



Pick 'n Pay Centre

corner Main and Campground Roads

Claremont

Cape Town, 7708

PO Box 23087, Claremont

Cape Town, 7735

together
we keep on
delivering



PICK 'N PLAY ANNUAL REPORT 2002

Annual Report 2002

Pick'n**P**ay

"We are very committed to a profit contribution within the next 12 – 24 months from Australia, but equally, we are committed to building a sustainable business. A business that has the same customer and people focus as Pick 'n Pay."



I have the rare privilege of reporting a result which exhibits strong profit performance in every operating division. Apart from Franklins (Australia), which is in start-up mode, every region, every division, and every subsidiary, played its role in contributing to this strong result that I am proud to present. Sean Summers will cover the result in more detail in his CEO's report. However, I would like to take this opportunity to thank Sean and his MD's, Nick Badminton (Retail), Martin Rosen (Group Enterprises), and Aubrey Zelinsky (Franklins) for their leadership and for producing one of the strongest results in our 35 year history.

Australia

Our entry into Australia last year brought with it a determination to not only avoid neglect in our home base, but to cover and nurture our Australian investment through its infancy. It was for this reason that we appointed the three MD's concurrently with our announcement of the acquisition of Franklins last year.

As with our original split into the Retail and Group Enterprise divisions in 1995 the appointment of MD's has brought with it a release of energy that has shone throughout the company. Nick, Martin and Aubrey have, by focusing the energy of their respective divisions, got the whole Group facing the same direction. This unison of effort, backed by Sean's driving energy, has resulted in strong profit performances locally, which has allowed us to literally build a 70 store business in Australia.

We are very committed to a profit contribution within the next 12 – 24 months from Australia, but equally, we are committed to building a sustainable business. A business that has the same customer and people focus as Pick 'n Pay.

Corporate governance

On a more general, but critical issue, Enron, and the other "spectacular" business failures in the past year (international as well as local), have shifted the focus away from pure financial



Raymond Ackerman – Chairman



Strong profit performance
in every operating
division.



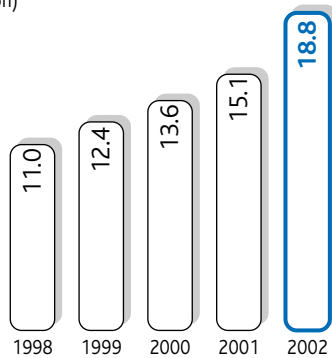


Values are the very lifeblood of an organisation.



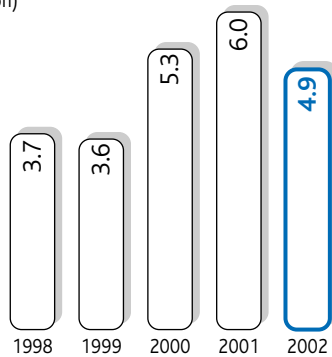
Turnover

(R billion)



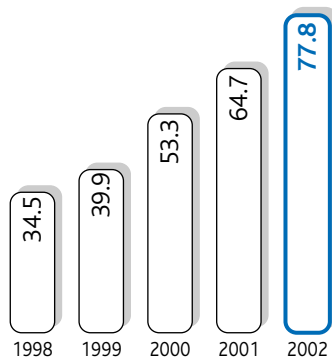
Market capitalisation

(R billion)



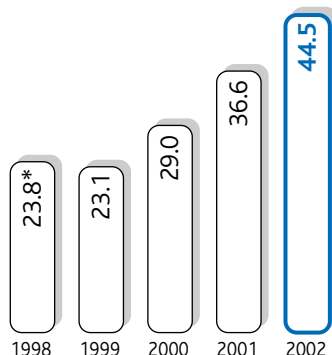
Headline earnings per share

(cents)



Dividend per share

(cents)



*Includes 5.00 cents birthday special dividend

performance, to the very behaviour of a company and its management. Much like governments are judged on their general “*governance*”, they are simultaneously judged on their policies, their transparency, and their predictability, so corporations are now judged on their “*corporate governance*” matrix.

Today’s *Good Corporate Governance* has made it *de rigueur* to be GAAP compliant, to have an independent non-executive Board, to separate the Chairman and CEO functions, to enshrine the corporations’ integrity with all its stakeholders, to be compliant with triple bottom line reporting, to have enduring succession planning, and to be transparent and predictable. Whilst I am proud of Pick ‘n Pay’s long history of compliance within the evolving landscape of good governance, and often pioneering adoption of its underlying tenets (our social responsibility and environmental initiatives preceded today’s general adoption), it is simultaneously distressing that the business failures of this last year took place within the supposed backdrop of governance standards.

The remedy uppermost in business leaders’ minds is a movement to global standardisation (of reporting) and a tightened implementation and control of these standards. Overprescription, however, has rarely been the answer. Rather, it is the values by which an organisation governs itself that should be the predictor of its performance.

Sean is working on a format for next year’s report in which we will not only report on social responsibility, the environment, and financial performance, but will try to reflect the “endurance” of Pick ‘n Pay to all its stakeholders. Our aim is to foster a clear understanding of what we’ve done, how we conduct ourselves, what we stand for, and therefore, our ethos, our essence or even our “soul”. We believe that a company that reports against these “disclosures” would reveal enough information to stakeholders to allow them to make an informed judgment on its capacity for long-term sustainability and endurance.

Values / social and environmental responsibility

Besides being a useful predictor of performance, I believe that values are the very lifeblood of an organisation. In times of constant and fairly rapid change, such as we are witnessing, the values and principles of a company determine how it will behave, and therefore, how it will perform. Our people know what we stand for and therefore, how to make the right decisions. Whether it is giving food and blankets following a flood or fire in a community, or subsidising the price of bread and meat in the face of steep price hikes, or buying forward on rising prices and holding prices for consumers, our people make a difference.

It is our values that cause us to regard social responsibility and environmental responsibility as a corporate duty. It is our values that cause us to invest in our people and graduate thousands (driven by their absolute effort, dedication, and determination) at all levels of the company. It is our values that cause us to spend vast sums on social responsibility programmes, and it is our values that force us to be open and honest. I believe that because we are steadfastly long-term in our thinking, values, principles, and policies, so too will be our endurance. I also believe that family controlled businesses greatly facilitate long-term thinking.

"Our focus on risk measurement is an earnest attempt to weave risk management into the fabric of our everyday activities so that the management of risk becomes an everyday activity at all levels of the company."

I am proud to report that my wife Wendy recently attended an international conference in Birmingham (Alabama, USA) where she received, on behalf of the Group, the Crystal Award in recognition for the work that we do on Social Responsibility. We were one of four companies chosen from throughout the world. This recognition is testimony to the principles and values that we have so assiduously tried to inculcate into the culture of the business.

Risk management

In response to a request by the Board last year, Sean has engaged Ernst & Young to conduct a risk audit of the company. This process will run concurrently with (and not in any way replace) our internal auditing function. The aim is to look critically at what we do, including the testing of existing process and policy, to determine relevance and vulnerability for the Group. The desired output of this initiative is an understanding by the Group of the nature and extent of the risks that we face, as well as a clear view of the action needed.

Sean's decision to use a resource outside of our current auditors for the risk audit was deliberate "good governance". Our focus on risk measurement is not motivated solely by our need to report on this important dimension following the business failures of the past year, it is an earnest attempt to weave risk management into the fabric of our everyday activities so that the management of risk becomes an everyday activity at all levels of the Group.

Our people

We have once again seen the retirement of many valuable long serving staff members. I would like to thank them individually for their valuable contributions and wish them all well in the new phase of their lives. I need to make special mention of our Company Secretary Mike Marsden, who is leaving us after 28 years of service with the Company, 17 of them as Company Secretary. We wish Mike well and also wish Gary Lea well in his new role as Company Secretary.

A very sincere thank you to each and every member of Pick 'n Pay for their contribution to this outstanding result.

The year ahead

We are confident that the initiatives that are in place will carry this business forward with strong profit performance. The recent strengthening in our Rand bodes well for the macro economy, as does the more balanced view of South Africa that underpins the Rand's strengthening.



A handwritten signature in black ink, which appears to read "R D Ackerman".

R D Ackerman
Chairman





Initiatives that are in place will carry this business forward with strong profit performance.



Pick'n Pay
We're on your side

Pick'n Pay
hypermarket



Group overview

The year past has seen one of the most significant and exciting years in the history of our organisation. The ongoing organic growth within our existing business, as well as the significant acquisition of Franklins in Australia, compelled us to further refine the Group structures and create three separate operating divisions. The appointment of Nick Badminton as Managing Director of Pick 'n Pay Retail, Martin Rosen as Managing Director of Pick 'n Pay Group Enterprises and Aubrey Zelinsky as Managing Director of Franklins Australia, has seen a period of renewed focus and energy within these divisions.

The result of this is a significant growth both in terms of turnover, R18.8 billion (R15.1 billion), an increase of 24,4%, as well as operating profit, R629.7 million (R475.5 million), an increase of 32.4%. This performance includes the significant acquisition of the Franklins Supermarket business in Australia, with all of the attendant acquisition costs being fully expensed in the year under review.

The key feature of our performance this year, has been the consistent performance against forecast of every single division within our Group for the first time in our 35 year history.

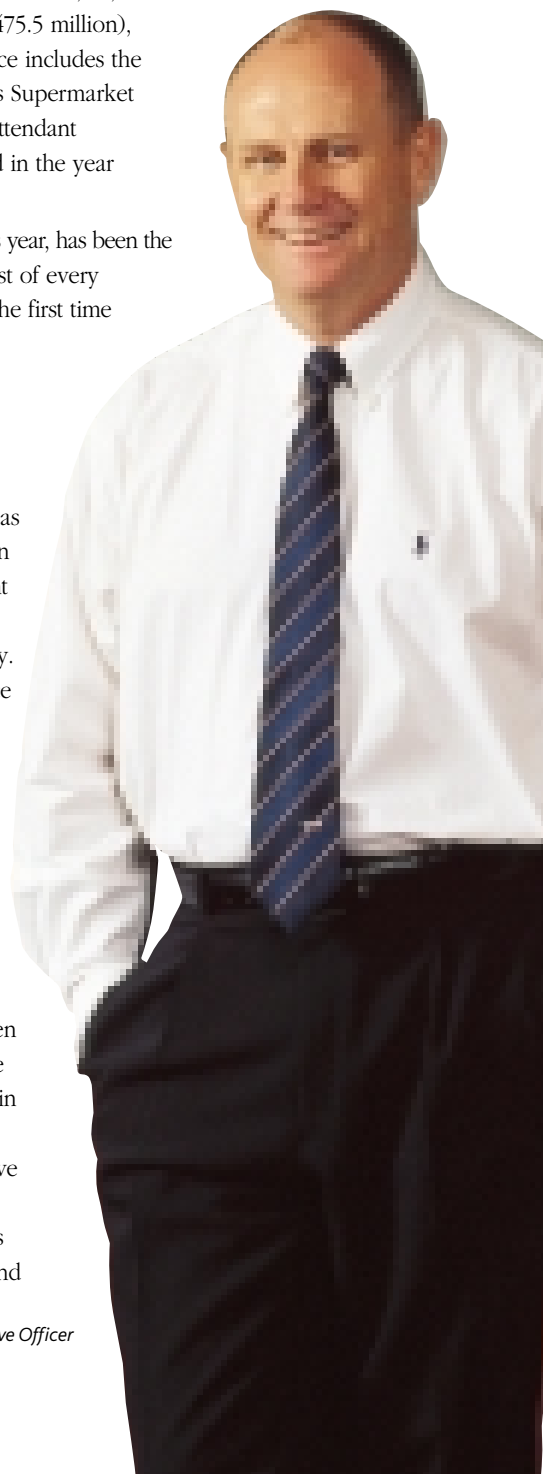
Pick 'n Pay Retail Division

Overview

The appointment of Nick Badminton as the Managing Director for this division has once again seen further significant growth off already industry leading levels of performance and profitability. Under Nick's leadership, we have once again achieved a phenomenal year that has seen growth consistently across every single division, as well as performance in terms of profit ahead of forecast.

Hypermarkets

One of the most significant increases in profitability has been within this division. The decision taken two years ago to consolidate all of the administrative and support functions in one office in Johannesburg, has now manifested itself in the profits that have been produced. We have also made significant savings on labour numbers through attrition and redeployment and



Sean Summers – Chief Executive Officer



The year past has seen one of the most significant and exciting years in the history of our organisation.

We deliver freshness
with a smile.





overall profitability has been restored to levels that were enjoyed some nine to ten years ago. What was also particularly pleasing to note was a further improvement in levels of shrinkage.

In the year ahead, we still see significant ongoing growth in profit from the hypers, both through growth of top line sales and through further efficiencies in productivity, systems and IT application.

Supermarkets

All Regions exceeded their forecasts of profit. What was particularly significant was the strong improvement within the Gauteng Region that has, over the last few years, absorbed the Superstore Region, the Free State Supermarket Region, as well as the bulk of the conversions of the Pick 'n Pay Mini Markets from RiteValu. As at year end, the Gauteng region store numbers totalled 101 comprising, Pick 'n Pay Corporate stores – 40; Pick 'n Pay Family – 34; Pick 'n Pay Mini Markets – 27.

Further improvements in the levels of shrinkage were also a significant contributor to profit and we would like to thank the Union, our Shop Stewards and our employees for helping us control and combat this unfortunate aspect of our industry.

Pick 'n Pay Clothing

Of particular note in the year under review was the significant increase in the participation of Clothing, both within the Hypermarkets and Supermarkets. Congratulations go to Michael Coles and his team for, judging by consumer response, our range and market positioning which is very well accepted and we look forward to another great year of growth ahead.

Pick 'n Pay Butcheries

Despite very challenging issues in the red meat industry in the year past, the most significant of which were the rampant levels of price increases, we have once again had a record performance. Our Country Reared and Organic Ranges continue to grow significantly and add a unique dimension to our Butchery Departments. In the year ahead, we have taken a significant decision to reduce the gross margin within this division, with a view to increasing volumes and building our meat business overall.

Home Shopping

This year saw our first full period of our Internet-based home shopping delivery service. The service has been well received by customers and the initial teething problems have been overcome. Currently, we have over 43 000 registered customers with a significant portion who are regular shoppers. A major feature of our home shopping operation is the average basket size in excess of R900.00. We believe that we should break even within the next 24 months within this department, although the costs currently being incurred are not significant in relation to our business overall.

Pick 'n Pay Family Franchises

Our Family Stores continue to grow and in the year under review, saw the opening of our 97th store. In the year ahead, we will see the opening of approximately 17 new stores, including our first two in Botswana, to complement the Family Stores that already exist in Namibia and Swaziland. We continue to see significant growth from this Division.



Pick 'n Pay Mini Market Franchises

In this period, we have completed the conversion of RiteValu over to Pick 'n Pay Mini Markets, with 39 stores now trading successfully. During the course of 2002, we intend to open approximately 11 new stores, bringing the total to 50. We have been inundated with applications for conversion to this format from existing convenience store operators, but as with Family, we intend to grow this business conservatively, applying strict criteria for franchisee selection.

Pick 'n Pay Institute

Our commitment to training and development continues and we currently have 7 000 people on formal on-the-job courses, with 6 100 people having graduated after rigorous tests and exams, placing our staff amongst the most highly qualified in the industry.

In addition to the 108 six-month graduation courses on offer, a highly acclaimed programme to build pride, energy and exuberance (Build the Brand) throughout Pick 'n Pay, has been attended by the entire 28 000 strong workforce. Where appropriate, outside associates, partners and consultants, also complete this programme.

Additional attention has been given this year to capacity building at executive level which will culminate in a CEO programme, providing exposure to the best minds in industry, both locally and internationally in conjunction with The Gibbs Business School.

Pick 'n Pay Group Enterprises

Overview

In the year under review, Martin Rosen has been appointed as Managing Director for the Group Enterprises Division. Traditionally, this has housed all the non-Pick 'n Pay branded companies. For the future, we see very clearly that the bulk of the emphasis for growth should be in the acquisition of existing businesses of fair critical mass in order that they may contribute to the Group.

Score Supermarkets

Ian Eadie has been appointed as Managing Director for Score Supermarkets to take over from Stoffel Nieuwoudt. This past year has seen the conversion of the RiteValu franchise format to Pick 'n Pay Mini Markets, now under the control of the Pick 'n Pay Franchise Division. Score is now clearly focused on the emerging supermarket industry in southern Africa and, in the year under review, 12 new corporate stores were opened, taking the total to 114.

In the year ahead, we will see a significant growth in store numbers with approximately 25 new openings to bear testimony to the prospects that we see in this market.

Four stores were opened in Tanzania in line with our forecast and have now been trading for six months. We are currently in the process of reviewing our progress to date and will come to final conclusions in the year ahead as to our plans for development in this region.



New ranges to be introduced into Boardmans.

HealthPharm is predicated on the franchise model . . . sees the continuation of pharmacists servicing their community.





