



# C O N T E N T S

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Retail Division

Group Enterprises

## F I N A N C I A L H I G H L I G H T S Y E A R E N D E D 2 8 F E B R U A R Y 1 9 9 8

### TURNOVER - CONTINUING OPERATIONS

Up 12.1%

R10 971m

R9 786m



### OPERATING INCOME

Up 25.6%

R283m

R225m



### HEADLINE EARNINGS PER SHARE

Up 23.9%

36.35c

29.33c



### DIVIDENDS PER SHARE

Up 25.0%

22.25c

17.80c



Pick 'n Pay Stores Limited  
Group Financial Statements

Pick 'n Pay Holdings Limited  
Financial Statements



## OUR MISSION

WE SERVE  
WITH OUR HEARTS WE CREATE  
A GREAT PLACE TO BE.  
WITH OUR MINDS WE CREATE AN  
EXCELLENT PLACE TO SHOP.

## CORE VALUES

WE ARE PASSIONATE ABOUT OUR CUSTOMERS  
AND WILL FIGHT FOR THEIR RIGHTS.  
WE CARE FOR AND RESPECT EACH OTHER.  
WE FOSTER PERSONAL GROWTH AND OPPORTUNITY.  
WE NURTURE LEADERSHIP AND VISION  
AND REWARD INNOVATION.  
WE LIVE BY HONESTY AND INTEGRITY.  
WE SUPPORT AND PARTICIPATE IN OUR COMMUNITIES.  
WE TAKE INDIVIDUAL RESPONSIBILITY.  
WE ARE ALL ACCOUNTABLE.

## STORE LOCATIONS

	Province	Stores	
		Corporate	Franchise
P'nP Hypermarkets	W Cape	2	
	E Cape	1	
	KwaZulu-Natal	1	
	Free State	1	
	Gauteng	8	
	NW Province	1	
	Total	14	
P'nP Supermarkets	W Cape	26	
	E Cape	11	
	KwaZulu-Natal	17	
	Free State	9	
	Gauteng	36	
	Mpumalanga	4	
	NW Province	2	
	N Province	3	
	Total	108	
PriceRite	KwaZulu-Natal	3	
Family Stores	W Cape		7
	E Cape		2
	KwaZulu-Natal		11
	Free State		2
	Gauteng		18
	Mpumalanga		2
	NW Province		3
	N Province		2
	Namibia		2
	Total		49
Auto Centres	Gauteng	3	
Boardman's	W Cape	5	
	E Cape	1	
	KwaZulu-Natal	2	
	Free State	1	
	Gauteng	7	
	Total	16	
Score Supermarkets	E Cape	2	
	N Cape	5	
	KwaZulu-Natal	3	1
	Free State	5	2
	Gauteng	11	3
	Swaziland	5	
	Mpumalanga	11	
	NW Province	7	
	N Province	17	
	Botswana	9	
	Total	75	6
RiteValu	E Cape		1
	N Cape		1
	Free State		8
	Gauteng		33
	Mpumalanga		3
	NW Province		3
	Total		49
PNA*	W Cape	37	
	E Cape	7	
	KwaZulu-Natal	10	
	Free State	8	
	Gauteng	31	
	Mpumalanga	11	
	NW Province	2	
	Total	106	
7-Eleven	E Cape	5	
	KwaZulu-Natal	1	
	Gauteng	21	
	Total	27	
TM Supermarkets	Zimbabwe	46	
Grand Total		265	237

## GROUP PROFILE

The primary business of the Pick 'n Pay Group centres on the large-scale retailing of food, clothing and general merchandise. Operational responsibility lies with the respective management boards of the Retail Division and the Group Enterprises Division.

The Retail Division concentrates on the heart of Pick 'n Pay's business. This comprises Hypermarkets, Supermarkets, PriceRite, Family Franchise stores, Blue Ribbon Meat and Auto Centres.

The Group Enterprises Division manages all other Group business activities, including property, Boardman's, the investments in Score Supermarkets, RiteValu, PNA stationery franchises\*, the 7-Eleven joint venture, TranSwitch Services, TM Supermarkets and our new Financial Services division.

