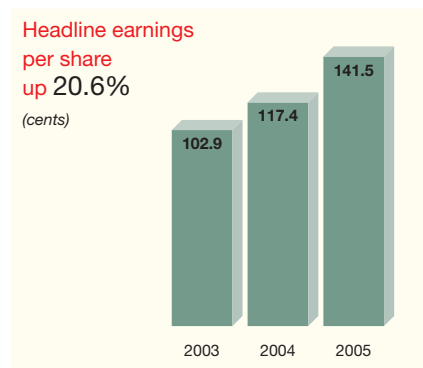
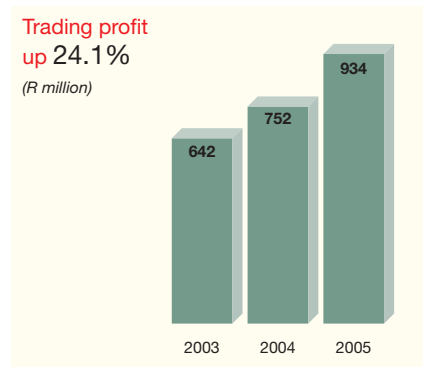


Financial Highlights



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

Store locations in Southern Africa and beyond



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

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



Sean Summers

Chief Executive Officer's Report

Group overview

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

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

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

Headline earnings and dividends increased by more than 20%

TURNOVER

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

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

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



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



TRADING PROFIT

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

HEADLINE EARNINGS

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

These exceptional items comprise:

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

DIVIDENDS

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

CASH BALANCES

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

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



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

Chief Executive Officer's Report (continued)

Pick 'n Pay Retail Division

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

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

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

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

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

Supermarkets had good growth in turnover and profit

Supermarkets

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



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



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

Hypermarkets

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

Clothing stores and liquor outlets

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

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

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

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

Chief Executive Officer's Report (continued)

The Franchise division continues to show solid growth

Franchise

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

Growth in housebrands participation remains ahead of expectations

Merchandise

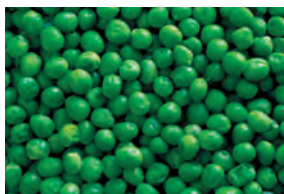
We continue to make food safety a top priority in all our stores. We simply do not compromise on compliance with legislation and our own stringent internal safety standards.

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

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

Black Economic Empowerment (BEE)

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



Marketing

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



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

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

Training

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

The training of our people remains a key focus area

Conclusion

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



hypermarket

ELIZABETH

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

Chief Executive Officer's Report (continued)

The Group Enterprises Division

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

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

Score Supermarkets

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

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

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

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

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



Boxer Superstores

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

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

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



Boxer had an exceptional trading year

Pick 'n Pay Go Banking

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

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

TM Supermarkets

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

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

TM Supermarkets continues to trade well



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

Chief Executive Officer's Report (continued)

Franklins Australia

| Store format | 2005 | 2004 |
|--------------|------|------|
| Franklins | 78 | 78 |

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

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

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

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

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

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

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

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



Sustainable Development

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

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

General Comment and Prospects

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

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

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



Sean Summers
Chief Executive Officer



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

Sustainable Development Review

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Sustainable Development at Pick 'n Pay

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

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

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

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

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

Raymond Ackerman, Chairman

Sustainable Development at Pick 'n Pay (continued)

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

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



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

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

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

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

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

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

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

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

Sean Summers – Chief Executive Officer

Sustainable Development at Pick 'n Pay (continued)

About Pick 'n Pay's Sustainability Report

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

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

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

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

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

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

Tessa Chamberlain, General Manager Corporate Marketing
Tel: +27 (011) 856 7000 Fax: +27 (011) 856 8078
E-mail: tchamberlain@pnp.co.za

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

Raymond Ackerman, Chairman

PERFORMANCE HIGHLIGHTS

Administration

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

Merchandise

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

Promotion, Social and Environmental Responsibility

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



Sustainable Development at Pick 'n Pay (continued)

People

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

CHALLENGES AND COMMITMENTS

We will in the 2006 year:

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



Pick 'n Pay 2005 Sustainable Development Report Feedback Form

Your opinion matters. Please share your views with us.

Which stakeholder groups do you belong to?

Employee Shareholder Customer Supplier

Community NGO Public authority Other

Does the report address issues of greatest interest to you?

Comprehensively Partially Not at all

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

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

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

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

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

Yes No

For further information please contact:

Tessa Chamberlain (General Manager Corporate Marketing)

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

GRI Index

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

| GRI Element | | Relevant section in Pick 'n Pay Report | Page |
|--|---|--|-------|
| Vision and strategy | | | |
| 1.1 | Sustainable development vision and strategy | Sustainable development at Pick 'n Pay | 33 |
| 1.2 | CEO statement | Message from the CEO | 14 |
| Profile | | | |
| 2.1 – 2.8 | General organisational details | Pick 'n Pay Group Profile | Cover |
| 2.9 | List of stakeholders | About Pick 'n Pay's sustainability report | 36 |
| 2.10 – 2.16 | Details on nature and scope of the report | About Pick 'n Pay's sustainability report | 36 |
| 2.17 – 2.22 | Profile of the report – including implementation of GRI principles and external assurance | About Pick 'n Pay's sustainability report | 36 |
| Governance structure and management systems | | | |
| 3.1 – 3.8 | Pick 'n Pay structure and governance | Administration – Corporate governance | 44 |
| 3.9 – 3.12 | Stakeholder engagement issues | Sustainable development at Pick 'n Pay | 33 |
| 3.13 – 3.20 | Overarching policies and management systems | Administration – Corporate governance | 44 |
| Economic performance indicators | | | |
| EC 1 – 2 | Customers: Net sales and markets | Administration – Group Value Added Statement | 42 |
| EC 3 – 4 | Suppliers: Costs of purchased goods/ Payment of contracts in accordance with terms | Administration – Group Value Added Statement | 42 |
| EC 5 | Employees: Total payroll and benefits | Administration – Group Value Added Statement | 42 |
| EC 6 – 7 | Providers of capital: Distributions to providers of capital; changes in retained earnings | Administration – Group Value Added Statement | 42 |
| EC 8 – 9 | Public sector: Taxes and subsidies | Administration – Group Value Added Statement | 42 |
| EC 10 | Community donations | Promotion, Social and Environmental Responsibility – social investment | 61 |

| GRI Element | | Relevant section in Pick 'n Pay Report | Page |
|---|--|--|------|
| Environmental performance indicators | | | |
| EN 1 – 2 | Material use | Environmental responsibility: (Note – working towards supplying quantitative data) | 65 |
| EN 3 – 4 | Energy use | Environmental responsibility: (Note – working towards supplying quantitative data) | 65 |
| EN 5 | Total water use | Environmental responsibility: (Note – working towards supplying quantitative data) | 65 |
| EN 6 – 7 | Biodiversity | Merchandise – Food safety – Qualitative reference only | 51 |
| EN 8 – 13 | Emissions effluents and wastes | Environmental responsibility – Transport (limited quantitative data supplied) | 66 |
| EN 14 – 15 | Environmental impacts of products and services | Environmental responsibility – Refrigeration; packaging; recycling initiatives; (Note – working towards supplying quantitative data) | 66 |
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Shareholders' Information