Boardmans

Rodney Mundell was appointed as Managing Director to take over from Geoff Jones. As with all our divisions, Boardmans exceeded its forecast profit and growth, notwithstanding the numerous new entrants into the housewares market. This has been one of the most active of all the retail arenas and we believe that the plans that we have for the introduction of new ranges into the existing stores, as well as finalising plans to open limited Boardmans Mega Stores, will see us maintain our position as the pre-eminent housewares retailer.

TM Supermarkets

Notwithstanding the very significant challenges in Zimbabwe, our congratulations go to the management and all of the people who have had to work under very trying circumstances. In spite of the official inflation figure being 116%, they have still managed to show real growth in operating profit and we are pleased to report that all dividends were repatriated for the year under review. Profits from the TM operation are accounted for on a cash received basis only.

HealthPharm

Currently, we have five HealthPharm stores operating under our Pick 'n Pay franchise system. We plan a further 15 openings in the year ahead and we have already received in excess of 180 expressions of interest for franchise opportunities.

The HealthPharm business model is predicated on a franchise system that falls within the current laws governing this industry and sees the continuation of individual pharmacists servicing their community. We will continue to monitor the developments in the legislative environment with regards to the Pharmacy Act and despite any changes that are made, our primary growth for this business will be on a franchise basis.

Go Banking

Ongoing development is taking place on new products to be introduced shortly within the Go Banking division. The experience and credibility that Nedcor has as a bank, along with Pick 'n Pay's reputation as a champion of consumer rights and issues, as well as our comprehensive store network, provides an opportunity for a significant substitute for our consumer's current banking needs.

Boxer Superstores

We have completed negotiations and a due diligence review for the acquisition of Boxer Superstores as a wholly owned subsidiary of the Pick 'n Pay Group. This is now subject to Competition Authority approval. Boxer Superstores currently operate in a market in which Score is, by and large, not represented and we therefore feel that it is very complementary to Pick 'n Pay's strategy of engaging all South African consumers. This business is very focused on the emerging supermarket consumer and follows our philosophy of taking discount prices and shopping to the people. It is our sincere hope that this negotiation will be completed with the relevant approval and that it will provide another growth opportunity for us within retail in South Africa.



Franklins Australia

With the acquisition of Franklins in Australia, Aubrey Zelinsky was appointed as the Managing Director based in Sydney. Building on the experience gained from our Australian Hypermarket in 1985, we assessed the opportunity that presented itself in the break-up of the Franklins Supermarket Chain by purchasing 50 stores in metro Sydney, as well as the 20-store Fresco Chain.

All 70 stores will trade under the Franklins banner.

InterFrank Group Holdings

InterFrank is the holding company for our operations in Australia and consists of the 50 Franklins stores, 20 Fresco stores, as well as the Franklins and No Frills trademarks. The costs of our acquisitions in Australia are as follows:

	Aus\$ millions
● 50 Franklins Supermarkets	84.4
● Stores in Fresco Supermarkets Holding	20.0
● Franklins and No Frills Trademarks	7.5
● Stamp Duty associated with the acquisition of Franklins	6.3
● Trading Stock purchased from Franklins	20.9
	139.1

Franklins

Franklins is the trading name for our supermarket stores in Sydney and will serve as the banner for all future growth. The process of integration of the Fresco stores has now been completed and the re-branding is currently under way.

By the time this report is published, the Fresco name will have ceased to exist.

The year past has seen a frantic period during which all negotiations were concluded for the businesses and intellectual properties, as well as individual negotiations for lease assignments on every one of the stores purchased.

We have simultaneously had to create an entire business infrastructure in Sydney to take over the supermarkets purchased, as none of the existing Franklins head office assets or people were part of our purchase consideration. We believe that we have created the appropriate infrastructure to manage our business going forward and all of the costs incurred in achieving this have been taken as an exceptional item of R59.9 million, which has been fully expensed in the period under review. An operating loss of R28.5 million was incurred by accelerated maintenance and a shortfall against budget of gross margin achieved due to the complexity of bedding down our start up systems initially, as well as operating the Franklins and Fresco chains in parallel. Shrinkage levels were also slightly higher than forecast, which in part, was due to the learning that needed to take place during the adaptation of our controls and systems.

We sincerely believe that we have now crossed the threshold of taking on and consolidating all of our operations in Sydney. The operating knowledge of the day-to-day administration has grown immensely and we are confident in generating profits in the next 12 to 24 months.

Overall Group comment

In 1998, our Group achieved, for the first time, a turnover in excess of R10 billion and in four years, this has grown to R18.8 billion. With the strong growth plans that we have for the year ahead, both in South Africa and a full year of trading in Australia, Group turnover for the next year should exceed





Franklins is the trading name for our supermarket stores in Sydney.

Our staff are
dedicated to ensuring
customer satisfaction.



"Pick 'n Pay endures as an enterprise whose values are timeless and our capacity for accepting challenges almost limitless."



R26 billion. We are satisfied that the key performance indicators as highlighted at the start of the report, all bear ample testimony to the significant ongoing success of our Group.

For many years, questions were asked of Pick 'n Pay's ability to grow strongly into the future, given our cash resources and no clear plans to utilise them for new business opportunities. Our philosophy always was that the time to make a significant local or overseas acquisition would be in one of strength and I certainly believe that our ability to absorb the start-up costs in Australia this year, and yet achieve the overall result for the year ended 28 February 2002, is a mark of enormous hard work and dedication from all parties concerned. We need to furthermore bear in mind that post our acquisition in Australia, the start-up costs that we have had to endure have increased in SA Rand terms by 50% purely on currency devaluation. This obviously counts strongly in our favour from an investment perspective and when we start to generate profits.

As is natural, our acquisition in Australia has raised many questions as to the prospects for success in the future. It is our considered opinion, that we have duly weighed up all of the risks and opportunities that present themselves in this new business venture. We are confident that the next 12 to 24 months will help us gain a working knowledge of the Australian market so that in the future there will be an ever-increasing portion of our earnings from offshore, through our Australian operation.

In line with ongoing Corporate Governance and business refinements, we have engaged Ernst & Young to commence with a Risk Analysis of the overall Pick 'n Pay group of companies and this will form a comprehensive part of our reporting for the next financial year. Ongoing business sustainability today is one of the major issues facing the management of all organisations. We are confident that all of the plans that we have put in place in Pick 'n Pay over the years that deal with issues, including core business, leadership principles and governance practices, as well as our long history of social and economic development of the communities that we serve, form a sound foundation for Pick 'n Pay's ongoing growth and success in the future. In these very turbulent and troubled commercial times in which we operate, with many questions being asked of corporate conduct and ethos, post Enron and other collapses, Pick 'n Pay endures as an enterprise whose values are timeless and our capacity for accepting challenges almost limitless.

As this financial year has come to a close and our new one has already commenced, our organisation today is fundamentally different from what it was a year ago. Not only have we grown in terms of acquisitions, but we have a renewed focus and energy with the restructuring. There is no doubt in my mind that we still have a great deal of work ahead of us, but in essence, it is no different to the hard work and effort that has been put into this great Company, now entering its 36th year. To have achieved all of this, I particularly want to acknowledge the key role that Nick, Martin and Aubrey, along with each and every one of our employees, have played in helping us achieve this phenomenal performance.

A handwritten signature in black ink, appearing to read 'Sean Summers'.

Sean Summers

Chief Executive Officer

Directorate and Management



Seated from left to right: Nick Badminton, Sean Summers, Martin Rosen, David Robins
Standing from left to right: Sakkie Joubert, Dennis Cope, Wendy Ackerman, Raymond Ackerman, Aubrey Zelinsky, Frans van der Walt

Chairman's Executive Committee



Seated from left to right: David Nurek, Sean Summers, Raymond Ackerman, Wendy Ackerman, Colin Hultzer
Standing from left to right: Gary Lea, Ben van der Ross, Connie Nkosi, Gareth Ackerman, René de Wet, Hugh Herman, Dennis Cope, Mike Marsden

Pick 'n Pay Stores Limited Board

EXECUTIVE DIRECTORS

S R Summers (48)†
CEO
Appointed 1988
Years of service 28

D G Cope (51)
Group Finance
Appointed 1997
Years of service 24

FULL-TIME DIRECTORS

R D Ackerman (71)†
Chairman
Appointed 1968
Years of service 35

W Ackerman
Employee Liaison and
Benefits
Appointed 1981
Years of Service 35

NON-EXECUTIVE DIRECTORS

G M Ackerman (44)*†
Deputy Chairman
Appointed 1990

R P de Wet (59)†
Appointed 1975

H S Herman (61)*†
Appointed 1976

C Hultzer (66)*†
Audit Committee
Chairman
Appointed 1991

C Nkosi
Appointed 1996

D M Nurek (52)*†
Remuneration
Committee Chairman
Appointed 1999

B J van der Ross (55)
Appointed 2000

GROUP COMPANY SECRETARY

M Marsden (62)
Years of Service 28
(retired April 2002)

G F Lea (36)
Years of Service 5
Appointed April 2002

*Member of Audit Committee †Member of Remuneration Committee

Pick 'n Pay Holdings Limited

R D Ackerman (71) – Appointed 1981
J G Ackerman (35) – Appointed 2002
(Alternate to R D Ackerman)

G M Ackerman (44) – Appointed 1987
K J Robins – Appointed 2002
(Alternate to G M Ackerman)

W Ackerman – Appointed 1981
S D Ackerman-Berman
– Appointed 2002
(Alternate to W Ackerman)

R P de Wet (59) – Appointed 1981
H S Herman (61) – Appointed 1981
C Hultzer (66) – Appointed 1993
D M Nurek (52) – Appointed 1995



Seated from left to right: Sakkie Joubert, Nick Badminton, Sean Summers, Dennis Cope, Frans van der Walt

Standing from left to right: Jonathan Ackerman, Paul Connellan, Moshe Pulik, Isaac Motaung, Ronnie Herzfeld, Linda Saacks, Danie Boshoff, Bakar Jakoet, Chris Reed, Chris van Rooyen, Neal Quirk

Retail Division Management Board

Nick Badminton (40)

Managing Director
– Years of service 22

Jonathan Ackerman (35)

Marketing – Years of service 11

Danie Boshoff (43)

Supermarkets – Years of service 19

Dennis Cope (51)

Group Finance – Years of service 24

Paul Connellan (47)

Foods – Years of service 24

Ronnie Herzfeld (55)

Technology and Systems
– Years of service 27

Bakar Jakoet (46)

Finance – Years of service 17

Sakkie Joubert (56)

Loss and Expense Control
– Years of service 32

Isaac Motaung (47)

Organisational Development
– Years of service 26

Moshe Pulik (59)

Operations
– Years of service 21

Neal Quirk (46)

Hypermarkets
– Years of service 20

Chris Reed (41)

Franchise Development
– Years of service 17

Linda Saacks (46)

Development and Compensation
– Years of service 22

Sean Summers (48)

CEO
– Years of service 28

Frans van der Walt (54)

Human Resources
– Years of service 27

Chris van Rooyen (44)

General Merchandise
– Years of service 22



Seated from left to right: Colin Clarke, Martin Rosen, Rodney Mundell

Standing from left to right: Dennis Cope, Sean Summers, David Robins, Ian Eadie

Group Enterprises Management Board

Martin Rosen (51)

Managing Director – Years of service 31

Colin Clarke (60)

Property and Development – Years of service 24

Dennis Cope (51)

Finance and Legal – Years of service 24

Ian Eadie (41)

Score – Years of service 20

Rodney Mundell (45)

Boardmans – Years of service 20

David Robins (48)

International and Africa – Years of service 7

Sean Summers (48)

CEO – Years of service 28



Top from left to right: Roni Perlov, Aubrey Zelinsky

Bottom from left to right: Dennis Cope, David Robins, Sean Summers

Franklins Australia Management Board

Aubrey Zelinsky (52)

Managing Director – Years of service 32

Dennis Cope (51)

Group Finance – Years of service 24

David Robins (48)

International and Africa – Years of service 7

Sean Summers (48)

CEO – Years of service 28

Roni Perlov (39)

Finance – Years of service 3

Corporate governance

The Board of directors and senior management of the Pick 'n Pay Group are committed to achieving and upholding good corporate governance, and support and adhere to The Code of Corporate Practices and Conduct.

We believe that our Group, in all material aspects, complies with this code.

In February 2000 we published a special report setting out the Group's governance framework. This framework is unchanged.

Some of the salient features of our corporate governance are set out below.

The Board

Pick 'n Pay Stores Limited Board of Directors (“the Board”)

The Board, comprising non-executive and executive directors, takes overall responsibility for the Group.

The Board's role is to assume accountability for the success of the Group by taking responsibility for its management, in both success and failure. This means selecting a successful management team, overseeing corporate strategy and performance, and acting as a resource for management in matters of planning and policy.

The roles of Chairman and CEO are separate.

The Chairman leads the Board, and is responsible for its efficient operation. The Chairman is a full time director, and is elected by the Board.

The Board has issued the Chairman with a formal mandate incorporating specific responsibilities and limits of authority. This mandate is reviewed by the Board annually.

The CEO is appointed by the Board to run the Group on its behalf. The CEO develops and recommends to the Board the long-term strategy and vision for the Group, as well as ensuring that the day-to-day business affairs of the Group are properly managed. The duties and responsibilities of the CEO are detailed in a formal role description, together with limits of authority, and these are reviewed annually.

Non-executive directors serve three-year terms and are formally evaluated by the Chairman of the Board at the end of each term. Since the Chairman is full-time, a lead director has been appointed by the non-executive directors to facilitate and co-ordinate communication amongst the non-executive directors.

A nominations committee, comprising non-executive directors, has been appointed to screen and make recommendations to the Board on new potential members.

New non-executive directors participate in an intensive industrial programme to familiarise themselves with the Group.



The Board performs a review on its own effectiveness once a year by completing an anonymous questionnaire, the results of which are given to the Chairman for discussion with the Board.

The Board meets four times a year, monitoring the performance of the Group, its executive directors and senior management.

The directors have access to the advice and services of the Company Secretary as well as professional advisers, where necessary.

Directors are not bound by service contracts.

Leadership development

The non-executive directors evaluate the CEO annually, and the Chairman communicates the results of this evaluation to the CEO. The evaluation is based upon objective criteria including performance of the business, accomplishment of long-term strategic objectives and development of management.

The CEO reports annually to the Board on succession planning. The CEO's recommendation for his successor must be known by the Board at all times, should the CEO be unexpectedly incapacitated.

The CEO also reports annually to the Board on the Group's programme for management development and affirmative action.

Board Committees

Audit committee

The Group's audit committee comprises non-executive directors (see page 22). This committee formally meets with the Chairman, CEO, Group Finance Director, Loss and Expense Control Director (representing the internal audit function) and the external auditors twice a year prior to the publication of the Group's interim and final results.

The audit committee's responsibilities are varied, and include ensuring that the necessary internal controls are in place (through consultation with the internal and external auditors), establishing that management is adhering to and continually improving these controls, and acting as a liaison between the external auditors and the Board. The committee is also responsible for reporting to the Board on each interim and final Group result.

At each meeting, the external and internal auditors report to the committee on the results of their work. In turn the committee reports these findings to the Board. The external and internal auditors have unfettered access to the committee and all of its members throughout the year.

Remuneration committee

The remuneration committee, which meets twice a year, is chaired by a non-executive director and comprises the Chairman, the CEO and other non-executive directors (see page 22).

The committee is responsible for reviewing and approving the remuneration of executive directors and senior management.

The Chairman and the CEO are excluded from reviewing, deliberating or approving their own remuneration packages.

Other committees

There are at present two ad hoc committees: the nominations committee and the corporate governance committee.

The nominations committee identifies and evaluates potential candidates for appointment to the Board. The corporate governance committee ensures that the corporate governance structures are in line with national and international standards, and are appropriate and effective. Both committees comprise only non-executive directors.

Corporate governance *(continued)*

Accountability and audit

Management structures and reporting

The CEO is responsible for all Group operations. He is aided by 3 managing directors and their respective management boards. (see page 23). The senior executives on these management boards have specific line management responsibilities and are guided on principles of high-level strategy by the Chairman's Executive Committee (see page 22) ("Exco").

Divisional as well as Group management accounts are prepared monthly, comparing actual results against approved budgets. The Group's monthly management accounts are distributed to all Board members for the monitoring of the Group's performance. In addition, for each six-month result the Board receives a detailed result pack for review and discussion.

Financial statements

The directors of Pick 'n Pay Stores Limited and Pick 'n Pay Holdings Limited ("the directors") (see page 22) acknowledge and accept full responsibility for the preparation and integrity of the information presented in this annual report. The external auditors are responsible for carrying out independent examinations of the financial statements and present their reports thereon on pages 37 and 66.

These financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice and fairly present the financial positions of the Companies and the Group as at 28 February 2002 and the results of their operations for the year then ended.

Internal control

The Group maintains systems of internal control designed to provide reasonable assurance as to the integrity and reliability of the financial information presented and to adequately safeguard the Group's assets.