Since inception, Pick 'n Pay has found consistent success through commitment to a fundamental belief that the consumer deserves respect. This commitment is evident in the geographical location and design of our stores, our ranging and our pricing. All are chosen to meet consumer needs. The Group applies this philosophy to corporate stores, franchised stores, Boardman's, Auto Centres and all other Group operations.

The holding company of the Group's activities, Pick 'n Pay Stores Limited, has been listed on the JSE for the past thirty years.

## GROUP STRUCTURE

### Retail

Hypermarkets

Supermarkets

PriceRite

Family Stores

Blue Ribbon Meat  
(50% holding)

Auto Centres

### Group Enterprises

Property

Boardman's

Score Supermarkets (92% holding)

RiteValu Franchises (92% holding)

PNA Stationers\* (75% holding)

7-Eleven Africa (60% holding)

TranSwitch Services (50% holding)

TM Supermarkets (Zimbabwe) (25% holding)

Financial Services

## Financial Highlights

In the year ended February 1998, your Group had a great year - in fact a record year.

- Group turnover exceeded R10 billion for the first time and ended the year just under R11 billion - an increase of 12.1%. This comfortably exceeded inflation despite tough trading conditions, a very competitive retail environment and a substantial number of stores being refurbished.
- Group market share is at its highest ever with 36% of the overall South African food market.
- Headline earnings increased by 25.7% and headline earnings per share by 23.9% to a record 36.35 cents.
- Operating income rose by 25.6%, and at 2.6% of Group turnover shows a healthy increase in margin on last year (2.3%) and moves us significantly closer to our goal of a 3.0% pre-tax margin.
- Net cash generated from operations increased to a record R408 million resulting in a cash balance of R917 million - the highest year-end level achieved by the Group.
- The final income distribution by way of a capitalisation award of 17.50 cents per share is a 25% increase on last year and brings the total distribution for the year to 22.25 cents per share. Shareholders may elect instead to receive their final distribution in cash.
- Your Group has been substantially rerated by the market and the Pick 'n Pay share price is up almost 50% on February last year.
- We have continued our policy of writing off amounts paid for goodwill and trade marks in the year of acquiring the enterprise. In the year ended February 1998, R63.6 million has been written off on the acquisition of a further 16.9% interest in Score Supermarkets, a 60% interest in a joint venture with 7-Eleven Corporation and the purchase of the Superliner business.

"IN YOUR GROUP, THERE IS  
A SENSE OF URGENCY  
AMONGST THE MANAGEMENT  
TO FORGE AHEAD."

## Overview

As Chairman and CEO, I am proud to review a year that has again proved to be dynamic and challenging but a very rewarding one with many of the plans and strategies formulated in the previous year coming to fruition.

Although we run Pick 'n Pay Retail and Group Enterprises as two distinct focused divisions, they are bound by the common goal of excellence in customer service and an entrenched set of abiding values. Synergies are increasingly exploited and the Group infrastructure, used by individual

Group companies in terms of systems, technology and buying power, result in significant savings and revenue enhancement. The two Managing Directors provide details of these and other aspects in their separate reports.

Our Retail Division has shown strong growth in all areas, achieving significant efficiencies in shrinkage, expenditure and stock control, and new corporate stores have been

added with a substantial increase in our chain of franchised "Family" stores.

All the companies in the Group Enterprises stable have performed well, with a rapid expansion of both corporate and franchise stores. The array of retail formats (and the management skilled at operating these) available within the Group allows us to exploit every significant market opportunity.

Partnerships, both with equity shareholding or franchising, remain a cornerstone of our business philosophy, both when buying into existing businesses or in starting new ventures such as Financial Services and our 7-Eleven convenience chain.

A key feature this year has been the implementation of a new Share Incentive Scheme for our senior management,



announced last year. Over 80 key executives purchased debentures, convertible into Pick 'n Pay shares in 2007. This is a long-term commitment of personal financial resources by the leadership core of your Group as part of our ongoing succession planning, and has provided the Group with an additional R80 million in capital funds. This is complementary to our Employee Share Scheme which allows every employee the opportunity to participate in the success of the Group through share ownership.

Future

Retail is a fast changing industry and to remain ahead requires constant innovation, implementation of new ideas and heavy financial commitments. In your Group there is a sense of urgency amongst the management to forge ahead and substantial capital investment will be made this year in the development of new corporate and franchise stores, refurbishment of existing stores, the further development of Financial Services and the introduction of new technology in all the companies within the Group. Our strong cashflow will allow these investments to be funded from our internal resources.