Annual general meetings

10 June 2005

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

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

Dividends

| | Pick 'n Pay Stores Ltd | | Pick 'n Pay Holdings Ltd | | Last date of trade | Date of payment |
|---------|------------------------|----------------|--------------------------|----------------|--------------------|-----------------|
| | No. | Amount (cents) | No. | Amount (cents) | | |
| Interim | 71 | 16.50 | 44 | 8.05 | 5 Dec 2003 | 15 Dec 2003 |
| Final | 72 | 63.50 | 45 | 31.00 | 4 June 2004 | 14 June 2004 |
| Interim | 73 | 19.80 | 46 | 9.67 | 3 Dec 2004 | 13 Dec 2004 |
| Final | 74 | 76.70 | 47 | 37.43 | 3 June 2005 | 13 June 2005 |
| Interim | 75 | | 48 | | 2 Dec 2005 | 12 Dec 2005 |
| Final | 76 | | 49 | | 2 June 2006 | 12 June 2006 |

Preliminary profit announcements

Interim to 31 August 2005: about 19 October 2005

Final to 28 February 2006: about 18 April 2006

Publication of 2006 annual report

Mid-May 2006

Registered office

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

Company Secretary

Gary Lea

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Auditors

KPMG Inc.

Attorneys

Sonnenberg Hoffmann Galombik

Principal bankers

ABSA Limited First National Bank of Southern Africa Limited

JSE Securities Exchange South Africa sponsor

Investec Bank Limited

Directors' Responsibility for the Group Annual Financial Statements

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

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

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

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

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

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

Directors' Approval

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

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

R D Ackerman
Chairman

S R Summers
Chief Executive Officer

D G Cope
Group Finance Director

Company Secretary's Certificate

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

G F Lea
Company Secretary

6 May 2005

Report of the Independent Auditors

To the members of
Pick 'n Pay Stores Limited

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

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

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

KPMG Inc
Registered Accountants and Auditors
Chartered Accountants (SA)

Cape Town
6 May 2005

Pick 'n Pay Stores Limited and its subsidiaries

Directors' Report

for the year ended 28 February

Nature of business

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

General review

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

Dividends paid and declared

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

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

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

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

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

For further details refer to note 6 on page 101.

Share capital

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

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

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

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

Going concern

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

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

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

Special resolution

On 11 June 2004 shareholders approved the following special resolution:

General authority to repurchase company shares

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

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

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

Directors and secretary

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

Holding company

The holding company is Pick 'n Pay Holdings Limited.

Directors' interest in shares

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

Subsidiary companies

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

Borrowings

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

Participation in export partnerships

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

International Financial Reporting Standards ("IFRS")

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

Pick 'n Pay Stores Limited and its subsidiaries

Income Statement

for the year ended 28 February 2005

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

Balance Sheet

as at 28 February 2005

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

Pick 'n Pay Stores Limited and its subsidiaries

Statement of Changes in Equity

for the year ended 28 February 2005

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

Cash Flow Statement

for the year ended 28 February 2005

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

Pick 'n Pay Stores Limited and its subsidiaries

Accounting Policies

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

Basis of consolidation

Investment in subsidiaries

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

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

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

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

Investment in associates

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

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

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

Goodwill

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

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

Intangible assets

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

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

Property

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

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

Equipment and vehicles

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

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

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

Leases

Finance leases

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

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

Operating leases

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

Inventory

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

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

Provisions

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

Financial instruments

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

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Investments

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

Trade receivables

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

Accounting Policies (continued)

Participation in export partnerships

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

Payables

Payables are recognised at amortised cost.