These internal controls are regularly monitored and improved by management and an internal audit department. The internal audit department comprises qualified personnel with appropriate training and experience.

No incidents have come to the attention of the Board that would indicate any material breakdown in internal controls during the year.

Going concern

These financial statements have been prepared on the going concern basis as the directors believe that the Group has adequate resources in place to ensure that its various operations continue as going concerns into the foreseeable future.

Risk management

The Board is responsible for ensuring that adequate procedures and processes are in place to identify, assess, manage and monitor key business risks.

Operational and financial risks are managed through the implementation of a system of internal and financial controls which are reviewed for effectiveness regularly and monitored on a daily basis.

The Group's assets are insured against loss, cover being taken out above predetermined self insurance levels.

In a disaster recovery circumstance, business continuity plans in place will ensure the business, both from an information technology and operational viewpoint, continues with the least amount of disruption. These plans are reviewed and updated regularly.

For more details on key financial risk management refer to note 21 on page 58.

Relationships

Employment Equity

The Group has always prided itself on ensuring equal employment opportunities with a strong culture of internal promotion and upliftment of its people.

The Group has a clearly defined employment equity strategy and to this end has recently participated in a comprehensive study involving 16 leading companies to establish realistic employment targets for historically disadvantaged groups by the end of the year 2005. Based on the results of this study Pick 'n Pay set its own targets.

The results of this study, together with Pick 'n Pay's (P'nP) own employment percentage targets and current position, are as follows:

Position	Realistic target %	P'nP target %	P'nP current level %
Top management	30	30	22
Regional and store managers	30	50	44
Floor and assistant managers	40	50	75
Trainee managers	40	60	62
Supervisors	40	60	96

Employee Participation

The Group acknowledges the value inherent in pursuing a policy of worker participation. To this end the Group promotes the use of various tools of communication. This includes a monthly one-hour session, prior to trading, where management and staff discuss, in open forum, issues affecting the store, region and Group. This forms part of our ongoing communication, training and development programmes.

Code of Conduct

The Group has a comprehensive code of conduct which is predicated on the highest level of honesty, integrity and respect.

Employees are expected to act in accordance with the code at all times; non compliance will result in disciplinary measures.

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



Ten year review

R million unless otherwise stated	10 year compound annual growth	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
OPERATING RESULT											
Turnover	12%	18 817.5	15 126.1	13 606.7	12 353.7	10 970.6	9 793.5	9 169.4	7 919.5	6 685.9	6 423.5
Trading profit	17%	563.0	403.8	339.1	204.3	175.4	128.8	125.8	96.9	133.5	142.4
Operating profit	17%	629.7	475.5	433.2	322.2	270.5	194.3	161.7	123.5	152.2	157.5
Headline earnings	18%	391.1	322.9	262.6	193.3	164.3	105.2	94.8	83.3	93.3	83.0
CONSOLIDATED BALANCE SHEET											
ASSETS											
Non-current assets											
Goodwill		704.1	—	—	—	—	—	—	—	—	—
Property		152.5	127.1	188.4	193.1	170.1	165.8	167.9	157.7	152.2	148.7
Equipment and vehicles		855.1	817.2	818.1	661.3	407.5	369.6	377.3	377.3	339.1	277.6
Investments		195.5	195.5	181.5	97.5	125.6	125.6	91.0	90.7	2.7	3.9
Loans		263.7	295.9	193.7	165.0	129.2	117.8	104.8	94.0	80.8	74.7
Participation in export partnerships		149.3	166.2	183.4	194.6	188.3	157.1	106.9	101.7	95.3	94.0
		2 320.2	1 601.9	1 565.1	1 311.5	1 020.7	935.9	847.9	821.4	670.1	598.9
Current assets											
Stocks	12%	1 267.0	866.0	730.0	714.9	608.8	625.3	575.6	581.8	437.1	404.6
Trade and other receivables		357.5	287.1	301.6	165.4	136.8	60.4	67.6	34.8	12.4	9.5
Cash resources	18%	986.5	1 085.3	773.3	907.2	917.1	649.2	566.1	355.2	347.7	309.3
		2 611.0	2 238.4	1 804.9	1 787.5	1 662.7	1 334.9	1 209.3	971.8	797.2	723.4
Total assets		4 931.2	3 840.3	3 370.0	3 099.0	2 683.4	2 270.8	2 057.2	1 793.2	1 467.3	1 322.3
EQUITY AND LIABILITIES											
Ordinary shareholders' interest	19%	1 278.0	919.3	709.8	533.1	463.9	394.2	361.1	318.4	303.1	261.7
Minority interest		—	19.6	18.4	14.0	12.3	17.9	24.2	11.6	—	—
Non-current liabilities											
Interest bearing debt		258.5	257.6	102.5	194.2	196.2	132.6	131.4	127.6	36.8	32.6
Provisions		250.1	173.4	173.4	179.7	159.8	149.7	120.5	106.3	98.6	90.3
Deferred tax		134.8	134.5	139.9	188.9	184.9	161.7	110.0	110.6	115.9	120.6
		643.4	565.5	415.8	562.8	540.9	444.0	361.9	344.5	251.3	243.5
Current liabilities											
Trade and other payables	16%	2 770.5	2 120.5	1 985.8	1 858.7	1 539.9	1 315.7	1 244.1	1 070.0	867.9	725.5
Current tax		239.3	215.4	240.2	130.4	126.4	99.0	65.9	48.7	45.0	91.6
		3 009.8	2 335.9	2 226.0	1 989.1	1 666.3	1 414.7	1 310.0	1 118.7	912.9	817.1
Total equity and liabilities		4 931.2	3 840.3	3 370.0	3 099.0	2 683.4	2 270.8	2 057.2	1 793.2	1 467.3	1 322.3
Directors' valuation – Property		245.7	232.4	291.0	270.4	277.8	269.8	262.3	241.7	241.8	270.7
– Investments		183.8	213.6	181.5	97.5	160.0	132.5	97.6	90.7	6.4	8.9
STATISTICS											
Number of stores		332	221	224	234	216	237	222	249	148	140
– Corporate		139	193	176	185	237	125	47	6	1	—
– Franchise		193	28	48	49	—	—	—	—	—	—
Total selling area		678	503	492	497	465	488	497	514	392	372
– Corporate	000 m ²	173	206	187	162	153	88	52	8	1	—
– Franchise	000 m ²	505	297	305	335	312	400	445	506	391	372
Number of – TM Supermarkets stores		53	50	49	48	46	37	—	—	—	—
– Auto Centres		10	9	14	14	14	14	14	14	15	15
Total number of employees	000's	27.3	24.5	24.7	25.2	25.1	25.3	22.2	21.7	21.8	22.6

		10 year compound annual growth	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
PERFORMANCE MEASURES												
Turnover growth	%	12	24.4	11.2	10.1	12.6	12.0	6.8	15.8	18.5	4.1	8.7
Trading profit growth	%	17	39.4	19.1	66.0	16.5	36.2	2.4	29.9	(27.4)	(6.3)	16.7
Operating profit growth	%	17	32.4	9.8	34.5	19.1	39.2	20.2	31.0	(18.9)	(3.4)	21.3
Headline earnings growth	%	18	21.1	23.0	35.8	17.7	56.2	11.0	13.8	(10.7)	12.3	8.2
Trading profit on turnover	%		3.0	2.7	2.5	1.7	1.6	1.3	1.4	1.2	2.0	2.2
Operating profit on turnover	%		3.3	3.1	3.2	2.6	2.5	2.0	1.8	1.6	2.3	2.5
Headline earnings on turnover	%		2.1	2.1	1.9	1.6	1.5	1.1	1.0	1.1	1.4	1.3
Return on shareholders' interest	%		35.6	39.6	42.3	38.8	38.3	27.9	27.9	26.8	33.0	34.2
Return on total assets	%		8.9	9.0	8.1	6.7	6.6	4.9	4.9	5.1	6.7	6.7
Headline earnings per share	cents	17%	77.8	64.7	53.3	39.9	34.5	22.4	20.2	17.7	19.9	17.7
Net asset value per share	cents	13%	273.5	208.0	164.2	125.4	126.2	107.6	98.4	85.7	84.4	82.8

JSE SECURITIES EXCHANGE INFORMATION

Pick 'n Pay Stores Limited (PICKNPAY)

Share code: PIK

ISIN code: ZAE 00000 5443

Market capitalisation	Rm	12%	4 896.9	6 040.3	5 319.4	3 634.1	3 725.0	2 413.6	2 075.2	1 253.6	2 073.6	2 034.5
Price earnings ratio	times		12.7	18.6	20.2	17.1	21.3	18.9	21.9	15.1	22.2	24.5
Dividend paid per share	cents	17%	44.5	36.6	29.0	23.1	23.8 (*)	14.4	10.9	11.8	11.5	9.9
Dividend cover	times		1.5	1.5	1.5	1.4	1.2 (*)	1.5	1.5	1.7	1.6	1.6

PICKNPAY ordinary shares

Volume of shares traded (**)	millions		191.4	128.9	130.2	97.2	75.1	49.4	26.3	23.4	5.8	4.9
Percentage of shares traded	%		38.5	25.7	26.3	20.0	15.6	10.5	16.8	14.9	3.5	3.1
Share price – High	cents		1 350	1 400	1 195	1 010	850	554	500	542	467	458
Share price – Low	cents		900	850	700	330	520	396	267	267	342	325
Share price – Year-end	cents		985	1 205	1 075	781	808	552	442	267	442	433

Pick 'n Pay Holdings Limited (PIKWIK)

Share code: PWK

ISIN code: ZAE 00000 5724

Earnings and dividends per share	cents	16%	21.8	17.9	14.3	11.4	11.7 (*)	7.1	5.4	5.8	5.7	4.9
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PIKWIK ordinary shares

Volume of shares traded (**)	millions		90.4	108.9	115.0	101.8	58.0	54.4	19.7	15.0	16.1	8.8
Percentage of shares traded	%		17.1	20.8	22.3	20.0	11.5	11.0	11.9	9.1	10.3	5.3
Share price – High	cents		540	580	445	430	380	260	233	245	233	227
Share price – Low	cents		381	335	260	150	242	194	117	117	167	154
Share price – Year-end	cents		420	490	400	310	375	244	200	117	207	217

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

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

DEFINITIONS

Headline earnings	Net profit for the year adjusted for the after tax effect of certain exceptional items
Return on shareholders' interest	Headline earnings expressed as a percentage of the average ordinary shareholders' interest for the year
Return on total assets	Headline earnings expressed as a percentage of the average total assets for the year
Headline earnings per share	Headline earnings divided by the weighted average number of shares in issue for the year
Dividend cover	Headline earnings per share divided by the dividends per share which relate to those earnings
Net asset value per share	Total value of net assets at year end, adjusted for directors' valuations of investments and property, divided by the number of shares in issue at year end
Market capitalisation	The price per share at year end multiplied by the number of shares in issue at year end
Price earnings ratio	The price per share at year end divided by headline earnings per share

Employee benefits

The Group endeavours to remunerate employees at a rate above the average for the retail industry. In addition, considerable funds and a lot of management attention is directed to the provision of a wide range of employee benefits which vary between certain divisions within the Company, as well as between different subsidiary companies within the Pick 'n Pay Group. This differentiation is due to the fact that the various divisions and subsidiary companies operate in different market segments and therefore benefits cannot be standardised.

The following benefits are applicable in totality to the Pick 'n Pay Retail Division (the Group's largest employer) only, and not necessarily to other divisions or subsidiary companies.

Retirement scheme

Refer to note 22 of the financial statements on page 60 for a description of the various funds and other statutory information.

Membership, which is compulsory for all permanently employed staff members, decreased by 1.6% to 10 682.

There are now 890 pensioner annuitants. In line with their commitment to an annual review of pensions, the Trustees granted a pension increase of 4.75%, effective November 2001. The average increase over the past six years is 8.5% per annum.

The normal retirement age for all employees is 60.

The withdrawal benefit was substantially improved from 1 March 1997, particularly during the early years of service, with a vesting of the Company contributions occurring during years one to four of membership (pro rata); interest is calculated at a rate relative to the long-term yield of the fund, and paid on both the employee and Company contributions.

The composition of the Trustee Board complies with the Pension Funds Act requirement that 50% be elected by the members. The Trustee Board term of office is three years. Trustee training courses take place covering the duties and responsibilities of Trustees, nature of Retirement Funds, regulatory framework, rules and documents, fund management and investments.

The Retirement Scheme Management Committee comprising the Trustee Board, the Principal Officer, the Investment Officer and consultants, meet about six times per annum to discuss the application of and changes to relevant legislation and fund rules, as well as various issues affecting the funds and their members.

The Investment subcommittee comprises certain members of the Trustee Board, the Principal Officer, the Investment Officer, and consultants.

The primary objective of the scheme's investment policy is to maximise benefits payable to members including pensioners and disability claimants, subject to a reasonable level of risk.

The bulk of the Scheme's assets are in passive investment vehicles that provide a guarantee of the initial capital as well as returns based on the performance of underlying stock market indices. These indices are represented by a mix of local and offshore indices in order that the risk of performance is not dependent on the markets in a particular country or in a particular market.

The remaining assets are actively professionally managed in a segregated portfolio which includes cash to maintain some liquidity. The investments and financing thereof have been carefully selected to match the risk and liability profile of the fund, without compromising returns.

During the year ended 28 February 2002 the total market value of the assets decreased by R23.4 million (2.0%) to R1 156.6 million. This is due to the decline of the global stock markets and a net shortfall of disbursements over contributions received during the year.

Disability benefits

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

Life assurance

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

Employee benefits *(continued)*

Employee share incentive schemes

The objectives of the Share Incentive Schemes are to enable employees to be, and identify with, shareholders and provide them with a wealth creation opportunity.

The Schemes achieve this by allowing employees the opportunity to acquire shares and participate in and promote the continued growth of the Pick 'n Pay Group. The share schemes are administered by the trustees of the Pick 'n Pay Employee Share Purchase Trust.

The **Pick 'n Pay 1997 Share Option Scheme** facilitates the acquisition of shares by employees in terms of the following arrangements:

- **Service:** On completion of 5, 10, 15, 20 and 25 years' service.
- **Status:** On appointment to Floor Manager level, with additional allocations as employees attain successively higher levels of management. These shares may only be taken up after five years from the date of allocation.
- **Executive allocations:** These options are granted to senior executives with varying take up dates.

915 and 4 971 employees participate in the status and service scheme, respectively.

In December 1997 the **Executive Share Incentive Scheme** was formed to create a share buy-in for senior executives.

20 000 000 unissued Pick 'n Pay Stores Limited ordinary shares were allocated for the scheme.

Executives were invited to purchase these shares up-front for R4.80 per share, R0.80 being payable on the launch of the scheme and the remaining R4.00 payable upon delivery of the shares on 31 December 2007.

For more information on the share schemes refer to notes 6 and 2 on pages 48 and 70, respectively.

Trustees: R D Ackerman (Chairman), G M Ackerman, R P de Wet, A Fine, C Hultzer.

Medical scheme

The Pick 'n Pay Medical Scheme has been designed and tailor-made specifically for Pick 'n Pay employees. At present this is the solution which best meets the needs of the majority of members at an affordable cost. Membership of the subsidised in-house Medical Scheme is compulsory for all employees with the exception of those who form part of the non-management bargaining unit, for whom membership is voluntary.

Hospital and chronic benefits are insured. Members are allocated an annual amount for non-hospital expenses, and spending from this account is subject to members' individual discretion; unutilised allocations accrue to the member for future usage, and will be refunded if membership of the Scheme is terminated.

Parental benefits

Female employees receive 11 months' maternity leave, nine of which are paid. This can be spread over the first four years of the newborn child's life, with the employee's job guaranteed on return from maternity leave. Fathers receive eight days' paternity leave. Time off is given for the attendance of pre-natal and ante-natal clinics.



Loans

Housing loans at a favourable interest rate are made available to assist employees in acquiring a new home. General loans are given to deserving cases in times of financial adversity.

Educational bursaries

Where appropriate, educational bursaries are granted to lower earning staff members and their children who are unable to afford the required fees.

Educational programmes

The Group prides itself in offering a variety of people development opportunities ranging from Adult Basic Education, Technical skills training, Financial training, Managerial skills to Executive Development.

108 of our structured on-the-job programmes are recognised by Technikon South Africa.

Over the past 5 years, 6 100 people have graduated from these professional on-the-job programmes, 1 057 learners have completed Adult Basic Education Programmes and we currently have 7 000 employees busy with on-the-job programmes covering all aspects of the business.

Long-service leave

As a benefit for staff and to reward long service, all employees are entitled to long-service leave. The formula varies according to job category, but once 15 years' service has been achieved, an additional two weeks' leave on the completion of each five year service period becomes standard for all permanent employees, irrespective of the nature of their employment.



Funeral scheme

Each employee is covered by a non-contributory funeral scheme which pays up to R720 on the death of such employee, or their direct dependants.