The retail market remains tough and with inflation down to 5%-6% per annum, nominal sales growth expectations have to be scaled down, and consumer spending continues to be under pressure. However, there are many positive factors at work in the economy: a budget that was accepted, fiscal restraint, a possible further drop in interest rates and the cash injection from the anticipated listing of two major

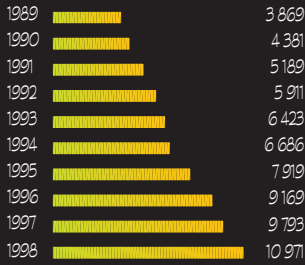
life assurers with a concomitant increase in real disposable incomes. The outlook for the economy certainly looks more positive this year, and we could well see a real meaningful rise in retail sales volume. Your Group is well poised to capture its share of any growth in the market, and I am optimistic of another very good year with a strong increase in turnover and profit.

Together with my two Managing Directors I would like to thank all our stakeholders, in particular my colleagues and all our employees, for their support and contribution in making this a record year.

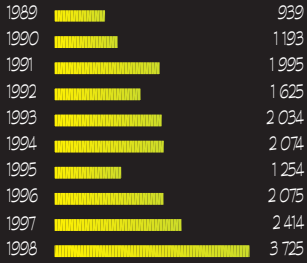


Raymond Ackerman  
Chairman & Chief Executive Officer

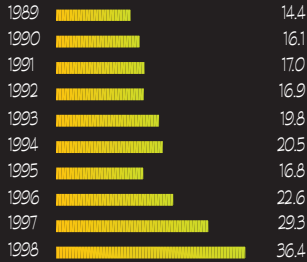
GROUP TURNOVER - Rm



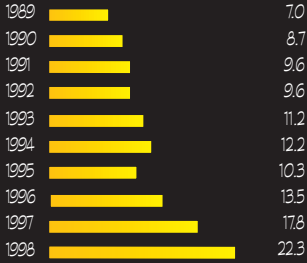
MARKET CAPITALISATION - Rm



HEADLINE EARNINGS PER SHARE - CENTS



DIVIDEND PER SHARE - CENTS





The Group’s Board of Directors and senior management support Corporate Governance and The Code of Corporate Practices and Conduct. We believe that our Group, in all material respects, complies with The Code of Corporate Practices and Conduct. Some of the more salient features of our corporate governance framework are set out below.

### Pick 'n Pay Stores Limited Board of Directors ("the Board")

The composition of the Board includes a number of non-executive directors who bring to the Company a wealth of experience and management expertise. The Board meets regularly, monitoring the performance of the Pick 'n Pay 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.

### Management Structures and Reporting

The day-to-day responsibility of running and administering the Group’s operations lie with the Retail and Group Enterprises management boards (see page 9). These management boards are guided on principles of strategy and Group policy by the Chairman’s Executive Committee, comprising senior executive directors (see page 9).

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 members of the Board for monitoring of the Group’s performance.

### 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. Nothing has come to the attention of the

"THE GROUP'S BOARD OF DIRECTORS  
AND SENIOR MANAGEMENT SUPPORT  
CORPORATE GOVERNANCE  
AND THE CODE OF CORPORATE  
PRACTICES AND CONDUCT."

Board that would indicate a material breakdown in internal controls during the year.

### Financial Statements

The directors of Pick 'n Pay Stores Limited and Pick 'n Pay Holdings Limited ("the directors") (see page 8) 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 an independent review of the financial statements and present their reports thereon on pages 28 and 41.

These financial statements have been prepared in accordance with generally accepted accounting practice and fairly present the financial positions of the Companies and the Group as at 28 February 1998 and the results of their operations for the year then ended. They have been prepared using consistently applied appropriate accounting policies.

### Audit Committee

The Group's audit committee comprises four non-executive directors (see page 8). This committee meets with the Group's Chairman and Chief Executive Officer, Managing Directors, Financial Director and Director - Loss and Expense Control (representing the Internal Audit team) twice a year to discuss the Group's result. The committee is responsible for reporting to the Board on each interim and final Group result and for ensuring that management has adequate systems in place to control and monitor the Group's activities.