Debt

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

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

Impairment of assets

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

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

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

Turnover

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

Revenue recognition

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

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

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

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

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

Tax

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

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

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

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

Foreign currency transactions

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

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

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

Employee benefits

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

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

Retirement benefits

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

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

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

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

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

Capitalisation share awards and cash dividends

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

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

Segmental reporting

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

Treasury shares

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

Comparative figures

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

Pick 'n Pay Stores Limited and its subsidiaries

Notes to the Annual Financial Statements

for the year ended 28 February

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

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

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

| | Fees for Board meetings R'000 | Fees for committee and other work R'000 | Remuneration R'000 | Retirement and medical contributions R'000 | Performance bonus* R'000 | Fringe and other benefits R'000 | Total R'000 |
|--------------------------------------|-------------------------------|---|--------------------|--|--------------------------|---------------------------------|-----------------|
| 2. Trading profit (continued) | | | | | | | |
| Directors' emoluments | | | | | | | |
| Non-executive directors | | | | | | | |
| G M Ackerman | 87.5 | 180.0 | | | | | 267.5 |
| R P de Wet | 87.5 | 130.0 | | | | | 217.5 |
| H S Herman | 87.5 | 60.0 | | | | | 147.5 |
| C Hultzer | 87.5 | 190.0 | | | | | 277.5 |
| C Nkosi | 87.5 | 30.0 | | | | | 117.5 |
| D M Nurek | 87.5 | 120.0 | | | | | 207.5 |
| B J van der Ross | 87.5 | 30.0 | | | | | 117.5 |
| | 612.5 | 740.0 | — | — | — | — | 1 352.5 |
| Executive directors | | | | | | | |
| R D Ackerman | 1.5 | | 2 210.2 | 31.1 | 2 500.0 | 92.6 | 4 835.4 |
| W Ackerman | 1.5 | | 459.9 | — | 700.0 | 100.3 | 1 261.7 |
| D G Cope | 1.5 | | 1 308.6 | 288.6 | 2 000.0 | 91.2 | 3 689.9 |
| D Robins | 1.5 | | 1 179.0 | 276.2 | 1 200.0 | 203.6 | 2 860.3 |
| S R Summers | 1.5 | | 2 930.1 | 618.1 | 6 750.0 | 356.5 | 10 656.2 |
| | 7.5 | — | 8 087.8 | 1 214.0 | 13 150.0 | 844.2 | 23 303.5 |
| Total remuneration 2005 | 620.0 | 740.0 | 8 087.8 | 1 214.0 | 13 150.0 | 844.2 | 24 656.0 |
| Non-executive directors | | | | | | | |
| G M Ackerman | 75.0 | 180.0 | | | | | 255.0 |
| R P de Wet | 75.0 | 130.0 | | | | | 205.0 |
| H S Herman | 75.0 | 60.0 | | | | | 135.0 |
| C Hultzer | 75.0 | 190.0 | | | | | 265.0 |
| C Nkosi | 75.0 | 30.0 | | | | | 105.0 |
| D M Nurek | 75.0 | 120.0 | | | | | 195.0 |
| B J van der Ross | 75.0 | 30.0 | | | | | 105.0 |
| | 525.0 | 740.0 | — | — | — | — | 1 265.0 |
| Executive directors | | | | | | | |
| R D Ackerman | 1.5 | | 2 100.0 | 21.2 | 2 000.0 | 77.1 | 4 199.8 |
| W Ackerman | 1.5 | | 426.7 | — | 600.0 | 93.9 | 1 122.1 |
| D G Cope | 1.5 | | 1 209.7 | 212.6 | 1 300.0 | 98.5 | 2 822.3 |
| D Robins | 1.5 | | 1 092.0 | 199.4 | 800.0 | 210.7 | 2 303.6 |
| S R Summers | 1.5 | | 2 719.7 | 457.2 | 5 500.0 | 303.3 | 8 981.7 |
| | 7.5 | — | 7 548.1 | 890.4 | 10 200.0 | 783.5 | 19 429.5 |
| Total remuneration 2004 | 532.5 | 740.0 | 7 548.1 | 890.4 | 10 200.0 | 783.5 | 20 694.5 |

*The performance bonus relates to the results for the current financial year

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

| | 2005 Rm | 2004 Rm |
|---|------------------|------------------|
| 5. Earnings per share | | |
| 5.1 The calculation of earnings (net profit for the year) per share and headline earnings per share is based on: | | |
| Earnings (net profit for the year) | 649.6 | 515.7 |
| Headline earnings | <u>663.3</u> | <u>552.5</u> |
| and: | | |
| The weighted average number of ordinary shares in issue during the year: | 468 703.6 | 470 748.6 |
| Reconciliation between earnings and headline earnings: | Rm | Rm |
| Earnings (net profit for the year) | 649.6 | 515.7 |
| Adjustments: | 13.7 | 36.8 |
| Goodwill amortisation | 35.3 | 36.8 |
| Profit on disposal of Boardmans | (24.0) | — |
| Profit on disposal of property | (1.4) | — |
| Loss on disposal of equipment and vehicles | 3.8 | — |
| Headline earnings | <u>663.3</u> | <u>552.5</u> |
| Movement in the weighted average number of ordinary shares in issue comprises: | | |
| At 1 March | 470 748.6 | 483 779.6 |
| Current year share issue | 1 982.5 | — |
| Current year share repurchases by a subsidiary company | (5 391.0) | (1 966.7) |
| Prior year share repurchases now fully weighted | (561.1) | (12 801.8) |
| Sale of treasury shares by the share trust, pursuant to the take-up of share options | 1 924.6 | 1 737.5 |
| At 28 February | <u>468 703.6</u> | <u>470 748.6</u> |

Refer to note 13 for the number of shares in issue

| | 2005 Rm | 2004 Rm |
|--|------------|------------|
| 5. Earnings per share (continued) | | |
| 5.2 The calculation of diluted earnings per share and diluted headline earnings per share is based on: | | |
| Diluted earnings | 654.0 | 520.9 |
| Diluted headline earnings | 667.7 | 557.7 |
| and: | | |
| The diluted weighted average number of ordinary shares in issue during the year: | 496 403.6 | 499 578.1 |
| Reconciliation between earnings and diluted earnings: | Rm | Rm |
| Earnings (net profit for the year) | 649.6 | 515.7 |
| Debt interest after tax | 4.4 | 5.2 |
| Diluted earnings | 654.0 | 520.9 |
| Headline earnings adjustments (note 5.1) | 13.7 | 36.8 |
| Diluted headline earnings | 667.7 | 557.7 |
| Reconciliation of the weighted average number of ordinary shares in issue for diluted earnings per share: | | |
| Weighted average number of ordinary shares in issue (note 5.1) | 468 703.6 | 470 748.6 |
| Shares to be issued on conversion of debentures (note 15) | 20 000.0 | 20 000.0 |
| Dilutive effect of share options | 7 700.0 | 8 829.5 |
| Weighted average number of ordinary shares in issue for purposes of calculating diluted earnings per share | 496 403.6 | 499 578.1 |

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

8. Fixed assets

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

8. Fixed assets (continued)

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

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

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

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

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

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

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

13. Share capital *(continued)*

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

| | 2005 | 2004 |
|---|-------------------------------|-------------------------------|
| | Number of options 000's | Number of options 000's |
| At 1 March | 17 627.9 | 15 219.0 |
| New options granted* | 4 381.5 | 5 440.3 |
| Options taken up** | (4 313.2) | (2 443.3) |
| Options forfeited | (187.6) | (588.1) |
| At 28 February | 17 508.6 | 17 627.9 |
| Percentage of issued shares | 3.6% | 3.6% |
| *Average price of options granted during the year | R17.10 | R12.95 |
| **Average take-up price of options taken up during the year | R5.21 | R4.37 |

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

| Year | Average grant price | |
|---------------------|---------------------|-----------------|
| 2006 | R 8.48 | 6 717.7 |
| 2007 | R11.91 | 2 759.1 |
| 2008 | R10.42 | 4 090.2 |
| 2009 | R15.78 | 2 305.6 |
| 2010 and thereafter | R17.89 | 1 636.0 |
| | | 17 508.6 |

13. Share capital (continued)

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

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

On behalf of share purchase scheme participants

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

Directors' interest in shares

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

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

The following share options are held by directors:

1997 Share Option Scheme

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

13. Share capital (continued)

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

Pick 'n Pay Stores Limited and its subsidiaries

Notes to the Annual Financial Statements (continued)

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

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

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

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

22. Segmental report

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

The segments are as follows:

Southern African operations

Australian operations

Financial information pertaining to geographic segments is as follows:

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

23. Related party transactions

Transactions between Group subsidiaries

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

Directors

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

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

23. Related party transactions

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

Related party transactions include:

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

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

Shares held by directors

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

24. Financial instruments

Currency risk

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

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

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

Credit risk

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

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

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

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

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

Cash flow and funding risk

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

| | 2005 Rm | 2004 Rm |
|--|----------------|----------------|
| 24. Financial instruments (continued) | | |
| At 28 February the Group's loan facilities comprised: | | |
| Total borrowing facilities granted by financial institutions | 2 582.3 | 2 196.6 |
| Total actual borrowings and utilisation of facilities | (767.1) | (734.1) |
| Unutilised borrowing facilities | 1 815.2 | 1 462.5 |

Interest rate risk

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

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

Fair values of financial instruments

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

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

Participation in export partnerships – refer note 11.