Health care

A resident Occupational Health Practitioner is available to all employees during working hours. In addition, because of the high concentration of employees, a consulting doctor is available for Hypermarket employees. Arrangements have been made with local doctors for Supermarket employees in need of medical attention.

Saver association

Through a scheme managed and administered by BOE Bank, a facility providing a convenient, affordable banking service is offered to all Pick 'n Pay employees. It comprises two accounts, namely banking and savings, and facilitates the automatic deposit of salary entitlements, stop orders, card based cash withdrawals and payments for purchases at Pick 'n Pay checkouts.

The Pick 'n Pay Saver Association card also serves as a multi-purpose ATM card. A competitive rate of interest is paid on members' credit balances; transaction costs and membership fees are below those of other banking institutions.

Shareholders' analysis

as at 28 February 2002

PICK 'n PAY STORES LTD (PICKNPAY)			
Category of shareholder	Number of shareholders	Shareholding millions	Shareholding %
Non-public shareholders			
Pick 'n Pay Holdings Limited	1	257.3	51.8
The Pick 'n Pay Employee Share Purchase Trust	1	14.4	2.9
Employees	466	17.7	3.6
Public shareholders			
Institutional holdings	286	78.2	15.7
Individuals	4 187	129.5	26.0
Total	4 941	497.1	100.0

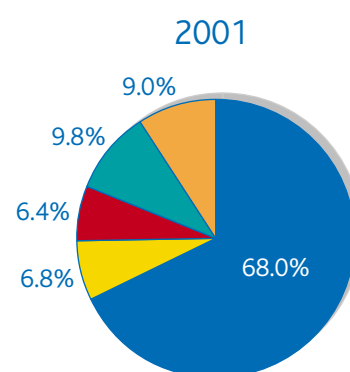
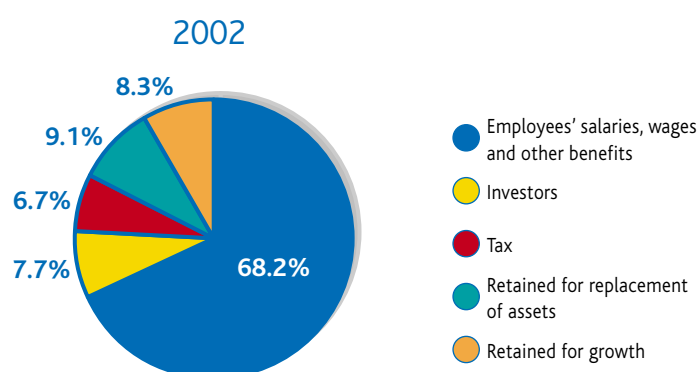
PICK 'n PAY HOLDINGS LTD (PIKWIK)			
Category of shareholder	Number of shareholders	Shareholding millions	Shareholding %
Non-public shareholders			
The Ackerman Family Trust	1	253.0	48.0
The Pick 'n Pay Employee Share Purchase Trust	1	35.4	6.7
Directors and employees	1 367	44.8	8.5
Public shareholders			
Institutional holdings	223	88.0	16.7
Individuals	4 175	106.0	20.1
Total	5 767	527.2	100.0

EFFECTIVE OWNERSHIP OF PICK 'n PAY STORES LTD	
Category of shareholder	Shareholding %
The Ackerman Family Trust	24.8
The Pick 'n Pay Employee Share Purchase Trust	6.4
Directors and employees	8.0
Institutional holdings	24.4
Individuals	36.4
Total	100.0

5% OR MORE SHARES ARE HELD BY THE FOLLOWING INDIVIDUAL SHAREHOLDERS:	PICKNPAY shareholding %	PIKWIK shareholding %
Pick 'n Pay Holdings Ltd	51.8	
The Ackerman Family Trust		48.0
Public Investment Commissioner	9.0	5.8
Liberty Life Association of South Africa		5.8
The Pick 'n Pay Employee Share Purchase Trust		6.7

Value added statement

	2002 Rm	% Utilised	2001 Rm	% Utilised	2000 Rm	% Utilised
Turnover	18 817.5		15 126.1		13 606.7	
Amounts paid for merchandise and expenses	(16 181.4)		(12 933.9)		(11 717.3)	
Interest and dividends received	102.9		107.5		122.4	
Value added	2 739.0	100.0	2 299.7	100.0	2 011.8	100.0
Employees' salaries, wages and other benefits	1 868.9	68.2	1 564.0	68.0	1 393.9	69.3
Investors: dividends and interest paid	209.7	7.7	157.0	6.8	116.1	5.8
Tax	184.2	6.7	147.2	6.4	132.5	6.6
Retained for:						
– replacement of assets	249.7	9.1	225.5	9.8	193.2	9.6
– growth	226.5	8.3	206.0	9.0	176.1	8.7
	2 739.0	100.0	2 299.7	100.0	2 011.8	100.0

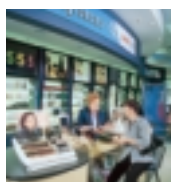




Income statement

for the year ended 28 February

	Notes	2003 Rm	2002 Rm	2001 Rm
Revenue	1	27 139.6	19 519.2	15 753.4
Turnover		26 194.2	18 817.5	15 126.1
Cost of merchandise sold		(21 552.3)	(15 375.1)	(12 433.3)
Gross profit		4 641.9	3 442.4	2 692.8
Other income		833.5	598.8	519.8
Trading expenses				
Employee costs		(2 600.5)	(1 868.9)	(1 564.0)
Occupancy		(681.8)	(514.7)	(411.2)
Operations		(771.1)	(675.0)	(529.9)
Merchandising and administration		(741.3)	(427.3)	(308.9)
Trading profit	2	680.7	555.3	398.6
Interest received		91.8	72.5	80.9
Interest paid		(41.4)	(36.2)	(35.8)
Dividends received		20.1	30.4	26.6
Operating profit		751.2	622.0	470.3
Goodwill amortisation	7	(38.6)	(1.6)	—
Exceptional items	3	(5.3)	(36.0)	17.3
Profit before tax		707.3	584.4	487.6
Tax	4	(253.5)	(184.2)	(147.2)
Profit after tax		453.8	400.2	340.4
Minority interest		—	(0.6)	(5.4)
Net profit for the year		453.8	399.6	335.0
Headline earnings calculation				
Net profit for the year		453.8	399.6	335.0
Headline adjustments	5	43.9	(17.8)	(17.3)
Headline earnings	5	497.7	381.8	317.7
Per share – cents				
Headline earnings	5	102.24	76.01	63.62
Earnings	5	93.22	79.55	67.07
Fully diluted headline earnings	5	98.20	74.32	62.48
Fully diluted earnings	5	89.64	77.73	65.80
Dividends paid	6	55.25	44.50	36.60



Balance sheet

as at 28 February

	Notes	2003 Rm	2002 Rm	2001 Rm
Assets				
Non-current assets				
Goodwill	7	742.1	704.1	—
Property	8	110.9	95.4	70.3
Equipment and vehicles	8	877.2	855.1	817.2
Investments	9	181.4	195.5	195.5
Loans	10	163.8	263.7	295.9
Participation in export partnerships	11	143.3	149.3	166.2
Deferred tax	17	68.6	43.1	—
		2 287.3	2 306.2	1 545.1
Current assets				
Stocks	12	1 507.3	1 267.0	866.0
Trade receivables		495.7	357.5	287.1
Cash resources		1 035.6	986.5	1 085.3
		3 038.6	2 611.0	2 238.4
Total assets		5 325.9	4 917.2	3 783.5
Equity and liabilities				
Capital and reserves				
Share capital	13	6.0	6.2	6.3
Share premium		13.9	186.7	232.0
Unissued shares	13	16.0	16.0	16.0
Treasury shares	14	(127.2)	—	—
Accumulated profits		979.5	784.2	604.8
Foreign currency translation reserve		110.9	227.8	3.5
Ordinary shareholders' interest		999.1	1 220.9	862.6
Minority interest		—	—	19.6
Total shareholders' interest		999.1	1 220.9	882.2
Non-current liabilities				
Interest-bearing debt	15	243.3	241.3	242.3
Provisions	16	255.7	250.1	173.4
Deferred tax	17	163.9	177.9	134.5
		662.9	669.3	550.2
Current liabilities				
Interest-bearing debt	15	186.7	17.2	15.3
Trade and other payables		3 265.1	2 770.5	2 120.4
Tax	4	212.1	239.3	215.4
		3 663.9	3 027.0	2 351.1
Total equity and liabilities		5 325.9	4 917.2	3 783.5

Group annual financial statements and other information



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



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 7 May 2003 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

7 May 2003

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 54 to 88, for the year ended 28 February 2003. 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.

Scope

We conducted our audit in accordance with South African Auditing Standards. 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;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Company and the Group at 28 February 2003 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.

K P M G INC.

KPMG Inc

*Registered Accountants and Auditors
Chartered Accountants (SA)*

Cape Town

7 May 2003

Statement of changes in equity

for the years ended 28 February

	Notes	Share capital Rm	Share premium Rm	Unissued shares Rm	Accumulated profits Rm	Foreign currency translation reserve Rm	Share election reserve Rm	Total Rm
At 28 February 1999		2.0	116.3	16.0	409.6		53.6	597.5
Prior year adjustments	16				(10.2)		(53.6)	(63.8)
At 28 February 1999 – adjusted		2.0	116.3	16.0	399.4	—	—	533.7
Net profit for the year					260.2			260.2
Previously reported Prior year adjustments	16				255.8 4.4			
Capitalisation award			57.7					57.7
Dividends paid	14				(141.8)			(141.8)
N share conversion		4.2	(4.2)					
At 29 February 2000		6.2	169.8	16.0	517.8	—	—	709.8
Net profit for the year					322.9			322.9
Previously reported Prior year adjustments	16				319.0 3.9			
Capitalisation award		0.1	62.2					62.3
Dividends paid	14				(179.2)			(179.2)
Foreign currency translation						3.5		3.5
At 28 February 2001		6.3	232.0	16.0	661.5	3.5	—	919.3
Net profit for the year					400.0			400.0
Capitalisation award			46.7					46.7
Share repurchase		(0.1)	(92.0)					(92.1)
Dividends paid	14				(220.2)			(220.2)
Foreign currency translation						224.3		224.3
At 28 February 2002		6.2	186.7	16.0	841.3	227.8	—	1 278.0

Cash flow statement

for the years ended 28 February

	Notes	2002 Rm	2001 Rm	2000 Rm
Trading profit		563.0	403.8	339.1
Depreciation and amortisation	2, 10	249.7	225.5	193.2
Trade and other payables	17	584.8	134.5	112.9
Stocks	17	(268.0)	(133.1)	(19.2)
Trade and other receivables	17	(53.6)	31.8	(145.7)
Cash generated by operations		1 075.9	662.5	480.3
Interest received		72.5	80.9	103.0
Interest paid		(36.2)	(35.8)	(28.3)
Dividends received		30.4	26.6	32.2
Australian non recurring set-up costs	11	(59.9)	—	—
Dividends paid		(173.5)	(121.3)	(87.8)
Tax paid	12	(207.6)	(177.4)	(74.6)
Cash retained from operating activities		701.6	435.5	424.8
Property	2	25.4	(61.3)	(4.7)
Equipment and vehicles	2	137.6	223.7	365.6
Interest bearing debt (raised)/repaid	7	(0.9)	(155.1)	89.7
Investments	3	—	14.0	84.0
Share repurchase		92.1	—	—
Non trade loans	4	(32.2)	102.2	28.7
Net acquisitions	17	604.6	—	(4.6)
Cash utilised for investing activities		826.6	123.5	558.7
Net (decrease)/increase in cash resources		(125.0)	312.0	(133.9)
Cash resources at 1 March		1 085.3	773.3	907.2
Effect on cash resources of exchange rate movements		26.2	—	—
Cash resources at 28 February		986.5	1 085.3	773.3

Balance sheet

as at 28 February

	Notes	2002 Rm	2001 Rm	2000 Rm
ASSETS				
Non-current assets				
Goodwill	1	704.1	—	—
Freehold property	2	152.5	127.1	188.4
Equipment and vehicles	2	855.1	817.2	818.1
Investments	3	195.5	195.5	181.5
Non trade loans	4	263.7	295.9	193.7
Participation in export partnerships	5	149.3	166.2	183.4
		<u>2 320.2</u>	<u>1 601.9</u>	<u>1 565.1</u>
Current assets				
Stocks	17	1 267.0	866.0	730.0
Trade receivables		357.5	287.1	261.7
Other receivables		—	—	39.9
Cash resources	17	986.5	1 085.3	773.3
		<u>2 611.0</u>	<u>2 238.4</u>	<u>1 804.9</u>
Total assets		<u>4 931.2</u>	<u>3 840.3</u>	<u>3 370.0</u>
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	6	6.2	6.3	6.2
Share premium		186.7	232.0	169.8
Unissued shares	6	16.0	16.0	16.0
Accumulated profits		841.3	661.5	517.8
Foreign currency translation reserve		227.8	3.5	—
Ordinary shareholders' interest		<u>1 278.0</u>	<u>919.3</u>	<u>709.8</u>
Minority interest		<u>—</u>	<u>19.6</u>	<u>18.4</u>
Non-current liabilities				
Interest bearing debt	7	258.5	257.6	102.5
Provisions	8	250.1	173.4	173.4
Deferred tax	9	134.8	134.5	139.9
		<u>643.4</u>	<u>565.5</u>	<u>415.8</u>
Current liabilities				
Trade and other payables	17	2 770.5	2 120.5	1 985.8
Tax	12	239.3	215.4	240.2
		<u>3 009.8</u>	<u>2 335.9</u>	<u>2 226.0</u>
Total equity and liabilities		<u>4 931.2</u>	<u>3 840.3</u>	<u>3 370.0</u>

Income statement

for the years ended 28 February

	Notes	2002 Rm	2001 Rm	2000 Rm
Turnover		18 817.5	15 126.1	13 606.7
Cost of merchandise sold		(15 375.1)	(12 433.3)	(11 197.3)
Gross profit		3 442.4	2 692.8	2 409.4
Other income		580.3	496.1	462.1
Trading expenses				
Employee costs		(1 868.9)	(1 564.0)	(1 393.9)
Occupancy		(489.9)	(387.5)	(345.7)
Operations		(672.0)	(524.7)	(530.0)
Merchandising and administration		(427.3)	(308.9)	(262.8)
Goodwill amortisation		(1.6)	—	—
Trading profit	10	563.0	403.8	339.1
Interest received		72.5	80.9	103.0
Interest paid		(36.2)	(35.8)	(28.3)
Dividends received		30.4	26.6	19.4
Operating profit		629.7	475.5	433.2
Exceptional items	11	(44.9)	—	(32.4)
Profit before tax		584.8	475.5	400.8
Tax	12	(184.2)	(147.2)	(132.5)
Profit after tax		400.6	328.3	268.3
Minority interest		(0.6)	(5.4)	(8.1)
Net profit for the year		400.0	322.9	260.2
Headline earnings calculation				
Net profit for the year		400.0	322.9	260.2
Adjustment	11	(8.9)	—	2.4
Headline earnings		391.1	322.9	262.6
Shares				
– In issue		497 144 235	501 271 527	494 830 094
– Weighted average		502 377 813	499 453 808	492 546 765
Per share – cents				
Headline earnings	13	77.85	64.66	53.31
Earnings	13	79.62	64.66	52.83
Fully diluted headline earnings	13	76.15	63.48	52.01
Fully diluted earnings	13	77.85	63.48	51.55
Dividends paid	14	44.50	36.60	29.00

Accounting policies

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

BASIS OF CONSOLIDATION

These Group financial statements include the financial statements of the Company and the companies that it controls. Control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital. The equity and net profit attributable to minority shareholders are shown separately in the balance sheets and income statements, respectively. The results of subsidiaries are included from the effective dates of acquisition and, where applicable, up to the effective dates of disposal. Inter-company transactions and balances are eliminated on consolidation.

INTANGIBLE ASSETS

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

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 net identifiable assets acquired at the date of the transaction.

PROPERTY

Freehold property is stated at cost. No depreciation is provided on properties and their annual valuation is 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. Depreciation is provided on straight-line bases 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

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 subject to finance leases are capitalised at their cash cost equivalent with the related lease obligation recognised at the same value. Capitalised leased assets are depreciated to their estimated residual values over the term of the lease. Residual values are determined from anticipated future cash flows. These are not discounted to their present value. Finance lease payments are allocated, using the effective interest rate method, between the lease finance cost, which is included in interest paid, and the capital repayment, which reduces the liability to the lessor. Previously, leased vehicles were accounted for as operating leases.

Operating leases are those leases which do not fall within the scope of the above definition. Operating lease rentals are charged against trading profit as incurred.

INVESTMENTS

Investments are stated at cost and are written down only where there is a permanent diminution in value. Dividends are recognised on the date of registration for listed companies, when declared for unlisted companies and when received from our Zimbabwe investment. Although the holding in the Zimbabwe Investment is 25%, the Group has elected not to equity account for its share of profits due to the difficulties in repatriating dividends from Zimbabwe.