At each biannual meeting the external and internal auditors report to the committee on the results of their work. They have unfettered access to the committee and all of its members throughout the year.

SERVING SUGGESTION -

"I KNOW I HAVE ONLY GOT POSITIVE  
WONDERFUL THINGS TO LOOK FORWARD  
TO IN THE FUTURE WITH PICK 'N PAY"

VANESSA HOFFMAN -

BEDWORTH PARK HYPERMARKET

### Remuneration Committee

The remuneration committee, which meets twice a year, is chaired by a non-executive director and comprises senior executive and other non-executive directors (see page 8). The committee is responsible for reviewing and approving the remuneration of executive directors and senior management.

### Equal Opportunities

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





HS HERMAN



C NKOSI



C HULTZER



HA GORVY



IJ JOUBERT



RP DE WET



W ACKERMAN



AE ZELINSKY



DM NUREK



DG COPE



GM ACKERMAN



RD ACKERMAN



SR SUMMERS



M ROSEN

### Pick 'n Pay Stores Ltd

#### Executive Directors

##### Chairman & CEO

♦ R D ACKERMAN (67)  
BCom, LL.D(hc)  
Appointed 1968 - Years of service 30

##### Deputy Chairman

♦ R P DE WET (54)  
BCom, BA (Hons), CA (SA)  
Appointed 1975 - Years of Service 28