25. Retirement benefits

The Group has four retirement schemes, covering:

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

Pick 'n Pay Retailers (Pty) Limited

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

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

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

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

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

Post-retirement medical benefits

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

Benefit fund

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

Advisors

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

SACCAWU National Provident Fund

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

Score Supermarkets Trading (Pty) Limited

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

Membership of Score Provident Funds 2 630

Membership of SACCAWU National Provident Fund 862

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

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

25. Retirement benefits (continued)

Boxer Superstores (Pty) Limited

Employees of Boxer are members of their own Provident Funds.

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

This is a defined contribution contributory provident fund.

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

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

This is a defined contribution contributory provident fund.

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

This is a defined contribution non-contributory provident fund.

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

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

This is a defined contribution non-contributory provident fund.

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

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

Interfrank Group Holdings Pty Limited

Franklins' employees are members of one of two funds:

A The Interfrank Superannuation fund is for all Retail Management employees, i.e. Store Managers and Department Managers. This fund is underwritten by AMP as part of their Custom Super Plan. Approximately 300 employees are members of this Scheme.

B All other employees, those covered by the Enterprise Bargaining Agreement, are members of the Retail Industry Superannuation Fund. Approximately 4 334 employees are members of this fund.

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

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

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

25. Retirement benefits *(continued)*

Employee benefit obligations

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

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

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

Pick 'n Pay Stores Limited and its subsidiaries

Notes to the Annual Financial Statements (continued)

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

27. Interest in subsidiaries *(continued)*

Held by other Group trading subsidiaries:

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

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

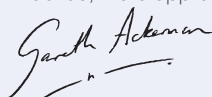
A comprehensive list of Group subsidiaries is available on request at the registered office of the Company

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

Directors' Approval

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

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



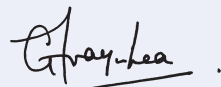
G M Ackerman
Chairman



R D Ackerman
Director

Company Secretary's Certificate

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



G F Lea
Company Secretary

6 May 2005

Report of the Independent Auditors

To the members of

Pick 'n Pay Holdings Limited

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

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

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

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



KPMG Inc
Registered Accountants and Auditors
Chartered Accountants (SA)

Cape Town
6 May 2005

Pick 'n Pay Holdings Limited

Income Statement and Balance Sheet

Income Statement

for the year ended 28 February

Income

Dividends received from Pick 'n Pay Stores Limited

2005
Rm

2004
Rm

214.4

184.0

Balance Sheet

as at 28 February

Notes

2005
Rm

2004
Rm

Assets

Non-current asset

Investment in subsidiary

3

128.0

128.0

Current asset

Loan to subsidiary company

0.1

—

Total assets

128.1

128.0

Equity and liabilities

Capital and reserves

Share capital

4

6.6

6.6

Share premium

120.8

120.8

127.4

127.4

Current liabilities

Loan from subsidiary company

—

0.1

Trade payable

0.7

0.5

0.7

0.6

Total equity and liabilities

128.1

128.0

Statement of Changes in Equity and Cash Flow Statement

Statement of Changes in Equity

for the year ended 28 February

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

Cash Flow Statement

for the year ended 28 February

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

Notes to the Annual Financial Statements

for the year ended 28 February

Accounting policies

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

1. Group financial statements

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

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

1. Group financial statements (continued)

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

1. Group financial statements (continued)

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

1. Group financial statements *(continued)*

Statement of changes in equity

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

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

Cash flow statement

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

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

4. Share capital *(continued)*

Share incentive scheme

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

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

| | 2005 | 2004 |
|---|------------------------------------|----------------------------|
| | Number of options 000's | Number of options 000's |
| At 1 March | 29 525.7 | 33 424.0 |
| New options granted* | 881.2 | 1 467.6 |
| Options taken up** | (7 472.9) | (4 367.5) |
| Options forfeited | (381.1) | (998.4) |
| At 28 February | 22 552.9 | 29 525.7 |
| Percentage of issued shares | 4.3% | 5.6% |
| * <i>Average grant price of options granted during the year</i> | R7.90 | R4.93 |
| ** <i>Average take-up price of options taken up during the year</i> | R2.34 | R2.39 |
| Options granted may be taken up during the following financial years: | | |
| Year | Average grant price | |
| 2006 | R2.87 | 21 962.9 |
| 2007 | R4.10 | 170.0 |
| 2008 | R5.10 | 180.0 |
| 2009 | — | — |
| 2010 and thereafter | R5.10 | 240.0 |
| | | 22 552.9 |
| The Employee Share Purchase Trust, which administers the 1997 Share Option Scheme, holds the following number of ordinary shares: | | |
| As a hedge against shares granted or to be granted by that scheme, reflected as treasury shares | 21 559.1 | 28 075.7 |
| On behalf of share purchase scheme participants | 1 097.8 | 1 692.4 |
| | 22 656.9 | 29 768.1 |

4. Share capital (continued)

Directors' interest in shares

The following shares are held by directors and senior executives:

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

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

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

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

1997 Share Option Scheme

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

4. Share capital (continued)

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

Notes to the Annual Financial Statements

for the year ended 28 February

Accounting policies

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

1. Group financial statements

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

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

1. Group financial statements (continued)

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

1. Group financial statements (continued)

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

1. Group financial statements *(continued)*

Statement of changes in equity

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

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

Cash flow statement

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

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

4. Share capital *(continued)*

Share incentive scheme

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

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

| | 2005 | 2004 |
|---|------------------------------------|----------------------------|
| | Number of options 000's | Number of options 000's |
| At 1 March | 29 525.7 | 33 424.0 |
| New options granted* | 881.2 | 1 467.6 |
| Options taken up** | (7 472.9) | (4 367.5) |
| Options forfeited | (381.1) | (998.4) |
| At 28 February | 22 552.9 | 29 525.7 |
| Percentage of issued shares | 4.3% | 5.6% |
| * <i>Average grant price of options granted during the year</i> | R7.90 | R4.93 |
| ** <i>Average take-up price of options taken up during the year</i> | R2.34 | R2.39 |
| Options granted may be taken up during the following financial years: | | |
| Year | Average grant price | |
| 2006 | R2.87 | 21 962.9 |
| 2007 | R4.10 | 170.0 |
| 2008 | R5.10 | 180.0 |
| 2009 | — | — |
| 2010 and thereafter | R5.10 | 240.0 |
| | | 22 552.9 |
| The Employee Share Purchase Trust, which administers the 1997 Share Option Scheme, holds the following number of ordinary shares: | | |
| As a hedge against shares granted or to be granted by that scheme, reflected as treasury shares | 21 559.1 | 28 075.7 |
| On behalf of share purchase scheme participants | 1 097.8 | 1 692.4 |
| | 22 656.9 | 29 768.1 |

Divisional Directors

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

CHAIRMAN'S EXECUTIVE COMMITTEE (EXCO)

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

PICK 'N PAY RETAILERS (PTY) LTD

RETAIL DIVISION MANAGEMENT BOARD

NICK BADMINTON (43)
Managing Director
Years of Service 25

JONATHAN ACKERMAN (38)
Marketing
Years of Service 14

DANIE BOSHOFF (46)
Supermarkets
Years of Service 22

DENNIS COPE (54)
Group Finance
Years of Service 27

PAUL CONNELLAN (50)
Foods
Years of Service 27

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

BAKAR JAKOET (49)
Finance
Years of Service 20

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

DALLAS LANGMAN (35)
Hypermarkets
Years of Service 15

ISAAC MOTAUNG (50)
Organisational Development
Years of Service 29

NEAL QUIRK (49)
Franchise
Years of Service 23

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

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

SEAN SUMMERS (51)
CEO
Years of Service 31

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

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

GROUP ENTERPRISES EXECUTIVE COMMITTEE

SEAN SUMMERS (51)
CEO
Years of Service 31

HUGH BLAND (50)
Boxer
Years of Service 17

DENNIS COPE (54)
Group Finance
Years of Service 27

CHRIS REED (44)
Score
Years of Service 20

DAVID ROBINS (51)
Business Development
Years of Service 10

FRANKLINS AUSTRALIA MANAGEMENT BOARD

AUBREY ZELINSKY (55)
Managing Director
Years of Service 35

DENNIS COPE (54)
Group Finance
Years of Service 27

RONI PERLOV (42)
Finance
Years of Service 6

DAVID ROBINS (51)
Deputy Chairman
Years of Service 10

SEAN SUMMERS (51)
CEO
Years of Service 31

Hypermarket

General Managers:

BOBBY BEZUIDENHOUT (59)
Durban

Years of Service 33

MARK BISHOP (42)

Faerie Glen

Years of Service 22

DAVID CREWE (41)

Norwood – Assistant GM

Years of Service 17

JAN DE BEER (32)

Ottery

Years of Service 7

ANIL GOPICHUND (36)

Princess Crossing

Years of Service 18

HOOSAIN HANSROD (52)

Norwood

Years of Service 25

IAN HUGHES (38)

Moffett Park

Years of Service 18

JOHANNES LETSWALO (45)

Steeledale

Years of Service 21

PIET LUBBE (42)

Boksburg

Years of Service 20

JOHN LUCAS (51)

Brackenfell

Years of Service 26

LOUIS NUNES (38)

Bedworth Park

Years of Service 16

DUNCAN PENTZ (48)

Bloemfontein

Years of Service 24

JACQUES VAN ROOYEN (45)

Wonderpark

Years of Service 18

JOHAN VAN ZYL (34)

Northgate

Years of Service 13

DIRK VENTER (51)

Klerksdorp

Years of Service 24

Supermarket

General Managers:

ANDRE COETZER (40)

Gauteng Corporate

Years of Service 21

SYLVESTER MOFOKENG (41)

Eastern Cape

Years of Service 18

LLYWELLYN DYER (42)

Western Cape

Years of Service 20

DION BLOM (38)

KwaZulu-Natal

Years of Service 15

DANIE BOSHOFF (46)

Gauteng

Years of Service 22

LUKE LOUW (47)

Northern Region

Years of Service 23

Corporate

General Managers:

SUZANNE ACKERMAN-BERMAN (42)

Corporate & Social Affairs

Years of Service 10

MICHAEL ANDERSON (39)

Food Distribution – Gauteng

Years of Service 2

PETER ARNOLD (43)

Fresh Produce

Years of Service 21

SOLLY BENDRAU (49)

General Merchandise

Years of Service 27

TESSA CHAMBERLAIN (45)

Marketing

Years of Service 6

ROB CLIFFORD (56)

National Operations

Years of Service 11

MICHAEL COLES (50)

Clothing

Years of Service 10

CHARL COWLEY (33)

Group Audit Services

Years of Service 5

DHARMALINGUM DASS (47)

General Merchandise
Years of Service 27

LOUIS DE BEER (48)

Bakeries
Years of Service 26

HELEN DE LIGHT (50)

Industrial Relations
Years of Service 19

IVAN DIEPRAAM (51)

Franchise
Years of Service 24

STUART DUFFIELD (47)

General Merchandise
Years of Service 27

SHANE GREEN (40)

Buyer – Western Cape
Years of Service 22

BRIAN GREGSON (45)

Operations – Gauteng
Years of Service 17

CORNELIUS GROBBELAAR (53)

Group Audit Services
Years of Service 23

RONNIE HERZFELD (58)

Technology & Systems
Years of Service 30

SAKKIE JOUBERT (59)

Group Audit Services
Years of Service 35

GEORGE JONES (57)

Employee Benefits
Years of Service 17

KEVIN KORB (45)

Corporate Brands
Years of Service 23

KOBUS KUYLER (46)

Safety and Security
Years of Service 2

GARY LEA (39)

Company Secretary
Group Finance
Years of Service 8

PEARLY LING (40)

National Operations
Years of Service 8

WARREN MARSDEN (50)

General Merchandise
Years of Service 27

RODNEY MUNDELL (48)

General Merchandise
Years of Service 23

RAY MURRAY (56)

National – Perishables
Eastern Cape – Foods
Years of Service 30

MALCOLM MYCROFT (48)

General Merchandise
Years of Service 27

ADRIAN NAUDE (34)

Gauteng Corporate
Years of Service 7

KADER PATEL (44)

Hypermarkets – Foods
Years of Service 23

CEDRIC ROSS (45)