PARTICIPATION IN EXPORT PARTNERSHIPS

Participation in export partnerships is recorded at the cost of the original participation less subsequent capital repayments received from the partnerships.

STOCKS

Stocks comprise merchandise for resale and consumables. They are stated at the lower of cost, net of appropriate incentives, which approximates the first-in first-out basis of valuation, and net realisable value.

TRADE RECEIVABLES

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

PROVISIONS

A provision is recognised when, and only when, the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, 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 the present value of the expenditures expected to be required to settle the obligation.

FINANCIAL INSTRUMENTS

Financial instruments carried on the balance sheet include cash resources, investments, receivables, payables and debt. These instruments are reflected at their carrying value unless otherwise stated. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Derivative financial instruments principally include forward foreign exchange contracts. These contracts are recognised as foreign currency transactions.

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

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever 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 while 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. 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 supplier arrangements. All turnover is stated exclusive of value added tax.

TAX

Deferred tax is provided at current rates using the comprehensive method. Full provision is made for all temporary differences between the tax value of an asset or liability and its balance sheet carrying amount.

Deferred tax assets are recognised for all deductible temporary differences and tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Secondary Tax on Companies ("STC") paid on net dividends paid is recognised as a tax charge in the year it is incurred. Previously, STC was provided for on dividends accrued.

FOREIGN CURRENCIES

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 denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. The net effect on unrealised exchange rate differences is recognised in the income statement in the period in which they occur.

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

RETIREMENT BENEFITS

The Group operates a retirement scheme comprising a number of defined contribution and defined benefit funds, the assets of which are held in separate trustee-administered funds. The retirement scheme is funded by payments from employees and the relevant Group company. The retirement scheme is actuarially valued annually by determining the net present value of anticipated future cash flows. Where the Group is obliged to fund a deficit, actuarial valuation deficits are recognised in the financial statements. Actuarial valuation surpluses will only be recognised in the financial statements when it is certain that economic benefits will flow to the Group.

The Group's contributions to the scheme are charged to income as incurred.

CAPITALISATION SHARE AWARDS AND CASH DIVIDENDS

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

Cash dividends and the related STC charge are recorded in the year of declaration. Previously, final dividends declared after the year end were accrued as payable at year end.

COMPARATIVE FIGURES

Where necessary, comparative figures have been re-stated to accord with current year classifications.

Notes to the financial statements

	2002 Rm	2001 Rm	2000 Rm
1. GOODWILL			
Cost	705.7		
Accumulated amortisation	(1.6)		
Net book value	<u>704.1</u>	<u>—</u>	<u>—</u>
Net book value – 1 March	—		
Acquisitions (note 17)	476.8		
Foreign currency translation	228.9		
Amortisation charge for the year	(1.6)		
Net book value – 28 February	<u>704.1</u>	<u>—</u>	<u>—</u>
2. PROPERTY, EQUIPMENT AND VEHICLES			
Freehold property			
Cost	152.5	127.1	188.4
Directors' valuation	245.6	232.4	291.0
Registers of properties, containing statutory information, are available for inspection at the registered office of the Company.			
Equipment, comprising fixtures, store automation, delivery vehicles and aircraft			
Cost			
Owned assets	2 013.3	1 825.0	1 583.0
Leased vehicles	74.6	68.7	58.2
	<u>2 087.9</u>	<u>1 893.7</u>	<u>1 641.2</u>
Accumulated depreciation			
Owned assets	1 218.6	1 063.1	811.1
Leased vehicles	14.2	13.4	12.0
	<u>1 232.8</u>	<u>1 076.5</u>	<u>823.1</u>
Net book value	<u>855.1</u>	<u>817.2</u>	<u>818.1</u>
Comprising:			
Owned assets	794.7	761.9	771.9
Leased vehicles	60.4	55.3	46.2
	<u>855.1</u>	<u>817.2</u>	<u>818.1</u>
Net book value – 1 March	817.2	818.1	656.3
Net additions	137.6	223.7	365.6
Foreign currency translation	43.5	0.9	—
Assets acquired/(sold) (note 17)	106.5	—	(10.6)
Depreciation and amortisation	(249.7)	(225.5)	(193.2)
Net book value – 28 February	<u>855.1</u>	<u>817.2</u>	<u>818.1</u>
The cumulative value of fully written down assets still in service eliminated from the cost and accumulated depreciation figures amounts to	484.2	390.8	418.7

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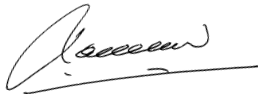
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Except where otherwise stated, all amounts are presented in millions of South African Rands.

Directors' approval, Company Secretary's certificate and Auditors' report

Directors' approval

These annual financial statements and Group annual financial statements of Pick 'n Pay Stores Limited, which have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, were approved by the Board of Directors on 8 May 2002 and are signed on their behalf by –



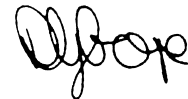
R D Ackerman

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

8 May 2002

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 38 to 65, for the year ended 28 February 2002. 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.

SCOPE

We conducted our audit in accordance with South African Auditing Standards. 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,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

AUDIT OPINION

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Company and the Group at 28 February 2002 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.



*Registered Accountants and Auditors
Chartered Accountants (SA)*

Cape Town
8 May 2002

	2002 Rm	2001 Rm	2000 Rm
3. INVESTMENTS			
Listed shares at cost			
Prism Holdings Ltd	15.0	15.0	—
Unlisted shares at cost, less amounts written off			
Business Partners Ltd	0.2	0.2	0.2
Invego Investments Ltd*	175.0	175.0	175.0
Held by Pick 'n Pay Stores Ltd (note 24)	175.2	175.2	175.2
Cape Town Philharmonic Orchestra Investaplan	—	—	1.0
Insurance Investments	0.3	0.3	0.3
TM Supermarkets (Pvt) Ltd (Zimbabwe)	5.0	5.0	5.0
Total unlisted investments	180.5	180.5	181.5
Total investments	195.5	195.5	181.5
Market value of listed shares	3.3	33.1	—
Directors' valuation of unlisted shares	180.5	180.5	181.5
*Investment ceded as security for interest bearing debt (note 7).			
4. NON TRADE LOANS			
The following loans have been advanced by subsidiary companies:			
Employees			
Directors			
At 1 March	0.9	0.9	0.9
Advanced	—	—	—
Repaid	—	—	—
At 28 February	0.9	0.9	0.9
Subsidiary company directors	30.1	21.7	23.5
Other employees – housing	52.6	56.8	58.3
Employee share purchase trusts	179.8	217.1	111.6
	263.4	296.5	194.3
Holding company loan	0.3	(0.6)	(0.6)
Total non trade loans	263.7	295.9	193.7
Loans to directors and employees are secured, bear interest at varying rates subject to a maximum rate of 12% per annum and have varying repayment terms. Loans to employees from the employee share purchase trust are repayable within ten years from the date of advance.			

Notes to the financial statements *(continued)*

	2002 Rm	2001 Rm	2000 Rm
5. PARTICIPATION IN EXPORT PARTNERSHIPS			
During the years 1987 to 1999, a subsidiary company participated in certain export partnerships, whose business is the purchase and export sale of marine containers. The partnerships sold containers in terms of long-term credit agreements, with repayment terms usually over a 10 to 15 year period. A company listed on the JSE Securities Exchange South Africa has warranted certain important aspects of our subsidiary company's participation. The Company's directors have considered the credit risk relating to these warranted aspects and have satisfied themselves as to the creditworthiness of the warrantor company.			
6. SHARE CAPITAL			
Authorised			
800 000 000 ordinary shares of 1.25 cents each			
Issued			
497 144 235 ordinary shares of 1.25 cents each	6.2	6.3	6.2
<i>Refer to Directors' Report on page 38 for details of shares issued and repurchased during the year</i>			
The unissued shares remain under the control of the directors until the next annual general meeting when shareholders will be asked to extend this authority for a further year.			
Share incentive schemes			
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 compulsorily convertible debentures on 31 December 2007 (note 7).	16.0	16.0	16.0
In terms of the 1997 Share Option Scheme , approved by 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:			
	000's	000's	000's
At 1 March	12 913.1	15 083.8	15 403.8
New shares granted*	349.8	—	1 048.6
Shares taken up**	(1 271.8)	(2 033.0)	(885.5)
Shares forfeited	(17.0)	(137.7)	(483.1)
At 28 February	11 974.1	12 913.1	15 083.8
Percentage of issued shares	2.4%	2.6%	3.0%
*Average grant price	R9.51	—	R6.50
**Average take up price	R3.91	R3.22	R3.19

		2002	2001	2000	
6. SHARE CAPITAL (continued)					
Shares granted may be taken up during the following financial years:					
Year	Average grant price	000's	000's	000's	
2003 and prior	R3.64	8 554.1			
2004	R3.71	1 720.0			
2005	—	—			
2006	R7.93	700.0			
2007 and thereafter	R4.50	1 000.0			
		11 974.1			
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.					
		14 434.0	13 974.0	9 230.7	
Directors' interest in shares					
Except for the indirect interest in the shares of the Company through Pick 'n Pay Holding Limited (see page 71) no 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					
	No. of shares as at year-end 000's	Average offer price per share	Years can be taken up	No of options taken up in 2002 000's	Net proceeds received Rm
D G Cope	699.0	R3.33	2003 – 2004	—	—
S R Summers	4 090.0	R4.74	2003 – 2008	502.2	3.7
Executive Share Incentive Scheme					
		No of shares allocated millions	Purchase price per share	Date available	
D G Cope		1.0	R4.80	31 Dec 2007	
S R Summers		2.5	R4.80	31 Dec 2007	

Notes to the financial statements *(continued)*

	2002 Rm	2001 Rm	2000 Rm
7. INTEREST BEARING DEBT			
20 000 000 compulsorily convertible debentures of R4.00 each, redeemable in 20 semi-annual instalments at a coupon of 10.67%, ending on 31 December 2007 (note 6)	46.6	50.5	53.9
Loan, bearing interest at 12.65% per annum, secured by a cession over the investment in Invego Investments Ltd (note 3) and repayable in December 2002, if not rolled over	150.0	150.0	—
Secured loans in respect of leased vehicles with a book value of R60.4 million (note 2) held under a lease agreement bearing interest, payable monthly in arrears, at an interest rate of the prime bank rate less 2.75% over a 4 or 5 year period	61.9	57.1	48.6
Total interest bearing debt	258.5	257.6	102.5
Amount repayable within one year	17.2	15.3	13.1
8. PROVISIONS			
Provisions comprise:			
Leave pay liability			
At 1 March	64.2	60.0	56.3
Income statement movement	(1.2)	4.2	3.7
Purchased liability (note 17)	45.6	—	—
Foreign currency translation	18.0	—	—
At 28 February	126.6	64.2	60.0
Retirement scheme obligation (note 22)			
At 1 March	109.2	113.4	120.6
Income statement movement	14.3	(4.2)	(7.2)
At 28 February	123.5	109.2	113.4
Total provisions	250.1	173.4	173.4

	2002 Rm	2001 Rm	2000 Rm
9. DEFERRED TAX			
The movement in deferred tax is as follows:			
At 1 March	134.5	139.9	190.8
Export partnerships	(16.9)	(17.2)	(11.2)
Trademarks	0.1	0.1	2.5
Property and equipment	11.2	9.6	(36.4)
Income and expense accruals	(10.8)	2.1	(5.8)
Purchased expense accrual (note 17)	(10.3)	—	—
Foreign currency translation	53.5	—	—
Assessable tax losses	(26.5)	—	—
	<u>134.8</u>	<u>134.5</u>	<u>139.9</u>
At 28 February	134.8	134.5	139.9
Arising as a result of:			
Deferred tax assets			
Equipment	(12.7)	(27.1)	(44.4)
Income and expense accruals	(79.9)	(51.4)	(51.6)
Trademarks	(0.5)	(0.6)	(0.7)
Assessable tax losses	(26.5)	—	—
	<u>(119.6)</u>	<u>(79.1)</u>	<u>(96.7)</u>
Deferred tax liabilities			
Export partnerships	149.3	166.2	183.4
Income and expense accruals	28.0	20.6	18.7
Property and equipment	23.6	26.8	34.5
Foreign currency translation	53.5	—	—
	<u>254.4</u>	<u>213.6</u>	<u>236.6</u>
Total deferred tax	134.8	134.5	139.9

Notes to the financial statements *(continued)*

	2002 Rm	2001 Rm	2000 Rm
10. TRADING PROFIT			
Trading profit is stated after taking into account the following items of:			
Income			
Franchise fees received	32.5	27.2	21.2
Property lease income	24.8	23.7	23.6
Expenses			
Auditors' remuneration	3.6	1.8	1.5
Depreciation and amortisation of refurbishments, equipment and vehicles (note 2)	249.7	225.5	193.2
Owned assets	242.1	218.5	186.5
Leased vehicles	7.6	7.0	6.7
Interest paid on leased vehicles (note 2)	7.5	7.1	7.5
Operating lease charges (note 15)	396.5	287.0	267.9
Property – minimum lease payments	269.6	186.7	174.1
– turnover clause payments	126.9	100.3	93.8
Directors' emoluments	14.7	11.6	19.3
Non-executive for services as directors	0.5	0.5	0.5
Executive, paid by a subsidiary company for managerial services	14.2	11.1	18.8

Directors' emoluments

	Fees R'000	Remuneration R'000	Retirement and medical contributions R'000	Performance bonus* R'000	Fringe and other benefits R'000	TOTAL 2002 R'000
Non-executive						
G M Ackerman	96.0					96.0
R P de Wet	105.0					105.0
H S Herman	61.0					61.0
C Hultzer	102.5					102.5
C Nkosi	39.0					39.0
D M Nurek	99.5					99.5
B J van der Ross	44.0					44.0
	547.0	—	—	—	—	547.0
Full time directors						
R D Ackerman	1.5	1 690.0	22.5	2 000.0	70.1	3 784.1
W Ackerman	1.5	360.0	—	500.0	93.9	955.4
	3.0	2 050.0	22.5	2 500.0	164.0	4 739.5
Executive						
D G Cope	1.5	965.0	178.8	650.0	94.9	1 890.2
S R Summers	1.5	2 045.7	354.2	5 000.0	134.2	7 535.6
	3.0	3 010.7	533.0	5 650.0	229.1	9 425.8
Total remuneration	553.0	5 060.7	555.5	8 150.0	393.1	14 712.3

*The performance bonus relates to the results for the 2002 financial year.