##### Employee Liaison & Benefits

♦ W ACKERMAN  
Appointed 1981 - Years of Service 30

##### Managing Director - Group Enterprises

♦ G M ACKERMAN (40)  
BSocSci  
Appointed 1990 - Years of Service 14

##### Managing Director - Retail

♦ S R SUMMERS (44)  
Appointed 1988 - Years of Service 24

##### Financial Director

♦ D G COPE (47)  
CA (SA)  
Appointed 1997 - Years of Service 20

#### Loss & Expense Control

I J JOUBERT (52)  
Appointed 1989 - Years of Service 28

#### Marketing & Advertising

M ROSEN (47)  
Appointed 1988 - Years of Service 27

#### General Merchandise & Clothing

A E ZELINSKY (49)  
Appointed 1989 - Years of Service 28

#### Non-Executive Directors

● H A GORVY  
Appointed 1984

● H S HERMAN  
Appointed 1976

● C HULTZER  
Appointed 1991

C NKOSI  
Appointed 1996

### Pick 'n Pay Holdings Ltd

R D ACKERMAN  
Appointed 1981

G M ACKERMAN  
Appointed 1987

W ACKERMAN  
Appointed 1981

R P DE WET  
Appointed 1981

H A GORVY  
Appointed 1984

H S HERMAN  
Appointed 1981

C HULTZER  
Appointed 1993

● D M NUREK  
Appointed 1995

♦  
EXECUTIVE COMMITTEE CHAIRMAN  
RD ACKERMAN

●  
AUDIT COMMITTEE CHAIRMAN  
HA GORVY

⚙  
REMUNERATION COMMITTEE CHAIRMAN  
DM NUREK

GROUP SECRETARY  
M MARSDEN (58)  
CA (SA)  
Years of Service: 24

♦ Chairman's Executive Committee

● Audit Committee

⚙ Remuneration Committee

## CHAIRMAN'S EXECUTIVE COMMITTEE



GM ACKERMAN



SR SUMMERS



RP DE WET



DG COPE



RD ACKERMAN



W ACKERMAN

## RETAIL MANAGEMENT BOARD



RH HERZFELD



A JAKOET



FA ELS



JC VAN ROOYEN



PJ CONNELLAN



M LIMBOURIS



M PULIK



FP VANDER WALT



AE ZELINSKY



SR SUMMERS



IJ JOUBERT



M ROSEN

## GROUP ENTERPRISES MANAGEMENT BOARD



DG COPE



GM ACKERMAN



IB EADIE



NA BICKET



CG CLARKE

## RETAIL MANAGEMENT BOARD

APPOINTED SEPTEMBER 1995

SEAN SUMMERS (44)  
Managing Director  
Years of Service 24

PAUL CONNELLAN (43)  
BCom  
Foods - Years of Service 21

NIC ELS (57)  
General Manager N Province  
Years of Service 24

RONNIE HERZFELD (51)  
CA (SA)  
Technology & Systems  
Years of Service 23

BAKAR JAKOET (41)  
CA (SA)  
Finance  
Years of Service 13

SAKKIE JOUBERT (52)  
Loss and Expense Control  
Years of Service 28

MIKE LIMBOURIS (45)  
BCom  
General Manager KwaZulu-Natal  
Years of Service 20

MOSHE PULIK (54)  
BArch  
Operations - Years of Service 17

MARTIN ROSEN (47)  
Marketing & Advertising  
Years of Service 27

FRANS VAN DER WALT (50)  
BA  
People  
Years of Service 23

CHRIS VAN ROOYEN (40)  
Corporate Brands  
Years of Service 18

AUBREY ZELINSKY (49)  
General Merchandise & Clothing  
Years of Service 28

## GROUP ENTERPRISES MANAGEMENT BOARD

APPOINTED SEPTEMBER 1995

GARETH ACKERMAN (40)  
BSocSci  
Managing Director  
Years of Service 14

NICKY BICKET (41)  
BA (Hons)  
Financial Services  
Years of Service 21

COLIN CLARKE (55)  
CA (SA)  
Property & Development  
Years of Service 20

DENNIS COPE (47)  
CA (SA)  
Financial & Legal  
Years of Service 20

IAN EADIE (37)  
Franchise Development  
Years of Service 16



			10 year compound annual growth %		1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
<b>OPERATING RESULTS</b>														
Turnover	14	Rm			10 970.6	9 793.5	9 169.4	7 919.5	6 685.9	6 423.5	5 911.1	5 189.2	4 380.9	3 869.1
Operating income	12	Rm			282.8	225.1	177.3	139.6	161.9	161.3	134.0	132.6	123.8	116.3
Headline earnings	13	Rm			173.2	137.7	105.9	79.1	96.4	93.0	79.4	79.6	75.6	67.7
<b>CONSOLIDATED BALANCE SHEETS</b>														
Ordinary shareholders' interest	13	Rm			580.6	528.9	447.9	405.4	386.9	348.0	307.4	273.0	245.4	206.1
Outside shareholders' interest		Rm			12.3	17.9	24.2	11.6	-	-	1.4	1.6	1.5	1.1
Long-term liabilities		Rm			170.0	90.8	92.1	92.6	3.5	4.4	5.2	6.1	7.0	7.0
Capital employed		Rm			762.9	637.6	564.2	509.6	390.4	352.4	314.0	280.7	253.9	214.2
Property		Rm			167.1	165.8	167.9	157.7	152.2	148.7	135.4	140.2	129.7	112.6
Equipment		Rm			365.3	327.8	338.1	342.3	305.8	249.4	264.6	216.8	162.9	124.2
Investments and loans		Rm			256.1	241.4	195.8	184.7	83.5	78.6	76.2	120.4	89.4	73.8
Stock	10	Rm			641.4	655.9	604.6	609.4	456.3	422.3	416.1	387.7	352.0	326.7
Accounts receivable		Rm			145.7	71.4	67.6	34.8	12.4	9.5	10.6	10.1	10.3	9.7
Cash	28	Rm			917.1	649.2	566.1	355.2	347.7	309.3	190.8	46.5	59.3	59.7
Total assets		Rm			2 492.7	2 111.5	1 940.1	1 684.1	1 357.9	1 217.8	1 093.7	921.7	803.6	706.7
Current liabilities		Rm			1 729.8	1 473.9	1 375.9	1 174.5	967.5	865.4	779.7	641.0	549.7	492.5
Net assets		Rm			762.9	637.6	564.2	509.6	390.4	352.4	314.0	280.7	253.9	214.2
Property - directors' valuation		Rm			277.8	269.8	262.3	241.7	241.8	270.7	258.2	237.8	187.1	178.6
<b>PERFORMANCE MEASURES</b>														
Operating income on turnover		%			2.6	2.3	1.9	1.8	2.4	2.5	2.3	2.6	2.8	3.0
Headline earnings on turnover		%			1.6	1.4	1.2	1.0	1.4	1.4	1.3	1.5	1.7	1.7
Return on shareholders' interest		%			31.2	28.2	24.8	20.0	26.2	28.4	27.4	30.7	33.6	35.9
Return on total assets		%			7.5	6.8	5.8	5.2	7.5	8.0	7.9	9.2	10.0	10.4
<b>STATISTICS (includes all company, subsidiary and associate operations)</b>														
Number of outlets	-Corporate				265	277	239	263	163	155	152	146	136	128
	-Franchise				237	125	47	6	1					
Total selling area	-Corporate	000m <sup>2</sup>			476	470	497	514	392	372	370	348	328	309
	-Franchise	000m <sup>2</sup>			153	88	52	8	1					
Total number of employees		000's			28.3	27.4	22.2	23.8	21.8	22.6	22.5	22.5	21.7	21.6
<b>SHARE PERFORMANCE (PICKNPAY)</b>														
Headline earnings per share	12	cents			36.4	29.3	22.6	16.8	20.5	19.8	16.9	17.0	16.1	14.4
Dividend per share	15	cents			22.3	22.8*	13.5	10.3	12.2	11.2	9.6	9.6	8.7	7.0
Dividend cover		times			1.6	1.3*	1.7	1.6	1.7	1.8	1.8	1.8	1.9	2.1
Net asset value per share (based on directors' valuation of property and unlisted investments)	11	cents			150.9	135.2	117.0	104.2	102.3	101.2	95.5	83.3	69.8	62.9