Hypermarkets – Foods
Years of Service 22

FRIKKIE ROSSOUW (56)

Home Shopping
Years of Service 30

DAVE RAPPOPORT (54)

Hypermarkets –
General Merchandise
Years of Service 34

ANDRE SIEBRITS (48)

Pick 'n Pay Go Banking
Years of Service 27

DAVID SMITH (50)

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

ROB SPEEDY (35)

Business Systems
Years of Service 13

WIM THERON (37)

Franchise – Western Cape
Years of Service 7

DALENE VAN ASWEGEN (54)

Property
Years of Service 24

FRANS VAN DER COLFF (46)

Franchise – Mini Markets
Years of Service 17

LYNDSAY WEBSTER-ROZON (34)

Strategy
Years of Service 5

LEON WILKISKY (58)

Systems – Store Automation
Years of Service 33

KEVIN WYNNE (46)

Human Resources
Years of Service 24

DIVISIONAL DIRECTORS

Buyers:

ROWAN ARMSTRONG (41)

General Merchandise
Years of Service 20

GIGI BISOGNO (49)

Corporate Brands
Years of Service 28

ROY CAMPBELL (49)

General Merchandise
Years of Service 28

NEIL COOKE (47)

KwaZulu-Natal – Foods
Years of Service 25

MOOSA HANS (58)

Hypermarkets – Foods
Years of Service 25

GEOFF KAHN (56)

Hypermarkets
Years of Service 35

DES MOODLEY (50)

Eastern Cape
Years of Service 30

PETER POWELL (47)

Northern Region – Foods
Years of Service 8

HENNIE ROETS (35)

General Merchandise
Years of Service 15

ALAN VAN DEN BERG (38)

Gauteng – Foods
Years of Service 18

NAAS VAN POUCKE (47)

Western Cape – Distribution
Years of Service 22

Administration:

DAVID BRAUN (52)

Corporate Assignments
Years of Service 27

LIZA DE FREITAS (32)

Northern Region –
Chief Accountant
Years of Service 9

GRAEME GATHMANN (34)

Hypermarkets –
Chief Accountant
Years of Service 9

ABDURAHMAN HAMDULAY (33)

Western Cape –
Chief Accountant
Years of Service 12

CINDY HOFFMANN (45)

Human Resource Manager
Years of Service 16

**CHRISTINE JANSE VAN
RENSBURG (46)**

National Human Resources
Years of Service 16

LORETTA KELLY (50)

Corporate Accountant
Years of Service 34

GRAEME LAITHWAITE (60)

Corporate Expense Control
Years of Service 21

HENRY LEFEVRE (57)

Group Audit Services
Years of Service 33

KARYN LEIBBRANDT (45)

KwaZulu-Natal –
Chief Accountant
Years of Service 20

YACOOB MOLA (50)

KwaZulu-Natal –
Human Resources
Years of Service 16

FRED PEARL (59)

Corporate Accountant
Years of Service 34

PETRUS STEYN (35)

Gauteng – Chief Accountant
Years of Service 10

BRIAN STRYDOM (50)

Eastern Cape – Chief Accountant
Years of Service 21

DALENE VAN ASWEGEN (54)

Property
Years of Service 24

VAUGHAN VEALE (51)

Franchise
Years of Service 23

MOHAMMED VALLY (51)

Meadowbrook –
Chief Accountant
Years of Service 32

ERNA VAUSE (62)

SAP Project
Years of Service 20

Regional Manager:

FRIK MINNIE (62)

Northern Region – Operations
Years of Service 32

Divisional Directors (continued)

SCORE SUPERMARKETS

LEON DE LANGE (38)
Operations
Years of Service 17

RALENE HAYNES (36)
Finance
Years of Service 3

DAVID RAMSDEN (45)
Merchandise
Years of Service 23

ANDERSON TSHAYA (55)
Human Resources
Years of Service 15

BLUE RIBBON MEAT

Directors:

MALCOLM BAXTER (57)
National General Manager
National Service Areas
Years of Service 36

IAN CROOK (47)
National Operations
Years of Service 23

PETER ELLIOTT (50)
Gauteng
Years of Service 29

DONALD JOHNSON (58)
KwaZulu-Natal General Manager
Years of Service 34

BEVERLEY MARKS (48)
Human Resources
Years of Service 17

MALCOLM SIMPSON (57)
Western Cape General Manager
Years of Service 37

TRACEY WELLINGTON (38)
Finance
Years of Service 12

BOXER SUPERSTORES

Directors:

PAT GOSS (56)
Non-Executive
Years of Service 16

ROD BELL (52)
Operations
Years of Service 22

MAREK MASOJADA (39)
Finance
Years of Service 11

EUGENE STOOP (50)
Merchandise
Years of Service 13

IAN BAMBER (37)
Human Resources
Years of Service 9

FRANKLINS AUSTRALIA

General Managers:

GRAHAM GARDENER (49)
Property
Years of Service 3

JOHAN GROBLER (39)
Chief Accountant
Years of Service 14

ALAN MALAKOU (50)
Operations
Years of Service 4

BILL MORGAN (59)
Information Technology
Years of Service 6

STAN SRAGE (40)
Merchandise
Years of Service 15

TM SUPERMARKETS

Directors:

GRAHAM JACOBS (60)
Finance
Years of Service 19

MIKE OAKLEY (56)
Managing Director
Years of Service 35

4. Share capital (continued)

Directors' interest in shares

The following shares are held by directors and senior executives:

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

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

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

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

1997 Share Option Scheme

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

4. Share capital (continued)

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

Notice of Annual General Meeting

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

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

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

1. Ordinary resolution number 1

Approval of financial statements

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

2. Ordinary resolution number 2

Appointment of Auditors

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

3. Ordinary resolution number 3

Re-appointment of directors

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

Wendy Ackerman

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

Constance Nkosi

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

Gareth Mark Ackerman (47)

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

Hugh Sydney Herman (64)

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

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

Ordinary resolution number 3.1

Appointment of Wendy Ackerman as director

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

Ordinary resolution number 3.2

Appointment of Constance Nkosi as director

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

Ordinary resolution number 3.3

Appointment of Gareth Ackerman as director

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

Ordinary resolution number 3.4

Appointment of Hugh Herman as director

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

Notice of Annual General Meeting (continued)