	2002 Rm	2001 Rm	2000 Rm
11. EXCEPTIONAL ITEMS			
Exceptional items comprise:			
Australian acquisition non recurring set-up costs	59.9		
Profit on disposal of Financial Services division	(15.0)		
Premium paid on the acquisition of shares in:			
The Blue Ribbon Meat Corporation (Pty) Ltd			1.4
Score Supermarkets Operating Ltd			6.7
Profit on sale of TranSwitch Services (Pty) Ltd			(22.7)
Loss on sale of 7-Eleven Africa (Pty) Ltd			17.0
Donation to the Raymond and Wendy Ackerman Pick 'n Pay Foundation			30.0
Total exceptional items	44.9	—	32.4
Goodwill amortisation	1.6	—	—
Tax	4.5	—	—
Adjustment in respect of Australia set-up costs/donation	(59.9)	—	(30.0)
Headline earnings adjustment	(8.9)	—	2.4
12. TAX			
	%	%	%
Tax comprises:			
South African normal tax			
– current year	210.3	141.9	146.6
– prior year underprovision	—	—	27.0
	210.3	141.9	173.6
Deferred tax movement	(42.9)	(5.4)	(50.0)
Secondary tax on companies	16.8	10.7	8.9
Total tax charge	184.2	147.2	132.5
Statutory tax rate	30.0	30.0	30.0
Goodwill	0.1	—	0.6
Exempt income	(2.2)	(1.4)	(2.2)
Non-deductible expenditure	1.5	0.5	6.4
Secondary tax on companies	2.9	1.8	2.3
Other	(0.8)	0.1	(4.0)
Effective tax rate	31.5	31.0	33.1
Tax paid comprises			
Owing 1 March	215.4	240.2	132.3
Current tax charge	210.3	141.9	173.6
Secondary tax on companies	16.8	10.7	8.9
Tax liability acquired (note 17)	3.3	—	—
Foreign currency translation	1.1	—	—
Owing 28 February	(239.3)	(215.4)	(240.2)
Total tax paid	207.6	177.4	74.6

Notes to the financial statements *(continued)*

	2002 Rm	2001 Rm	2000 Rm
13. EARNINGS PER SHARE			
<p>The headline earnings per share and earnings per share calculations are the headline earnings and net profit for the year, respectively, divided by the weighted average number of shares in issue, as disclosed in the income statement on page 41. The fully diluted headline earnings per share and earnings per share take cognisance of the conversion of the convertible debentures (note 7).</p>			
14. DIVIDENDS			
	Cents	Cents	Cents
No. 66 – declared 10 April 2001 – paid 11 June 2001	34.00	27.75	22.00
No. 67 – declared 14 October 2001 – paid 10 Dec 2001	10.50	8.85	7.00
Total dividends for the year	44.50	36.60	29.00
Total value of dividends declared	220.2	179.2	141.8
Total value of dividends paid in cash	173.5	116.9	84.1
For further details refer to Directors' Report on page 38.			
15. LEASES			
<p>The Group has entered into various operating lease agreements on premises.</p> <p>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 at a rate of 6.5% per annum.</p> <p>At 28 February 2002 future non-cancellable minimum lease rentals are payable during the following financial years:</p>			
2003	382.2	228.8	
2004 – 2007	1 455.8	1 489.1	
2008 onwards	2 506.0	1 775.1	
At 28 February 2002 future minimum rentals receivable from non-cancellable sub-lease contracts amount to	69.6	50.4	

	2002 Rm	2001 Rm	2000 Rm
16. CHANGES IN ACCOUNTING POLICIES			
The following changes in accounting policies have been made to comply with new South African Statements of Generally Accepted Accounting Practice.			
a. Dividends and the related STC are now accounted for in the period when the dividend is declared.			
b. Leave pay is now fully provided for.			
c. Any shortfall in the Group's funding obligation required by the retirement scheme is now fully provided for in accordance with the Pension Funds Act.			
d. Leased passenger vehicles are now classified as finance leases with the cost of the vehicles capitalised on the balance sheet and an equal amount shown as a lease obligation.			
Comparative figures have been restated, line by line, to give effect to the above changes in accounting policies.			
The financial effect of the above changes in accounting policies are as follows:			
Increase in profit before tax	—	0.6	4.1
Increase in tax	—	3.3	0.3
Increase in profit after tax	—	3.9	4.4

17. NET ACQUISITIONS OF SUBSIDIARIES				
Net assets purchased and sold are as follows:				
	Franklins Australia Group Rm	Score Super- markets Rm	Financial Services Division Rm	Total 2002 Rm
Goodwill	434.7	42.1		476.8
Equipment	106.5			106.5
Stocks	133.0			133.0
Deferred tax asset	10.3			10.3
Cash resources	10.6			10.6
Trade and other payables	(78.3)			(78.3)
Leave pay liability	(45.6)			(45.6)
Tax	(3.3)			(3.3)
Minorities		20.2		20.2
Total cash consideration of acquisitions	567.9	62.3	—	630.2
Cash received on acquisition	(10.6)			(10.6)
Cash received on disposal			(15.0)	(15.0)
Total net cash consideration/(receipt)	557.3	62.3	(15.0)	604.6

Notes to the financial statements *(continued)*

	2002 Rm	2001 Rm	2000 Rm
18. COMMITMENTS			
All capital expenditure will be funded from internal cash flow			
Authorised capital expenditure			
Contracted for			
Property	—	2.8	—
Equipment	7.3	0.8	49.5
Not contracted for			
Property	13.3	16.3	—
Equipment	350.8	137.4	183.2
Total commitments	371.4	157.3	232.7

19. SEGMENTAL REPORT

The Group is organised into two geographical segments, giving the basis on which primary segment information is reported. The segments are as follows:

Southern African operations

Australian operations

Financial information pertaining to business segments is as follows:

	Southern Africa		Australia		Total	
	2002	2001	2002	2001	2002	2001
Turnover	17 137.5	15 126.1	1 680.0	—	18 817.5	15 126.1
Trading profit/(loss)	596.5	403.8	(33.5)	—	563.0	403.8
Operating profit/(loss)	658.2	475.5	(28.5)	—	629.7	475.5
Exceptional items	15.0	—	(59.9)	—	(44.9)	—
Profit/(loss) before net finance income and tax	611.5	403.8	(93.4)	—	518.1	403.8
Goodwill	40.5	—	663.6	—	704.1	—
Total property, equipment and vehicles	834.6	944.3	173.0	—	1 007.6	944.3
Depreciation and amortisation	235.9	225.5	13.8	—	249.7	225.5
Total current assets (excluding cash resources)	1 405.5	1 153.1	219.0	—	1 624.5	1 153.1
Total current liabilities	2 643.7	2 335.9	366.1	—	3 009.8	2 335.9

20. 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
R D Ackerman	Pick 'n Pay Employee Share Purchase Trust	Trustee
G M Ackerman	Pick 'n Pay Employee Share Purchase Trust	Trustee
D G Cope	Pick 'n Pay Retirement Scheme	Trustee
	Pick 'n Pay Medical Scheme	Trustee
H S Herman	Fedsure Holdings Ltd	Non-executive director
	Investec Bank Ltd	Executive chairman
C Hultzer	Pick 'n Pay Employee Share Purchase Trust	Trustee
	Pick 'n Pay Retirement Scheme	Trustee
	Pick 'n Pay Medical Scheme	Trustee
D M Nurek	Investec Bank Ltd	Executive director
	Fedsure Holdings Ltd	Non-executive director
	Fedsure Group Insurance and International businesses	Chief executive officer
	Pick 'n Pay Executive Share Trust	Trustee
	Trencor Ltd	Non-executive director
R P de Wet	Pick 'n Pay Employee Share Purchase Trust	Trustee
	Pick 'n Pay Executive Share Trust	Trustee
	Pick 'n Pay Retirement Scheme	Chairman
	Pick 'n Pay Medical Scheme	Chairman

Except for the Pick 'n Pay related trusts, 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.

These transactions include:

- i) The Pick 'n Pay Employee Share Purchase Trust and the Pick 'n Pay Executive Share Trust administer the Company's share schemes.
- ii) The Pick 'n Pay Retirement and Medical Schemes administer the Company's retirement and medical plans, respectively.
- iii) The Company holds an investment in Invego Investments Ltd (note 3), a subsidiary of Investec Bank Ltd.
- iv) Investec Bank Ltd manages substantial cash resources and assets on behalf of Group companies, the Pick 'n Pay Retirement Scheme and the Pick 'n Pay Medical Scheme.
- v) A subsidiary company borrowed R150 million from a subsidiary of Investec Bank Ltd (note 7).
- vi) Fedsure manages a large portion of the Retirement Scheme's assets and provides Group Life Cover Services.
- vii) A subsidiary company participates in export partnerships with Trencor Ltd group entities.

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 and their related entities

The percentage of shares held by directors of the Company and their related entities at the balance sheet date are disclosed in the Directors' Report on page 39 and in note 6.

Notes to the financial statements *(continued)*

21. FINANCIAL INSTRUMENTS

Forward foreign exchange contracts

The Group is exposed to foreign currency risk through the importation of merchandise. This risk is covered by entering into forward foreign 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 2002 US\$4.2 million was outstanding to be paid within 4 months under forward foreign exchange contracts at an average exchange rate of R11.64 to the US\$.

Credit risk

Financial assets, which potentially subject the Group to concentrations of credit risk, consist principally of cash resources, receivables, investments and employee loans.

The Group's cash resources 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 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. 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.

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 drawdown of any loan facility.

	2002	2001
	Rm	Rm
At 28 February the Group's loan facilities comprised:		
Total borrowing facilities granted by financial institutions	1 012.0	740.0
Total actual borrowings and utilisation of facilities	(340.0)	(230.3)
Unutilised borrowing facilities	672.0	509.7

21. FINANCIAL INSTRUMENTS *(continued)***Interest rate risk**

The effective rates on financial instruments at 28 February 2002 are:

	Weighted average rate of return %	Floating interest rate %	Maturity of interest bearing asset/liability			Non- interest bearing Rm	Total Rm
			1 year or less Rm	1 to 5 years Rm	Over 5 years Rm		
Assets							
Cash resources		9.3	986.5				986.5
Trade and other receivables						357.5	357.5
Participation in export partnerships						149.3	149.3
Loans	5.1		9.4	37.5	36.7	180.1	263.7
Investments	9.7		175.0			20.5	195.5
Total financial assets			<u>1 170.9</u>	<u>37.5</u>	<u>36.7</u>	<u>707.4</u>	<u>1 952.5</u>
Liabilities							
Trade and other payables						2 770.5	2 770.5
Interest bearing debt	16.3		<u>167.2</u>	<u>91.3</u>			<u>258.5</u>
Total financial liabilities			<u>167.2</u>	<u>91.3</u>	<u>—</u>	<u>2 770.5</u>	<u>3 029.0</u>
Net financial assets/ (liabilities)			<u>1 003.7</u>	<u>(53.8)</u>	<u>36.7</u>	<u>(2 063.1)</u>	<u>(1 076.5)</u>

Fair values of financial instruments

At 28 February 2002 the carrying amounts of cash resources, trade and other receivables and trade and other payables approximate their fair values due to their short-term maturities.

The fair value of loans, participation in export partnerships and investments approximate their carrying value as disclosed on the balance sheet.

The fair value of interest bearing debt approximates R261.6 million (2001: R264.8 million).

Notes to the financial statements *(continued)***22. RETIREMENT BENEFITS****Retirement scheme**

The scheme comprises five separate funds:

- A Provident Fund for non-management bargaining unit (NMBU) employees who are not members of the SACCAWU National Provident Fund and non-NMBU employees up to Assistant Store Manager level.
- A Pension Fund for non-NMBU employees up to Store Manager level and for paying annuitants.
- A Provident Fund (known as the Retirement Fund) for employees at Regional Manager level and above.
- A Senior Provident Fund for employees who join the Group at the age of 53 or older.
- A Benefit Fund to pay any disability benefit sanctioned by the Trustees. Unlike the four funds mentioned above, this fund is not registered under the Pension Funds Act.

The Retirement and Benefit Funds are defined benefit schemes, while the others operate on a defined contribution basis.

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. Any deficit in the funding obligation is provided for in the financial statements. There is no subsidy for members who joined the medical scheme after 1 January 1997.

Employee benefit obligations

	Defined Benefit Funds Rm	Defined Contribution Funds Rm	Post Retirement Medical Rm	Total Obligation 2002 Rm	Total Obligation 2001 Rm	Total Obligation 2000 Rm
--	---	--	---	---	---	---

**The amount recognised
in the balance sheet
is as follows:**

Present value of funded obligations	296.2	783.4	94.0	1 173.6	1 104.2	1 074.6
Fair value of assets	(266.7)	(783.4)	—	(1 050.1)	(995.0)	(961.2)
Present value of unfunded obligations (note 8)	29.5	—	94.0	123.5	109.2	113.4

22. RETIREMENT BENEFITS *(continued)***Employee benefit obligations** *(continued)*

	Defined Benefit Funds Rm	Defined Contribution Funds Rm	Post Retirement Medical Rm	Total Obligation 2002 Rm	Total Obligation 2001 Rm	Total Obligation 2000 Rm
Amounts recognised in the income statement are as follows:						
Current service cost	26.0	68.6	0.5	95.1	95.7	89.1
Interest on the obligation	37.3	93.8	10.4	141.5	140.0	124.9
Expected return on the plan assets	(32.8)	(94.2)	—	(127.0)	(124.9)	(109.7)
Net actuarial (gains)/ losses recognised	(15.1)	5.8	2.6	(6.7)	(24.1)	(14.1)
Total, included in staff costs	15.4	74.0	13.5	102.9	86.7	90.2
Actual return on plan assets	0.2%	12.1%	—	9.3%	3.6%	14.5%
Movements in the liability recognised on the balance sheet is as follows:						
Net liability – 1 March	28.7	—	80.5	109.2	113.4	120.6
Net expense in the income statement	15.4	74.0	13.5	102.9	86.7	90.2
Contributions	(14.6)	(74.0)	—	(88.6)	(90.9)	(97.4)
Net liability – 28 February	29.5	—	94.0	123.5	109.2	113.4
The principal actuarial assumptions at the last valuation date of 1 June 2001 are:						
Discount rate	13.75% per annum					
Expected return on assets	13.75% per annum					
Future salary increases	11.50% per annum					
Future pension increases	7.06% per annum					
Annual increase in health care costs	11.50% per annum					

23. CONTINGENT LIABILITY

A subsidiary company has guaranteed a banking facility of Aus\$25 million in Australia on behalf of InterFrank Group Holdings Pty Ltd.

Notes to the financial statements *(continued)*

	2002 Rm	2001 Rm	2000 Rm
<i>Notes 24 to 26 comprise Pick 'n Pay Stores Limited's annual financial statements.</i>			
24. PICK 'n PAY STORES LTD			
BALANCE SHEET			
AS AT 28 FEBRUARY			
ASSETS			
Non-current assets			
Interest in subsidiaries (note 25)	44.4	(33.3)	(30.8)
Employee share purchase trust	175.0	162.6	94.6
Investments (note 3)	175.2	175.2	175.2
	<u>394.6</u>	<u>304.5</u>	<u>239.0</u>
Current asset			
Trade receivables	2.6	2.5	2.3
	<u>2.6</u>	<u>2.5</u>	<u>2.3</u>
Total assets	<u>397.2</u>	<u>307.0</u>	<u>241.3</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital (note 6)	6.2	6.3	6.2
Share premium	186.7	232.0	169.8
Unissued shares (note 6)	16.0	16.0	16.0
Accumulated profit/(deficit)	126.2	(13.4)	(53.6)
	<u>335.1</u>	<u>240.9</u>	<u>138.4</u>
Non-current liabilities			
Debentures (note 7)	46.6	50.5	53.9
	<u>46.6</u>	<u>50.5</u>	<u>53.9</u>
Current liabilities			
Dividends received in advance	12.8	12.8	12.8
Other payables	2.7	2.8	36.2
	<u>15.5</u>	<u>15.6</u>	<u>49.0</u>
Total equity and liabilities	<u>397.2</u>	<u>307.0</u>	<u>241.3</u>

	2002 Rm	2001 Rm	2000 Rm
24. PICK 'n PAY STORES LTD (continued)			
INCOME STATEMENT			
FOR THE YEARS ENDED 28 FEBRUARY			
Distributions from subsidiaries	344.6	204.1	126.2
Income from investments	17.1	17.1	12.6
Interest received	9.5	9.7	7.8
Interest paid	(9.5)	(9.7)	(11.5)
Donation	—	—	(30.0)
Administrative expenses	(0.5)	(0.5)	(0.5)
Profit before tax	361.2	220.7	104.6
Tax	(1.4)	(1.3)	(1.2)
Net profit for the year (note 26)	359.8	219.4	103.4
Accumulated deficit – 1 March (note 26)	(13.4)	(53.6)	(15.2)
	346.4	165.8	88.2
Dividends paid (notes 14, 26)	(220.2)	(179.2)	(141.8)
Accumulated profit/(deficit) – 28 February	126.2	(13.4)	(53.6)
CASH FLOW			
FOR THE YEARS ENDED 28 FEBRUARY			
Profit before tax	361.2	220.7	104.6
Dividends received in advance	—	—	5.1
Other payables	(0.1)	(33.4)	33.7
Trade receivables	(0.1)	(0.2)	(0.2)
Cash generated by operations	361.0	187.1	143.2
Dividends paid	(173.5)	(116.9)	(84.1)
Tax paid	(1.4)	(1.3)	(1.4)
Cash retained from operating activities	186.1	68.9	57.7
Investment in subsidiaries	—	—	(1.4)
Employee share purchase trust	12.4	68.0	25.4
Investments	—	—	85.0
Share repurchase	92.1	—	—
Debentures repaid	3.9	3.4	5.3
Cash utilised in investing activities	108.4	71.4	114.3
Pick 'n Pay Retailers (Pty) Ltd loan account			
Net movement for the year	77.7	(2.5)	(56.6)
Balance at 1 March	(64.8)	(62.3)	(5.7)
Balance at 28 February (note 25)	12.9	(64.8)	(62.3)

Notes to the financial statements *(continued)*

	2002 Rm	2001 Rm	2000 Rm
25. INTEREST IN SUBSIDIARIES			
Shares at cost			
Trading	30.0	30.0	30.0
Pick 'n Pay Retailers (Pty) Ltd			
Pick 'n Pay (Mitchells Plain) Ltd			
Pick 'n Pay (Bophuthatswana) (Pty) Ltd			
Pick 'n Pay (Gabriel Road) (Pty) Ltd			
Pick 'n Pay Garages (Pty) Ltd			
The Blue Ribbon Meat Corporation (Pty) Ltd			
Property owning	0.6	0.6	0.6
Alstar (Pty) Ltd			
Bedworth Sentrum (Pty) Ltd			
Carrefour (Pty) Ltd			
Lanbas Investments (Pty) Ltd			
Pick 'n Pay (Bellville) (Pty) Ltd			
Pick 'n Pay (Newton Park) (Pty) Ltd			
Pick 'n Pay (Ottery) (Pty) Ltd			
Pick 'n Pay (Steeledale) (Pty) Ltd			
Pick 'n Pay (Steelpark) (Pty) Ltd			
Dormant companies	0.9	0.9	0.9
	31.5	31.5	31.5
Indebtedness to the Company			
Pick 'n Pay Retailers (Pty) Ltd	12.9	(64.8)	(62.3)
Held by Pick 'n Pay Stores Ltd	44.4	(33.3)	(30.8)
The attributable earnings of subsidiaries are	446.7	307.7	283.0
The attributable losses of subsidiaries are	61.9	—	—