\* Includes 5.00 cents 30th birthday special dividend

10 year compound annual growth %			1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
STOCK EXCHANGE INFORMATION												
PICK 'n PAY STORES LIMITED (PICKNPAY)												
Market capitalisation - year-end	20	Rm	3 725.0	2 413.6	2 075.2	1 253.6	2 073.6	2 034.5	1 624.5	1 995.4	1 192.5	939.0
Price earnings ratio - year-end		times	21.3	17.5	19.6	15.9	21.5	21.9	20.5	25.1	15.7	13.9
ORDINARY SHARES												
Volume of shares traded		millions	34.1	33.9	26.3	23.4	5.8	4.9	5.0	4.6	5.0	4.0
Percentage of shares traded		%	21.8	21.7	16.8	14.9	3.5	3.1	3.1	2.9	3.2	2.6
Share price - high		cents	850	554	500	542	467	458	508	433	267	212
Share price - low		cents	520	396	267	267	342	325	333	246	167	127
Share price - year-end		cents	808	552	442	267	442	433	346	425	254	200
N ORDINARY SHARES												
Volume of shares traded		millions	41.0	15.5								
Percentage of shares traded		%	12.8	4.9								
Share price - high		cents	775	500								
Share price - low		cents	485	385								
Share price - year-end		cents	760	495								
PICK 'n PAY HOLDINGS LIMITED (PIKWIK)												
ORDINARY SHARES												
Volume of shares traded		millions	14.3	27.5	19.7	15.0	16.1	8.8	4.2	4.0	5.0	4.4
Percentage of shares traded		%	8.7	16.7	11.9	9.1	10.3	5.3	2.5	2.4	3.0	2.6
Share price - high		cents	380	260	233	245	233	227	246	225	129	104
Share price - low		cents	242	194	117	117	167	154	158	115	80	58
Share price - year-end		cents	375	244	200	117	207	217	171	212	115	102
N ORDINARY SHARES												
Volume of shares traded		millions	43.7	26.9								
Percentage of shares traded		%	13.0	8.2								
Share price - high		cents	345	248								
Share price - low		cents	226	192								
Share price - year-end		cents	340	230								

## DEFINITIONS

### HEADLINE EARNINGS

Group earnings for the year before 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 average total assets for the year

### HEADLINE EARNINGS PER SHARE

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

### DIVIDEND COVER

Headline earnings per share divided by dividend per share

### 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 that date

### PRICE EARNINGS RATIO

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



## Overview

The results achieved for the past year were particularly pleasing, given the overall decline in the retail market during the second half of the trading period under review. Turnover increase for the Retail Division for the year was 11% which, considering the lower inflation environment, shows a meaningful growth in real sales. It is once again pleasing to note a continued increase in trading margin, brought about primarily by the rapid development of fresh foods throughout our stores.

Our market share for the year ended on an all time high, which is a good indication of the competitive position we maintain. Shrinkage continues to remain well controlled, with a marginal improvement over the previous year.