4. Ordinary resolution number 4

Directors' fees and housing loans

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

5. Special resolution number 1

General authority to repurchase Company shares

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

Additional information required by the JSE Listings Requirements

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

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

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

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

Statement by the Board of directors of the Company

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

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

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

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

Reason for and effect of special resolution number 1

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

6. Ordinary resolution number 5

General authority over unissued shares

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

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

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

7. Ordinary resolution number 6

General authority to issue shares for cash

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

Additional information required by the JSE Listings Requirements

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

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

Notice of Annual General Meeting (continued)

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

8. Ordinary resolution number 7

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

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

The reason and effect of Ordinary resolution number 7

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

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

9. Special resolution number 2

Amendment of the Articles of Association

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

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

Reason for and effect of special resolution number 2

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

10. Ordinary resolution number 8

Directors' authority to implement Company resolutions

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

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

General instructions and information

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

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

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

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

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

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

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

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

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

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

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

By order of the Board



G F Lea
Company Secretary

Cape Town
6 May 2005

Form of Proxy

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

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

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

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

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

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

I/We (block letters) _____
 of _____

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

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

1. _____ or failing him/her,
2. _____ or failing him/her,

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

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

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

Signed at _____ on _____ 2005

Signature _____

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

Assisted by me (where applicable) _____ Telephone number _____

Please read the notes overleaf.

NOTES

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

Notice of Annual General Meeting

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

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

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

1. Ordinary resolution number 1

Approval of financial statements

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

2. Ordinary resolution number 2

Appointment of Auditors

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

3. Ordinary resolution number 3

Re-appointment of directors

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

Wendy Ackerman

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

René de Wet (62)

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

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

Ordinary resolution number 3.1

Appointment of Wendy Ackerman as director

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

Ordinary resolution number 3.2

Appointment of René de Wet as director

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

4. Special resolution number 1

General approval to repurchase Company shares

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

Additional information required by the JSE Listings Requirements

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

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

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

Statement by the Board of directors of the Company

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

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

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

Reason and effect of special resolution number 1

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

5. Ordinary resolution number 4

General authority over unissued shares

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

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

6. Ordinary resolution number 5

General authority to issue shares or other equities for cash

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

Notice of Annual General Meeting (continued)

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

Additional information required by the JSE Listings Requirements

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

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

7. Ordinary resolution number 6

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

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

The reason and effect of Ordinary resolution number 6

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

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

8. Special resolution number 2

Amendment of the Articles of Association

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

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

Reason for and effect of special resolution number 2

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

9. Ordinary resolution number 7

Directors' authority to implement Company resolutions

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

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

General instructions and information

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

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

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

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

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

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

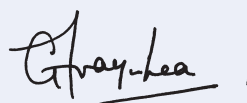
- you may attend and vote at the annual general meeting; alternatively
- you may appoint a proxy to represent you at the annual general meeting by completing the attached form of proxy and returning it to the registered office of the Company by no later than 24 hours prior to the time appointed for the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

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

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

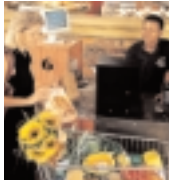
CSDPs, brokers or their nominees, as the case may be, recorded in the Company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of STRATE should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they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

By order of the Board



G F Lea
Company Secretary

Cape Town
6 May 2005



Notice of annual general meeting

The 22nd annual general meeting of shareholders of Pick 'n Pay Holdings Limited ("the Company") for the year ended 28 February 2003 will be held at 11h30 on Friday, 13 June 2003.

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

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

1. Ordinary resolution number 1

Approval of financial statements

"Resolved that the annual financial statements of the Company and its subsidiaries, for the year ended 28 February 2003, 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. Messrs G M Ackerman, R P de Wet and C Hultzer, retire in accordance with the Company's articles of association but, being eligible, offer themselves for re-election.

G M Ackerman (45) *Chairman*

Gareth Ackerman was an executive at Pick 'n Pay for 15 years before going non-executive as Deputy Chairman of Pick 'n Pay Stores Limited in 1999.

While at Pick 'n Pay, Gareth ran many different divisions and was appointed joint managing director in 1993 and then managing director of Group Enterprises in 1995.

Gareth was appointed to the Board in 1987 and in 2002 was appointed as Chairman of the Board.

R P de Wet (60)

Rene de Wet is an independent non-executive director. Rene was an executive at Pick 'n Pay for 29 years, first as an accountant, then as human resources director when he was appointed to the Board in 1981. He was then appointed Joint Managing Director in 1993 and Deputy Chairman in 1995. Rene retired as an executive director in 1999 but remained on the Board as a non-executive director.

C Hultzer (67)

Colin Hultzer is an independent non-executive director. Colin was appointed to the Board in 1993 after a career with Arthur Andersen. Colin serves on other boards as a

non-executive director and has been a member of the Pick 'n Pay Audit Committee since its inception and as Chairman of that committee since 1999.

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

Ordinary resolution number 3.1

Appointment of G M Ackerman as director

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

Ordinary resolution number 3.2

Appointment of R P de Wet as director

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

Ordinary resolution number 3.3

Appointment of C Hultzer as director

"Resolved that C Hultzer be and is hereby elected as director of the Company."

4. Ordinary resolution number 4

General authority over unissued shares

"Resolved that all the unissued authorised shares in the Company, in addition to those 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, subject to the provisions of the Companies Act, No. 61 of 1973 (as amended) and the JSE Securities Exchange South Africa's Listing Requirements, until the next annual general meeting."

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.

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(2), 85(3) and 89 of the Companies Act, 1973 (Act 61 of 1973), as amended ("the 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



Notice of annual general meeting continued

articles of association of the Company, the provisions of the Act and the Listings Requirements of the JSE Securities Exchange South Africa ("JSE") as presently constituted and which may be amended from time to time, and provided that:

- a. any such acquisition of shares shall be implemented on the open market on the JSE;
 - b. this general authority shall only be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 (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 prior to the acquisition pursuant to which the 3% (three percent) threshold is reached, which announcement shall contain full details of such acquisitions;
 - d. 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 20% (twenty percent) (or 10% (ten percent) where in the aggregate such acquisition relates to the acquisition by a subsidiary) of the Company's issued share capital of the class of repurchased shares from the date of the grant of this general authority; and
 - e. in determining the price at which the Company's shares are acquired by the Company or its subsidiaries in terms of this general authority, the maximum premium at which such shares may be acquired will be 10% (ten percent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date of repurchase of such shares by the Company or its subsidiaries."
- 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 in accordance with South African Statements of Generally Accepted Accounting Practice, 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 purposes of the business of the Company and its subsidiaries for the next 12 (twelve) months after the date of this notice of annual general meeting; and
 - b.4 the working capital available to the Company and its subsidiaries will, after the repurchase, be sufficient for the Group's requirements for the next 12 (twelve) months after the date of this notice of the annual general meeting.