	2002 Rm	2001 Rm	2000 Rm
25. INTEREST IN SUBSIDIARIES <i>(continued)</i>			
Held by other Group trading subsidiaries:			
InterFrank Group Holdings Pty Ltd (Registered in Australia)			
InterFrank Holdings Pty Ltd (Registered in Australia)			
Fresco Supermarket Holdings Pty Ltd (Registered in Australia)			
Fresco Supermarkets Pty Ltd (Registered in Australia)			
Pick 'n Pay International Ltd (Registered in the United Kingdom)			
Pick 'n Pay Insurance Company Ltd			
Score Supermarkets Operating Ltd			
Score Supermarkets (Trading) (Pty) Ltd			
Score Supermarkets (Botswana) (Pty) Ltd (Registered in the Republic of Botswana)			
Score Supermarkets (Southern Africa) (Pty) Ltd (Registered in the Republic of Botswana)			
Score Supermarkets (Swaziland) Ltd (Registered in the Kingdom of Swaziland)			
Score Supermarkets (Tanzania) (Pty) Ltd (Registered in Tanzania)			
<i>All companies are 100% held and incorporated in South Africa except where indicated</i>			
<i>A comprehensive list of Group subsidiaries is available on request at the registered office of the Company</i>			
26. CHANGE IN ACCOUNTING POLICY			
Dividends paid and dividends received are now accounted for in the period when they are declared or become unconditionally receivable, respectively.			
Comparative figures have been restated, line by line, to give effect to this change.			
The financial effect of this change is as follows:			
Decrease in accumulated profits at 1 March	—	(14.5)	(54.0)
Increase in profit before tax	—	6.3	67.2
Tax	—	—	—
Increase in net profit for the year	—	6.3	67.2
Decrease in dividends paid	—	(33.2)	(30.1)

Balance sheet

as at 28 February

	Notes	2002 Rm	2001 Rm	2000 Rm
ASSETS				
Non-current asset				
Investment in subsidiary	1	<u>128.0</u>	<u>114.2</u>	<u>86.1</u>
Current asset				
Trade receivable		<u>0.3</u>	<u>0.3</u>	<u>0.3</u>
Total assets		<u>128.3</u>	<u>114.5</u>	<u>86.4</u>
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	2	<u>6.6</u>	<u>6.5</u>	<u>6.5</u>
Share premium		<u>120.8</u>	<u>107.8</u>	<u>79.8</u>
		<u>127.4</u>	<u>114.3</u>	<u>86.3</u>
Current liability				
Trade payable		<u>0.9</u>	<u>0.2</u>	<u>0.1</u>
Total equity and liabilities		<u>128.3</u>	<u>114.5</u>	<u>86.4</u>

Income statement

for the years ended 28 February

	Notes	2002 Rm	2001 Rm	2000 Rm
Income				
Dividends received from Pick 'n Pay Stores Ltd	3	<u>113.9</u>	<u>92.8</u>	<u>72.8</u>
Dividends paid	3, 4	<u>113.9</u>	<u>92.8</u>	<u>72.8</u>
Per share – cents				
Earnings		21.75	17.92	14.26
Dividends	4	21.75	17.92	14.26
Shares in issue	2	527 249 082	522 627 004	516 325 269

Statement of changes in equity

for the years ended 28 February

	Notes	Share capital Rm	Share premium Rm	Accumulated profits Rm	Share election reserve Rm	Total Rm
At 28 February 1999		2.1	63.9	—	22.0	88.0
Prior year adjustment	3				(22.0)	(22.0)
At 28 February 1999 – adjusted		2.1	63.9	—	—	66.0
Net profit for the year				72.8		72.8
Capitalisation award	3		20.3			20.3
N share conversion		4.4	(4.4)			—
Dividends paid	4			(72.8)		(72.8)
At 29 February 2000		6.5	79.8	—	—	86.3
Net profit for the year				92.8		92.8
Capitalisation award	3		28.0			28.0
Dividends paid	4			(92.8)		(92.8)
At 28 February 2001		6.5	107.8	—	—	114.3
Net profit for the year				113.9		113.9
Capitalisation award	3	0.1	13.0			13.1
Dividends paid	4			(113.9)		(113.9)
At 28 February 2002		6.6	120.8	—	—	127.4

Cash flow statement

for the years ended 28 February

	2002 Rm	2001 Rm	2000 Rm
Dividend income	113.9	92.8	72.8
Trade receivables	—	—	—
Trade payables	0.7	0.1	0.1
Cash generated by operations	114.6	92.9	72.9
Dividends paid	(100.8)	(64.8)	(52.5)
Cash retained from operating activities	13.8	28.1	20.4
Cash utilised in investing activities			
Investment in subsidiary	13.8	28.1	20.4

Notes to financial statements

	2002 Rm	2001 Rm	2000 Rm
1. INVESTMENT IN SUBSIDIARY			
Pick 'n Pay Stores Ltd			
257 345 334 (2001 – 255 478 398) ordinary shares			
Initial investment	24.7	24.7	24.7
Capitalisation share awards received (note 3)	103.3	89.5	61.4
Total investment at cost	128.0	114.2	86.1
Market value	2 534.9	3 078.5	2 720.7
2. SHARE CAPITAL			
Authorised			
800 000 000 ordinary shares of 1.25 cents each			
Issued			
527 249 082 ordinary shares of 1.25 cents each	6.6	6.5	6.5
<i>Refer to Directors' Report on page 67 for details of shares issued during the year</i>			
The unissued shares remain under the control of the directors until the next annual general meeting when shareholders will be asked to extend this authority for a further year.			
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 shares granted but not taken up are as follows:			
	000's	000's	000's
At 1 March	26 536.1	21 126.3	19 911.9
New shares granted*	6 266.2	7 334.2	5 055.1
Shares taken up**	(1 350.0)	(1 467.2)	(1 136.3)
Shares forfeited	(316.4)	(457.2)	(2 704.4)
At 28 February	31 135.9	26 536.1	21 126.3
Percentage of issued shares	5.9%	5.1%	4.1%
*Average grant price	R3.83	R3.35	R2.32
**Average take up price	R1.93	R1.59	R1.72

		2002	2001	2000
2. SHARE CAPITAL (continued)				
Shares granted may be taken up during the following financial years:				
Year	Average grant price	000's	000's	000's
2003 and prior	R2.22	20 896.2		
2004	R2.66	3 549.9		
2005	R3.39	1 811.0		
2006	R3.52	4 818.8		
2007	R3.39	60.0		
		<u>31 135.9</u>		
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.				
		<u>35 399.5</u>	<u>34 486.3</u>	<u>33 431.9</u>
Directors' interest in shares				
The following shares are held by directors and senior executives:				
		Beneficial Interest	Non-beneficial interest	Total
		000's	000's	000's
Directors:				
R D Ackerman		597.3	—	597.3
W Ackerman		3 703.9	—	3 703.9
G M Ackerman		—	886.0	886.0
R D Ackerman/W Ackerman/G M Ackerman		—	253 050.0*	253 050.0
H S Herman		62.5	—	62.5
Senior executive:				
S R Summers		82.7	—	82.7
*The non-beneficial interest represents the holding by the Ackerman Family Trust, of which these directors are trustees.				

Notes to financial statements *(continued)***2. SHARE CAPITAL** *(continued)***Directors' interest in shares** *(continued)*

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

1997 Share Option Scheme

	No. of shares as at year-end 000's	Average offer price per share	Years can be taken up
Director:			
G M Ackerman	1 903.9	R1.60	2003
Senior Executives:			
D G Cope	266.0	R3.39	2003 – 2004
S R Summers	1 133.1	R3.14	2003 – 2008

3. CAPITALISATION SHARE AWARDS AND CASH DIVIDENDS

The full value of a capitalisation share awards and cash dividends, both payable and receivable, are recorded as a deduction from equity in the statement of changes in equity and dividend income in the income statement, respectively.

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 are recorded in the year of declaration. Previously, final dividends declared after the year end were provided for at year end as payable and receivable, respectively.

Comparative figures have been adjusted for this change in accounting policy. The financial effect of this change is disclosed in the statement of changes in equity.

4. DIVIDENDS

	cents	Rm	cents	Rm	cents	Rm
No. 39 – declared 10 April 2001 – paid 11 June 2001	16.62		13.60		10.83	
No. 40 – declared 14 October 2001 – paid 10 Dec 2001	5.13		4.32		3.43	
Total dividends for the year	21.75		17.92		14.26	
Total value of dividends declared (note 3)		113.9		92.8		72.8
For further details refer to Directors' Report page 67.						

Annual general meetings

14 June 2002

Dividends

	Pick 'n Pay Stores Ltd		Pick 'n Pay Holdings Ltd		<i>Last date for registration</i>	<i>Date of payment</i>
	Share code: PIK ISIN code: ZAE 00000 5443		Share code: PWK ISIN code: ZAE 00000 5724			
	<i>No.</i>	<i>Amount (cents)</i>	<i>No.</i>	<i>Amount (cents)</i>		
Interim	65	8.85	38	4.32	24 Nov 2000	07 Dec 2000
Final	66	34.00	39	16.62	04 May 2001	11 Jun 2001
Interim	67	10.50	40	5.13	30 Nov 2001	10 Dec 2001
Final	68	41.25	41	20.13	31 May 2002	07 Jun 2002
Interim	69		42		29 Nov 2002	09 Dec 2002
Final	70		43		30 May 2003	09 Jun 2003

Preliminary profit announcements

Interim to 31 August 2002: about 9 October 2002

Final to 28 February 2003: about 16 April 2003

Publication of annual report

End of May

Group Company Secretary

M Marsden (retired 30 April 2002)

G F Lea (appointed 30 April 2002)

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

Postal address: PO Box 23087, Claremont, 7735

Tel (021) 658-1000, Fax (021) 683-2514

E-mail address: glea@pnp.co.za

Registered office

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

Website address

<http://www.picknpay.co.za>

Registrar

Computershare Services Limited, Edura, 41 Fox Street, Johannesburg 2001. PO Box 61051, Marshalltown 2107

Tel (011) 370-7700, Fax (011) 836-0792

Strate

Pick 'n Pay Stores Ltd and Pick 'n Pay Holdings Ltd moved into the STRATE environment on the JSE Securities Exchange South Africa on 1 October 2001.

Computershare has been appointed as the Companies' Central Securities Depository Participant (CSDP).

Auditors

Arthur Andersen & Co.

Attorneys

Sonnenberg Hoffmann & Galombik Inc.

Principal bankers

ABSA Limited

First National Bank of Southern Africa Limited

JSE Securities Exchange South Africa Sponsor

Investec Bank Limited

Subsidiary company directors

In addition to the directors listed on pages 22 and 23, the following are directors of the main operating companies.

Pick 'n Pay Retailers (Pty) Ltd

Hypermarket General Managers:

BOBBY BEZUIDENHOUT (56)

Durban
Appointed 1991
Years of Service 30

MARK BISHOP (39)

Boksburg
Appointed 2001
Years of Service 19

DION BLOM (35)

Princess Crossing
Appointed 2002
Years of Service 12

ANDRE COETZER (37)

Norwood
Appointed 1998
Years of Service 18

ANDRE ELS (43)

Faerie Glen
Appointed 1991
Years of Service 21

IAN HUGHES (35)

Moffett Park
Appointed 2002
Years of Service 15

JOHANNES LETSWALO (42)

Steeledale
Appointed 2001
Years of Service 18

PIET LUBBE (39)

Bedworth Park
Appointed 1998
Years of Service 17

JOHN LUCAS (48)

Brackenfell
Appointed 1998
Years of Service 23

ARTHUR MALCOLM (35)

Ottery
Appointed 1998
Years of Service 13

SYLVESTER MOFOKENG (38)

Northgate
Appointed 2000
Years of Service 15

DUNCAN PENTZ (45)

Bloemfontein
Appointed 1997
Years of Service 21

JACQUES VAN ROOYEN (42)

Wonderpark
Appointed 1998
Years of Service 15

DIRK VENTER (48)

Klerksdorp
Appointed 2002
Years of Service 21

Supermarket General Managers:

LLYWELLYN DYER (39)

Western Cape
Appointed 1999
Years of Service 17

DANIE BOSHOFF (43)

Gauteng
Appointed 1995
Years of Service 19

DALLAS LANGMAN (32)

KwaZulu-Natal
Appointed 1998
Years of Service 12

LUKE LOUW (44)

Northern Region
Appointed 1996
Years of Service 20

KAZIK SZCZAWINSKI (41)

Eastern Cape
Appointed 1997
Years of Service 18

Corporate General Managers:

SUZANNE ACKERMAN-BERMAN (39)

Corporate and Social Affairs
Appointed 2002
Years of Service 7

PETER ARNOLD (40)

Fresh Produce
Appointed 1997
Years of Service 18

SOLLY BENDRAU (46)

General Merchandise
Appointed 2000
Years of Service 24

TESSA CHAMBERLAIN (42)

Marketing
Appointed 2001
Years of Service 3

MICHAEL COLES (47)

Clothing
Appointed 1995
Years of Service 7

ROB CLIFFORD (53)

Operations
Appointed 1999
Years of Service 8

HAROLD DAWSON (43)

Technology
Appointed 2000
Years of Service 12

LOUIS DE BEER (45)

Bakeries
Appointed 1991
Years of Service 23

IVAN DIEPRAAM (48)

Delicatessens
Appointed 1994
Years of Service 21

STUART DUFFIELD (44)

General Merchandise
Appointed 1991
Years of Service 24

CORNELIUS GROBBELAAR (50)

Internal Audit
Appointed 1996
Years of Service 20

JEAN JOUBERT (44)

Hypermarkets – Finance
Appointed 1994
Years of Service 18

ISAK JOUBERT (32)

Property
Appointed 1998
Years of Service 9

KEVIN KORB (42)

Corporate Brands
Appointed 1995
Years of Service 20

GARY LEA (36)

Group Company Secretary
Group Finance
Appointed 2001
Years of Service 5

TOM MARINCOWITZ (58)

Hypermarkets – Finance
Appointed 1981
Years of Service 31

WARREN MARSDEN (47)

General Merchandise
Appointed 1989
Years of Service 24

RAY MURRAY (53)

National – Perishables
Eastern Cape – Foods
Appointed 1988
Years of Service 27

MALCOLM MYCROFT (45)

General Merchandise
Appointed 1999
Years of Service 24

ADRIAN NAUDE (31)

Home Shopping
Appointed 2000
Years of Service 4

KADER PATEL (41)

Hypermarkets – Foods
Appointed 1994
Years of Service 20

JO RICE (55)

Franchise – Family Stores
Appointed 1997
Years of Service 20

CEDRIC ROSS (42)

Score
Appointed 1998
Years of Service 19

FRIKKIE ROSSOUW (53)

Food Distribution – Gauteng
Appointed 1985
Years of Service 27

DAVE RAPPOPORT (51)

Boardmans
Appointed 1989
Years of Service 31

ANDRE SIEBRITS (45)

Pick 'n Pay Go Banking
Appointed 1994
Years of Service 24

DAVID SMITH (47)

Supermarkets – National Foods
Western Cape – Foods
Appointed 1993
Years of Service 27

ROB SPEEDY (32)

Business Systems
Appointed 2000
Years of Service 10

FRANS VAN DER COLFF (43)

Franchise – Mini Markets
Appointed 2002
Years of Service 14

LYNDSAY WEBSTER-ROZON (31)

Marketing – HealthPharm
Appointed 2000
Years of Service 2

LEON WILKS (55)

Systems – Store Automation
Appointed 1989
Years of Service 30

ERIC WILSON (42)

HealthPharm MD
Appointed 2001
Years of Service 1

Subsidiary Board – Buyers:

GIGI BISOGNO (46)

Corporate Brands
Appointed 1989
Years of Service 25

DAVID BRAUN (49)

Western Cape – Foods
Appointed 1994
Years of Service 24

SELWYN COHEN (58)

General Merchandise
Appointed 1988
Years of Service 30

NEIL COOKE (44)

KwaZulu-Natal – Foods
Appointed 2000
Years of Service 22

MOOSA HANS (55)

Hypermarkets – Foods
Appointed 1991
Years of Service 22

GEOFF KAHN (53)

HealthPharm
Appointed 1987
Years of Service 32

MIKE LAFFERTY (48)

Franchise Projects
Appointed 1994
Years of Service 27

PETER POWELL (44)

Northern Region – Foods
Appointed 2001
Years of Service 5

ALAN VAN DER BERG (35)

Gauteng – Foods
Appointed 1999
Years of Service 15

Subsidiary Board – Administration:**CHARL COWLEY** (30)

Western Cape – Chief Accountant
Appointed 2001
Years of Service 3

RICHARD FRIESLICH (55)

General Merchandise – Training
Appointed 1985
Years of Service 27

CHRISTINE JANSE VAN RENSBURG (43)