The reduction in stock on hand during the year was an improvement. This has led to strong cash balances during the course of the year and interest income has shown a strong increase.

## Information Technology

During the next two financial years we will be investing approximately R220m in the following areas:-

- **Point of Sale**  
We will replace all of our current checkout hardware and software. The existing equipment and technology is ageing and needs to be updated to allow a greater degree of flexibility and customer service. As part of our strategy, we have tried to buy as far forward as possible in this revolutionary world of information technology.
- **ARMS (Advanced Retail Management System)**  
This includes the replacement of the entire legacy software systems that currently drive all of our financial and trading information and will encompass the meeting of all user group needs. The project task team has been multi disciplinary and will include the rewriting of systems for year 2000 compliance.
- **Backdoor Automation**  
One of the last great areas of saving in shrinkage is at point of receipt and this work will progress urgently in order to reduce losses that are currently being incurred.

The above projects will be implemented over the next 18 months.

"THE PAST YEAR HAS INDEED  
BEEN HECTIC AND EXCITING,  
WITH THE HIGHEST LEVEL OF  
STORE REFURBISHMENTS,  
RECONSTRUCTIONS AND PROJECTS  
THAT WE HAVE EVER HAD."



**OPERATING BOARD  
OF DIRECTORS**

**GENERAL MANAGERS  
HYPERMARKETS :**

PIETER BOSMAN (50)  
Klerksdorp  
Appointed 1985 - Years of Service 27

PAUL DOSTER (44)  
Wonderpark  
Appointed 1995 - Years of Service 22

STUART DUFFIELD (40)  
Boksburg  
Appointed 1991 - Years of Service 19

ANDRÉ ELS (39)  
Norwood  
Appointed 1993 - Years of Service 17

TERRY FERREIRA (40)  
Northgate  
Appointed 1992 - Years of Service 21

JEAN JOUBERT (39)  
BCom • Brackenfell  
Appointed 1994 - Years of Service 13

COLIN MITCHELL (39)  
Highgate  
Appointed 1997 - Years of Service 15

VERNON MITCHELL (53)  
Hunters Retreat  
Appointed 1985 - Years of Service 28

CHRIS MURCH (42)  
Durban  
Appointed 1989 - Years of Service 22

KADER PATEL (37)  
Steeledale  
Appointed 1994 - Years of Service 16

DUNCAN PENTZ (41)  
Bloemfontein  
Appointed 1996 - Years of Service 16

DAVE RAPPOPORT (47)  
Bedworth Park  
Appointed 1995 - Years of Service 27

FRIKKIE ROSSOUW (49)  
Faerie Glen  
Appointed 1985 - Years of Service 23

KAZIK SZCZAWINSKI (37)  
Ottery  
Appointed 1997 - Years of Service 13

**GENERAL MANAGERS  
SUPERMARKETS :**

NICK BADMINTON (36)  
Western Cape  
Appointed 1994 - Years of Service 18

DANIE BOSHOFF (39)  
Gauteng  
Appointed 1995 - Years of Service 15

BARNIE BOTHA (51)  
BCom • Free State  
Appointed 1988 - Years of Service 21

TERRY CARROLL (57)  
Eastern Cape  
Appointed 1980 - Years of Service 27

NIC ELS (57)  
N Province  
Appointed 1983 - Years of Service 24

MIKE LIMBOURIS (45)  
BCom • KwaZulu-Natal  
Appointed 1990 - Years of Service 20



SERVING SUGGESTION -

"I JOINED PICK 'N PAY BECAUSE IT IS A CARING  
COMPANY THAT BELIEVES PEOPLE ARE ITS  
MOST IMPORTANT ASSET."

ISAAC MOTAUNG -

ORGANISATIONAL DEVELOPMENT

## Foods

The past year saw the introduction of a further 16 Supermarkets and 3 Hypermarkets to the new "Theatre of Fresh Foods". The growth that we are experiencing in these refurbished stores is nothing short of phenomenal and my thanks go to the entire Food Team for the way in which they have implemented these exciting developments. This is an area of our business in which we are currently investing very heavily with a view to increasing our core competence and understanding in order to meet the ever changing needs of our consumers.

To aid and abet the above, the Fresh Food Distribution Centre in Johannesburg is playing a key role in not only increasing the quality and availability of fresh food at store level, but it is also reducing our distribution costs as a whole. We have secured land in Durban and Port Elizabeth to further implement this programme nationally, and will commence construction at these facilities shortly.

