 12

Donavan Hayes (44)
Western Cape
Years of Service 24

Josiah Mokgoloboto (48)
KwaZulu-Natal
Years of Service 28

BOXER SUPERSTORES DIRECTORS

Pat Goss (58)
Non-Executive
Years of Service 18

Rod Bell (54)
Operations
Years of Service 24

Marek Masojada (41)
Finance
Years of Service 13

Eugene Stoop (52)
Merchandise
Years of Service 15

Ian Bamber (39)
Human Resources
Years of Service 11

FRANKLINS AUSTRALIA GENERAL MANAGERS

Graham Gardener (51)
Property
Years of Service 5

Johan Grobler (41)
Finance
Years of Service 16

Alan Malakou (51)
Operations
Years of Service 6

Bill Morgan (62)
Franchise
Years of Service 8

Stan Srage (42)
Merchandise
Years of Service 17

TM SUPERMARKETS EXECUTIVE DIRECTORS

Graham Jacobs (62)
Finance
Years of Service 21

Mike Oakley (58)
Managing Director
Years of Service 37

PICK ’n PAY STORES LIMITED

The 39th annual general meeting (“AGM”) of shareholders of Pick ’n Pay Stores Limited (“the Company”) for the year ended 28 February 2007 will be held at 09h00 on Thursday, 14 June 2007. 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 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 2007, 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

Nicholas Peter Badminton, René Pieter de Wet, Colin Hultzer, David Morris Nurek and Jeffrey van Rooyen retire in accordance with the Company’s articles of association. Nicholas Peter Badminton, René Pieter de Wet, David Morris Nurek, Jeffery van Rooyen, being eligible, offer themselves for re-election.

Nicholas Peter Badminton (45)

Nick joined Pick ’n Pay in 1979. Since then he has worked his way up through the organisation, culminating in his appointment as CEO effective 1 March 2007. While General Manager of the Western Cape region Nick was appointed to the Pick ’n Pay Retail management board and in 2001 was appointed as MD of that board. While MD of the Retail division Nick gained the right experience to provide effective leadership of the Group.

René Pieter de Wet (64)

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

David Morris Nurek (57)

David has been a Group director since 1995, initially as the Group’s legal advisor. He is an executive director of Investec Bank Limited and holds various other directorships, including that of other retail companies. He is Pick ’n Pay’s lead non-executive director, serves on Pick ’n Pay’s Board committees including being Chairman of the Remuneration committee.

Jeffrey van Rooyen (57)

Jeff, a chartered accountant, has been appointed as an Independent Non-Executive director and also joins the Audit, Risk and Compliance Committee where he is to succeed Colin Hultzer as Chairman.

Jeff is founder and chief executive of Uranus Investment Holdings, as well as a non-executive director of MTN Group Limited, Chairman of the Oversight Committee of the South African Venture Capital and Private Equity Association, member of the Advisory Committee Faculty of Economics and Management Sciences of the University of Pretoria, special adviser to Namibia Financial Institutions Supervisory Authority, Trustee of the International Accounting Standards Committee (IASC) and member of the Standing Advisory Committee on Company Law. Jeff is also a former CEO of the Financial Services Board.

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 Nicholas Peter Badminton as director

“Resolved that Nicholas Peter Badminton be and is hereby elected as director of the Company.”

PICK 'n PAY STORES LIMITED

ORDINARY RESOLUTION NUMBER 3.2

Appointment of René Pieter de Wet as director

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

ORDINARY RESOLUTION NUMBER 3.3

Appointment of David Morris Nurek as director

"Resolved that David Morris Nurek be and is hereby elected as director of the Company."

ORDINARY RESOLUTION NUMBER 3.4

Appointment of Jeffrey van Rooyen as director

"Resolved that Jeffrey van Rooyen 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 2007, 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 Listing 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 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. at any point in time, the Company may only appoint one agent to effect any repurchase on the Company's behalf;

f. the Company remaining in compliance with the shareholder spread requirements of the JSE Listings Requirements;

g. the Company not repurchasing any shares during a prohibited period as defined by the JSE Listings Requirements;

h. 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) 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

PICK 'n PAY STORES LIMITED

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 Listing 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 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. 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 pages 12 and 98;
- the major shareholders of the Company on page 30;
- the directors' shareholding in the Company on page 57; and
- the share capital of the Company in note 17 on page 68 and an analysis of the shareholders on page 30.

There are no material changes to the Group's financial or trading position, nor are there any legal or arbitration proceedings, including any proceedings that are pending or threatened of which the issuer is aware, that may have or have had in the recent past, being at least the previous 12 months, a material affect on the financial position of the Group.

PICK 'n PAY STORES LIMITED

The directors, whose names are given on pages 12 and 13 of the annual report, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the annual report and this notice contains all information required by law and the JSE Listings Requirements.