National Human Resources
Appointed 1999
Years of Service 13

GEORGE JONES (54)

Employee Benefits
Appointed 1997
Years of Service 14

LORETTA KELLY (47)

Corporate Accountant
Appointed 2001
Years of Service 31

GRAEME LAITHWAITE (57)

Corporate Expense Control
Appointed 1997
Years of Service 18

HENRY LEFEVRE (54)

Internal Audit
Appointed 1981
Years of Service 30

KARYN LEIBBRANDT (42)

KwaZulu-Natal Chief Accountant
Appointed 2001
Years of Service 17

PEARLY LING (37)

Operations
Appointed 2001
Years of Service 5

YACOOB MOLA (47)

KwaZulu-Natal – Human Resources
Appointed 1999
Years of Service 13

FRED PEARL (56)

Corporate Accountant
Appointed 1987
Years of Service 31

BRONWEN ROHLAND (38)

Labour Productivity
Appointed 2001
Years of Service 16

SIDNEY SNYDERS (58)

Systems Application
Appointed 1991
Years of Service 32

PETRUS STEYN (32)

Gauteng – Chief Accountant
Appointed 2001
Years of Service 7

BRIAN STRYDOM (47)

Eastern Cape – Chief Accountant
Appointed 1994
Years of Service 18

LORRAINE TERRY (46)

Northern – Chief Accountant
Appointed 2001
Years of Service 21

ERNA VAUSE (59)

HealthPharm – Chief Accountant
Appointed 1993
Years of Service 17

Subsidiary Board – Regional Managers:**ABDURAHMAN HAMDULAY** (30)

Western Cape
Appointed 2001
Years of Service 9

STEVE MACDONALD (43)

Western Cape Franchise
Appointed 1990
Years of Service 23

FRIK MINNIE (59)

Northern Region – Operations
Appointed 1991
Years of Service 29

Score Supermarkets**Directors:****ADRIAAN ENGELBRECHT** (35)

Finance
Appointed 2000
Years of Service 2

DHARMALINGUM DASS (44)

Merchandise – Non Food
Appointed 1993
Years of Service 24

ANDRE MAREE (39)

Operations
Appointed 1997
Years of Service 15

LARRY MICHELOW (50)

Merchandise – Food
Appointed 1997
Years of Service 21

BILL NASH (51)

Training and Development
Appointed 1995
Years of Service 16

BENJI SUSSMAN (37)

Property
Appointed 1997
Years of Service 15

ANDERSON TSHAYA (52)

Human Resources
Appointed 1997
Years of Service 12

KEVIN WYNNE (43)

Business Development
Appointed 1996
Years of Service 21

Blue Ribbon Meat**Directors:****MALCOLM BAXTER** (54)

National General Manager
Appointed 1986
Years of Service 33

IAN CROOK (44)

Gauteng General Manager
Appointed 2002
Years of Service 20

ALAN FORD (59)

Product development
Appointed 1999
Years of Service 30

DON JOHNSON (55)

KwaZulu-Natal General Manager
Appointed 2002
Years of Service 31

BEVERLEY MARKS (45)

Human Resources
Appointed 1999
Years of Service 14

MALCOLM SIMPSON (54)

Western Cape General Manager
Appointed 1999
Years of Service 34

TRACEY WELLINGTON (35)

Finance
Appointed 1998
Years of Service 9

TM Supermarkets**Directors:****GRAHAM JACOBS** (57)

Finance
Appointed 1997
Years of Service 16

DAVE MILLS (53)

Deputy Managing Director
Appointed 1988
Years of Service 22

MIKE OAKLEY (57)

Managing Director
Appointed 1983
Years of Service 32

Franklins Australia**General Managers:****JILL ADAMS** (38)

Human Resources
Appointed 2001
Years of Service 1

JOHAN GROBLER (36)

Chief Accountant
Appointed 1999
Years of Service 11

ALAN MALAKOU (47)

Operations
Appointed 2001
Years of Service 1

BILL MORGAN (56)

Information Technology
Appointed 2001
Years of Service 3

EDDY ODDEN (53)

Marketing
Appointed 2001
Years of Service 1

DAVE RAMSDEN (42)

Merchandise
Appointed 2001
Years of Service 20

RONI PERLOV (39)

Finance
Appointed 2001
Years of Service 3

Notice of Annual General Meeting

Pick 'n Pay Stores Limited

The 34th annual general meeting of shareholders for the year ended 28 February 2002 will be held at 11:00 on 14 June 2002.

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 consideration be given to these financial statements with a view to their adoption".

2. Ordinary resolution number 2

Appointment of directors en bloc

"Resolved that more than one director, being those offering themselves for re-election, be simultaneously elected; failing which they will be elected individually".

(See ordinary resolution number 3.)

3. Ordinary resolution number 3

Appointment of directors

"Resolved that the following directors, who retire in accordance with the Company's articles of association, be re-elected.

W Ackerman

G M Ackerman

H S Herman

C Nkosi".

4. Ordinary resolution number 4

Authority over unissued shares

"Resolved that the directors be granted general authority over the unissued shares of the Company until the next annual general meeting".

5. Ordinary resolution number 5

Directors' fees

"Resolved that fees paid to the directors, as disclosed in the financial statements, be confirmed".

6. 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 ordinary 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 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 ordinary 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 ordinary shares constituting, on a cumulative basis, 3% (three percent) of the number of ordinary shares in issue prior to the acquisition, which announcement shall contain full details of such acquisitions;
- d. acquisitions by the Company and its subsidiaries of issued ordinary shares in the capital of the Company may not, in the aggregate, exceed in any one financial year 20% (twenty percent) of the Company's issued ordinary share capital provided always that acquisitions by the Company's subsidiaries may not exceed 10% (ten percent);
- e. in determining the price at which the Company's ordinary shares are acquired by the Company or its subsidiaries in terms of this general authority, the maximum premium at which such ordinary 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 ordinary shares by the Company or its subsidiaries."

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:

- 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. 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 will ensure that any such utilisation is in the interests of shareholders;
- 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 ensure that:
 - b.1** the Company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business for the next 12 months;
 - b.2** the assets of the Company and its subsidiaries, fairly valued in accordance with South African Statements of Generally Accepted Accounting Practice, will be in excess of the consolidated liabilities of the Company and its subsidiaries for the next 12 months;
 - b.3** the issued share capital and reserves of the Company and its subsidiaries will be adequate for the purposes of the business of the Company and its subsidiaries for the next 12 months; and
 - b.4** the working capital available to the Company and its subsidiaries will be sufficient for the group's requirements for the next 12 months.

The Board of directors of the Company will notify the shareholders of the terms of the repurchase of the Company shares by publishing an announcement in the press in accordance with the Listings Requirements of the JSE should the Company and/or its subsidiaries cumulatively repurchase more than 3% (three percent) 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 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 months from the date of this 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.

7. Special resolution number 2

Specific authority to repurchase shares

"Resolved that, any subsidiary/subsidiaries of the Company, be and is/are hereby authorised by way of a specific authority in terms of sections 85(2) and 89 of the Companies Act of 1973 (Act 61 of 1973), as amended, article 63B of the Company's articles of association and the Listings Requirements of the JSE Securities Exchange South Africa ("the JSE") to acquire from The Pick 'n Pay Employee Share Purchase Trust ("the Trust") 10 million ordinary shares representing 2.0% of the issued share capital of the Company, at the lesser of the ruling market price at the time the transaction is effected or the weighted average of the market value for the ordinary shares for the five business days immediately preceding the date on which the transaction is effected".

Reason and effect of special resolution number 2

The Trust currently holds ordinary shares in excess of its requirements.

The reason and effect of special resolution number 2 is to authorise any subsidiary/subsidiaries, to acquire ordinary shares issued by the Company which are currently held by the Trust, enabling the Trust to eliminate such excess. Upon its registration, special resolution number 2 shall have such effect.

In terms of the Listings Requirements of the JSE, the controlling shareholders of the Company, their associates, any party acting in concert with them, any party who is participating in the specific repurchase of the Company's shares and who is not regarded as a public shareholder in terms of the Listings Requirements of the JSE will be excluded from voting on special resolution number 2.

Notice of Annual General Meeting *(continued)*

8. 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 at which this resolution is proposed, 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 ordinary 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 authority is valid until the Company’s next annual general meeting provided that it shall not extend beyond 15 (fifteen) months from the date that this authority is given;
- b. that a paid press announcement giving full details, including the impact on the net asset value and earnings per share, will be published 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;
- c. that ordinary share issues in 1 (one) financial year may not in the aggregate exceed 15% (fifteen percent) of the number of the ordinary shares in the Company’s issued share capital;
- d. that in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted 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 30 (thirty) business days immediately preceding the date that the price of the issue is determined or agreed by the directors of the Company; and

- e. that any such issue of ordinary shares will only be made to “public shareholders” as defined by the Listings Requirements of the JSE and not to related parties.”

9. Ordinary resolution number 7

Directors’ authority to implement company resolutions

“Resolved that, any 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 special resolutions numbers 1 and 2 and all ordinary resolutions proposed at the meeting convened to consider this resolution.”

10. Any other relevant business

Members may attend the meeting of the Company and speak and vote on any resolution. Forms of authority for a proxy are provided on the inside back cover, for use by members who wish to vote but are unable to attend.



G F Lea

Company Secretary

Cape Town

8 May 2002

Pick 'n Pay Holdings Limited

The 21st annual general meeting of shareholders for the year ended 28 February 2002 will be held at 11:30 on 14 June 2002.

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 consideration be given to these financial statements with a view to their adoption”.

2. Ordinary resolution number 2

Appointment of directors en bloc

“Resolved that more than one director, being those offering themselves for re-election, be simultaneously elected; failing which they will be elected individually”. (See ordinary resolution number 3.)

3. Ordinary resolution number 3

Appointment of directors

“Resolved that the following directors, who retire in accordance with the Company’s articles of association, be re-elected.

R D Ackerman

W Ackerman

H S Herman”.

4. Ordinary resolution number 4

Authority over unissued shares

“Resolved that the directors be granted general authority over the unissued shares of the Company until the next annual 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 ordinary 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 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 ordinary 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 ordinary shares constituting, on a cumulative basis, 3% (three percent) of the number of ordinary shares in issue prior to the acquisition, which announcement shall contain full details of such acquisitions;
- d. acquisitions by the Company and its subsidiaries of issued ordinary shares in the capital of the Company may not, in the aggregate, exceed in any one financial year 20% (twenty percent) of the Company’s issued ordinary share capital provided always that acquisitions by the Company’s subsidiaries may not exceed 10% (ten percent);
- e. in determining the price at which the Company’s ordinary shares are acquired by the Company or its subsidiaries in terms of this general authority, the maximum premium at which such ordinary 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 ordinary shares by the Company or its subsidiaries.”

Notice of Annual General Meeting *(continued)*

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:

- 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. 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 will ensure that any such utilisation is in the interests of shareholders;
- 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 ensure that:
 - b.1** the Company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business for the next 12 months;
 - b.2** the assets of the Company and its subsidiaries, fairly valued in accordance with South African Statements of Generally Accepted Accounting Practice, will be in excess of the consolidated liabilities of the Company and its subsidiaries for the next 12 months;
 - b.3** the issued share capital and reserves of the Company and its subsidiaries will be adequate for the purposes of the business of the Company and its subsidiaries for the next 12 months; and
 - b.4** the working capital available to the Company and its subsidiaries will be sufficient for the Group's requirements for the next 12 months.

The Board of directors of the Company will notify the shareholders of the terms of the repurchase of the Company shares by publishing an announcement in the press in accordance with the Listings Requirements of the JSE should the Company and/or its subsidiaries cumulatively repurchase more than 3% (three percent) 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 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 months from the date of this 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 at which this resolution is proposed, 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 ordinary 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 authority is valid until the Company's next annual general meeting provided that it shall not extend beyond 15 (fifteen) months from the date that this authority is given;

- b.** that a paid press announcement giving full details, including the impact on the net asset value and earnings per share, will be published 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 ordinary share issues in 1 (one) financial year may not in the aggregate exceed 15% (fifteen percent) of the number of the ordinary shares in the Company's issued share capital;
- d.** that in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted 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 30 (thirty) business days immediately preceding the date that the price of the issue is determined or agreed by the directors of the Company; and
- e.** that any such issue of ordinary shares 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

Directors' authority to implement company resolutions

"Resolved that, any 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 special resolution number 1 and all ordinary resolutions proposed at the meeting convened to consider this resolution."

8. Any other relevant business

Members may attend the meeting of the Company and speak and vote on any resolution. Forms of authority for a proxy are provided on the inside back cover, for use by members who wish to vote but are unable to attend.



G F Lea

Company Secretary

Cape Town

8 May 2002

Store locations

The Pick 'n Pay Group is one of Africa's largest and most consistently successful retailers of food, clothing and general merchandise.



STORE FORMAT	PROVINCE	CORPORATE		FRANCHISE	
		2002	2001	2002	2001
Pick 'n Pay Hypermarkets	Western Cape	2	2		
	Eastern Cape	1	1		
	KwaZulu-Natal	1	1		
	Free State	1	1		
	Gauteng	8	8		
	North-West	1	1		
	Total	14	14		
Pick 'n Pay Supermarkets	Western Cape	29	27		
	Eastern Cape	9	10		
	KwaZulu-Natal	17	16		
	Free State	10	10		
	Gauteng	37	35		
	Mpumalanga	5	5		
	North-West	3	3		
	Limpopo	3	3		
	Total	113	109		
Pick 'n Pay Family Stores	Western Cape			17	14
	Eastern Cape			8	7
	Northern Cape			2	1
	KwaZulu-Natal			13	13
	Free State			3	2
	Gauteng			36	30
	Mpumalanga			4	4
	North-West			3	2
	Limpopo			2	3
	Namibia			8	6
	Swaziland			1	
	Total			97	82
2001 RiteValu 2002 Pick 'n Pay Mini Market	Eastern Cape				4
	Northern Cape				7
	KwaZulu-Natal			3	3
	Free State			8	8
	Gauteng			22	34
	Mpumalanga			5	13
	North-West			1	16
	Limpopo				12
Total			39	97	
Boardmans	Western Cape	7	6		
	Eastern Cape	2	2		
	KwaZulu-Natal	2	2		
	Free State	1	1		
	Gauteng	8	8		
	Mpumalanga	1	1		
Total	21	20			
Score Supermarkets	Eastern Cape	9	5		
	Northern Cape	5	2		
	KwaZulu-Natal	4	2		
	Free State	5	5	1	5
	Gauteng	19	14	1	7
	Mpumalanga	14	9		
	North-West	18	7	1	2
	Limpopo	20	18		
	Botswana	11	11		
	Swaziland	5	5		
	Tanzania	4			
	Total	114	78	3	14
Franklins Fresco	Sydney – Australia	50			
	Sydney – Australia	20			
	Total	70			
Total number of Group stores		332	221	139	193
TM Supermarkets	Zimbabwe	53	50		
Pick 'n Pay Auto Centres	National	10	9		

“With our expansion into Australia the operational structure was enhanced with the appointment of three managing directors to work with the CEO to grow the Group.”

For more than three decades, one of Africa’s most prominent retailers . . .

The Pick ‘n Pay Group is one of Africa’s largest and most consistently successful retailers of food, clothing and general merchandise.

Founded in 1967 and listed on the JSE Securities Exchange South Africa since 1968 (as Pick ‘n Pay Stores Limited), the Group’s long history of achievement is built on five fundamental principles:

- Satisfy the needs and wants of our consumers.
- Convenient store locations for our consumers.
- Design and layout of stores for maximum efficiency.
- Provide a wide-ranging and apt inventory of products – at the best prices.
- Empower our employees with the training and skills to fulfil their maximum potential.

With our expansion into Australia the operational structure was enhanced with the appointment of three managing directors to work with the CEO to grow the Group.

The Group now operates through three divisions, the Retail Division, the Group Enterprises Division and Franklins Australia, each with their own managing director and management boards.

The Retail Division manages Pick ‘n Pay branded businesses. These comprise: Hypermarkets, Supermarkets, Family Franchise, Mini Market Franchise, Butcheries and Auto Centres.

The Group Enterprises Division operates the Group’s other non-Pick ‘n Pay branded activities. These include Score Supermarkets, Boardmans, TM Supermarkets, HealthPharm Pharmacies, Property and Go Banking. This division also seeks out new investment opportunities for the Group in southern Africa and the wider world.

Franklins Australia operates the 70 stores purchased during the year.

Operational structure



Sean Summers
CEO



Nick Badminton
MD – Retail

- Hypermarkets
- Supermarkets
- Family Franchise
- Mini Market Franchise
- Butcheries
- Auto Centres



Martin Rosen
MD – Group Enterprises

- Score Supermarkets
- Boardmans
- TM Supermarkets (Zimbabwe – 25% interest)
- HealthPharm Pharmacies
- Property
- Go Banking



Aubrey Zelinsky
MD – Franklins Australia

- Franklins Supermarkets
- Fresco Supermarkets