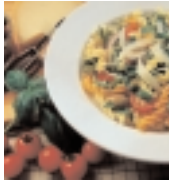
Statement by the Board of Directors of the Company

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

- a. the intention of the directors of the Company is to utilise the general authority if at some future date the cash resources of the Company are in excess of its requirements or there are other good grounds for doing so. In this regard the directors will take account of, *inter alia*, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company, and the interests of the Company;

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 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.



6. Ordinary resolution number 5

General authority to issue shares for cash

“Resolved that, subject to not less than 75% (seventy-five percent) of the votes cast by those shareholders of the Company present in person or represented by proxy to vote at this annual general meeting voting in favour of this ordinary resolution, the directors of the Company be and are hereby authorised by way of a general authority to issue all or any of the authorised but unissued shares in the capital of the Company for cash, as and when they in their discretion deem fit, subject to the Companies Act, 1973 (Act 61 of 1973), as amended, the articles of association of the Company, the Listings Requirements of the JSE Securities Exchange South Africa (“JSE”) as presently constituted and which may be amended from time to time and the following limitations:

- a. that this 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;
- b. that a paid press announcement be published giving full details, including the expected effect on the net asset value and earnings per share, at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of ordinary shares in issue prior to the issue;
- c. that issues in the aggregate in any 1 (one) financial year may not exceed 15% (fifteen percent) of the number of the shares in the Company’s issued share capital of the class of shares issued before such issue;
- d. that in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of those shares 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
- e. that any issue will only be made to “public shareholders” as defined by the Listings Requirements of the JSE and not to related parties.”

7. Ordinary resolution number 6

Approval of Amendments to the Pick 'n Pay 1997 Share Option Scheme

“Resolved that the Company hereby approves, confirms and ratifies the amendments to the Agreement establishing and regulating the Pick 'n Pay 1997 Share Option Scheme (“the 1997 Scheme”), in terms of the Addendum dated 9 May 2003

between The Trustees for the time being of the Pick 'n Pay Employee Share Purchase Trust, Pick 'n Pay Stores Limited and the Company, a copy of which has been tabled at this meeting.”

The reason and effect of ordinary resolution

number 6 is to approve the Addendum amending the 1997 Scheme in accordance with the terms thereof, which include amendments enabling the Company to adopt a more flexible approach to the terms and conditions of the share options that may be granted under the 1997 Scheme by giving it a discretion to set the percentages in which, and the time periods after which, shares will become available for delivery to employees. This will enable the Company to reward deserving employees by granting them options in terms of which they will become entitled to delivery of shares after a shorter time period.

A summary of the salient features of the proposed amendments to be made to the 1997 Scheme is attached. Copies of the proposed amendments to the 1997 Scheme are available for inspection at the registered office of the Company during ordinary business hours.

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.”

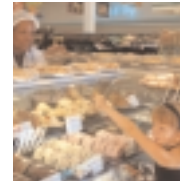
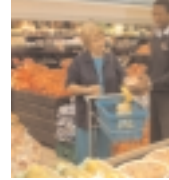
9. To transact such other business that may be transacted at an annual general meeting.

General instructions

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, then:

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



Notice of annual general meeting continued

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

- 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. 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 should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the Company, vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the registered office of the Company not less than 24 hours prior to the time appointed for the holding of the meeting.

By order of the Board

G F Lea

Company Secretary

Cape Town

7 May 2003

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

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

1. Background

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

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

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

2. The amendments

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

Amendments to allow Retailers to grant options

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

Amendments to allow Trustees to grant options subject to performance criteria

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

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

- 2.3** The Eligibility Hurdle will operate as a suspensive condition in respect of the sale of shares under an option, so that upon failure to meet the applicable Hurdle (i.e. failure to meet the minimum annual compound growth rate in the share price of the shares offered by the specified date) the option and all rights thereunder will lapse and cease to exist forthwith.
- 2.4** The Performance Hurdles will apply if and to the extent that the Eligibility Hurdle is met. Compliance with a Performance Hurdle (i.e. achieving the relevant annual compound growth rate in the share price of the shares offered on the specified date) will entitle the employee to a reduction in the consideration payable in respect of the shares purchased under an option. The extent of the reduction applicable to each Performance Hurdle will be determined by the Trustees in the notice in which the option is granted to an employee, but under no circumstances will the consideration be reduced to an amount of less than R1 (one Rand).
- 2.5** The Trustees will not be entitled to apply one type of Hurdle in respect of an option, but will either have to apply both types of Hurdle or to grant options without Hurdles.

Consequent and clarifying amendments

- 2.6** The current terms of the 1997 Scheme provide that, pending the date on which employees become entitled to pay for and take delivery of their shares, the Trustees are entitled to exercise the voting rights in respect of any shares already in issue. Consequent to the amendments referred to in 2.1 above, this provision will be amended to allow Retailers to exercise such voting rights where the Trustees have granted options on its behalf.
- 2.7** In terms of the 1997 Scheme, shares must currently be paid for by and delivered to employees within 10 (ten) years of the date on which the option was granted. The

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

- 2.8** The terms of the 1997 Scheme currently state that if an employee's employment with the Group terminates, except as a result of death, retirement or ill-health or for another reason approved by the Boards, prior to the employee becoming entitled to pay for and take delivery of the shares, the Trustees shall be entitled to repurchase such shares at the price at which they were offered to the employee. Should an employee's employment with the Group terminate (again, other than for one of the aforementioned reasons) after the employee has become entitled to pay for and take delivery of the shares, the Trustees are entitled to repurchase such shares at their market price as determined in accordance with the 1997 Scheme. These provisions will be amended as follows:
 - 2.8.1** to clarify that, in the situation where an option has not been exercised as at the date that an employee's employment is terminated as envisaged above, the Trustees may simply cancel the option; and
 - 2.8.2** to determine, in respect of any option to which Eligibility and Performance Hurdles apply, that upon termination of the employee's employment as envisaged above the option and any sale agreement arising out of its exercise shall be cancelled and cease to be of any force or effect.
- 2.9** The terms of the 1997 Scheme currently provide the Trustees with a discretion to repurchase shares from an employee for their market value (as determined in accordance with the 1997 Scheme) where those shares have not yet been paid for or delivered to the employee and the employee surrenders his estate, is sequestrated, ceases to be employed by the Group as a result of death, ill-health, retirement or for another reason approved by the Boards, or otherwise if the Trustees consider it advisable to do so. These provisions will be amended as follows:

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

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