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

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

- you may attend and vote at the annual general meeting; alternatively
- you may appoint a proxy to represent you at the annual general meeting by completing the attached form of proxy and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, the details of which are set out on page 36 of the annual report, by no later than 09h00 on Wednesday, 13 June 2007, 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, 13 June 2007, 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 2007

PICK ’n PAY HOLDINGS LIMITED

The 26th annual general meeting (“AGM”) of shareholders of Pick ’n Pay Holdings Limited (“the Company”) for the year ended 28 February 2007 will be held at 09h30, or as soon as the annual general meeting for Pick ’n Pay Stores Limited is completed, on Thursday, 14 June 2007. Registration for attendance at the AGM will commence at 08h30.

The venue will be the conference centre at the 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 2007, 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

Raymond David Ackerman, Colin Hultzer and Hugh Sidney Herman retire in accordance with the Company’s Articles of Association. Raymond David Ackerman and Hugh Sidney Herman, being eligible, offer themselves for re-election.

Raymond David Ackerman (76)

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.

Hugh Sidney Herman (66)

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

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

ORDINARY RESOLUTION NUMBER 3.1

Appointment of Raymond David Ackerman as director

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

ORDINARY RESOLUTION NUMBER 3.2

Appointment of Hugh Sidney Herman as director

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

4. SPECIAL RESOLUTION NUMBER 1

General approval to repurchase Company shares

“Resolved that the Company hereby approves, as a general approval contemplated in sections 85 and 89 of the Companies Act 61 of 1973 (as amended) (“Companies Act”), the acquisition by the Company or any of its subsidiaries from time to time of the issued shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the Articles of Association of the Company, the provisions of the Companies Act and the JSE 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.”

PICK 'n PAY HOLDINGS LIMITED

Additional information required by the JSE Listing 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. at any point in time, the Company may only appoint one agent to effect any repurchase on the Company's behalf;

f. the Company remaining in compliance with the shareholder spread requirements of the JSE Listings Requirements;

g. the Company not repurchasing any shares during a prohibited period as defined by the JSE Listings Requirements;

h. 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 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.

PICK 'n PAY HOLDINGS LIMITED

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.

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 Listing 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

f. any issue will only be made to "public shareholders" as defined by the JSE Listings Requirements and not to related parties."

7. ORDINARY RESOLUTION NUMBER 6

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."

8. 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 13;
- the major shareholders of the Company on page 30;
- the directors' shareholding in the Company on page 93; and
- the share capital of the Company in note 5 on page 96, and an analysis of the shareholders on page 30.

There are no material changes to the Group's financial or trading position, nor are there any legal or arbitration proceedings, including any proceedings that are pending or threatened of which the issuer is aware, that may have or have had in the recent past, being at least the previous 12 months, a material affect on the financial position of the Group.

The directors, whose names are given on page 13 of the annual report collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the annual report and this notice contains all information required by law and the JSE Listings Requirements.

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

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

- you may attend and vote at the annual general meeting; alternatively
- you may appoint a proxy to represent you at the annual general meeting by completing the attached form of proxy and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, the details of which are set out on page 36 of the annual report, by no later than 09h30 on Tuesday, 12 June 2007, 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

PICK ’n PAY HOLDINGS LIMITED

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, 12 June 2007, 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 2007

Form of Proxy

PICK 'n PAY STORES LIMITED

(Incorporated in the Republic of South Africa) (Registration number 1968/008034/06) (JSE code: PIK) (ISIN code: ZAE000005443)

("Pick 'n Pay" or "the Company")

For use at the annual general meeting of the Company to be held at the registered office of the Company, Pick 'n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, in the conference centre at 09h00 on Thursday, 14 June 2007 (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 N P Badminton as director			
Ordinary resolution no. 3.2:	Election of Mr R P de Wet as director			
Ordinary resolution no. 3.3:	Election of Mr D M Nurek as director			
Ordinary resolution no. 3.4:	Election of Mr J van Rooyen 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			
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 ____________________ 2007

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 STORES LIMITED

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, 13 June 2007, being 24 hours before the annual general meeting to be held at 09h00 on Thursday, 14 June 2007.

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

PICK 'n PAY HOLDINGS LIMITED

(Incorporated in the Republic of South Africa) (Registration number 1981/009610/06) (JSE code: PWK) (ISIN: ZAE000005724)

("PIKWIK" or "the Company")

For use at the annual general meeting of the Company to be held at the 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, 14 June 2007 (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 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 H S Herman as director			
Special resolution no. 1:	General authority to repurchase company shares			
Ordinary resolution no. 4:	Placing unissued shares under the control of the director			
Ordinary resolution no. 5:	General authority to issue shares for cash			
Ordinary resolution no. 6:	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 ______________ 2007

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

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.

3. Proxy forms must be lodged at the registered office of the Company, Pick 'n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708 or posted to the Company Secretary at PO Box 23087, Claremont 7735, or lodged with or posted to the transfer secretaries, Computershare Investor Services 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, 12 June 2007, being no later than 48 hours before the annual general meeting to be held at 09h30 on Thursday, 14 June 2007.

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.