Another pleasing aspect of the result is a continued steady increase in food net margin due to a planned change in mix, as well as implementing the principles of category and space management. Our information systems development over the years affords us a great degree of understanding of the detail of our vast business.

## General Merchandise

Following on the creation of the National Selection Office, the past year saw the finalisation and repositioning of our general merchandise business and this will manifest itself in the Durban Hypermarket which re-opens in June 1998. I sincerely believe that, upon completion, this store will be at the leading edge of Hypermarkets worldwide and will once again give our consumers a fundamental reason for shopping in our stores.

Similarly, work has been done on our general merchandise range in Supermarkets and this will be implemented in the upcoming stores that are being refurbished.

A particularly pleasing note of the General Merchandise result was not only the increase in margin, but the phenomenal improvement in stock management and our stock levels are the lowest they have ever been on an ongoing basis.

Our Clothing Division continues to grow off the very healthy base set last year and judging by the increase in participation in the stores where we have these departments, it certainly has found very strong favour with our consumers.

## Store Openings

The past year saw 3 new corporate stores open; The Cloisters in Rivonia, Klerksdorp and Pietersburg. In the six months ending August 1998, new stores will open in Killarney and Sasolburg and the six months ending February 1999, Rustenburg, Nelspruit, The Glen and Fourways - Johannesburg.

An additional 15 Pick 'n Pay Family Franchise stores were opened, taking the total number to 49. There are 17 new openings planned for the year ahead.

## Vuselela I

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We shared with you in the Annual Report last year the very important work that we have embarked upon to deal with the issue of relationships in the workplace and customer service. I am really pleased to report that great strides have already been made and the level of positive consumer response has been gratifying indeed.

In May 1997, 86 of our colleagues accompanied by Martin Rosen, Frans van der Walt and myself travelled to the Disney Institute in Orlando, USA. The bulk of the delegates were from our ever important ranks - cashiers, till packers, shelf packers and supervisors. The individual growth and development that we have seen in these individuals, post this experience, has been very gratifying. It was the first time that a company had brought a group of such diverse nature and number to the Disney Institute and in their own words, it was "The most noble act they had ever seen from a company in its commitment to its people." In May 1998, the next group of 93 colleagues will be departing for a similar learning experience.

On the education and training front we have continued to invest heavily in the training and development of our people at all levels, and specifically those requiring basic training and education. Graduation ceremonies have been held nationally and there is a high level of excitement and expectation amongst our people as we improve our skills base.

## Vuselela II

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This critical store refurbishment programme continues apace and the following stores were refurbished and completed prior to the year-end:-

- Constantia
- Table View
- Somerset Mall
- N1 City
- East London

- Walmer Park
- Kroonstad
- Noordstad
- Gallo Manor
- Midrand
- Randpark Ridge
- Sunward Park
- Musgrave Road
- Pinetown
- Nelspruit
- Rustenburg

The Durban, Ottery and Wonderpark Hypermarkets have already commenced their refurbishment, but due to the size of these stores, they will take 12 months to complete. The second tranche of supermarkets that will be completed between January and June 1998 are as follows:-

- Sun Valley
- Kenilworth
- George
- Welkom
- Potchefstroom
- Florida
- Edenvale
- Hyde Park
- The Pavillion
- Pietermaritzburg
- Gezina
- Doornkloof
- Centurion
- Witbank

Construction has recently commenced on the following Hypermarkets -

- Boksburg
- Brackenfell
- Klerksdorp
- Vanderbijlpark

Planning is currently in place for the third batch of stores, 16 Supermarkets and 5 Hypermarkets, which will be completed prior to this financial year end. My thanks go to everybody involved in this enormous task that is truly revitalising our physical assets.

### Vuselela III

Following on from the first two projects, we are embarking upon an internal financial improvement process and Value Innovation Committees have been formed to run this initiative. Flowing out of this, we see continued improvements in operating efficiencies, ultimately enhancing our net operating margin and net profit. Certain decisions have already been taken and these include:-

- Superstores -

A decision was taken to rationalise the Superstore region and integrate these stores into the geographic supermarket areas in which they fall.

We have discontinued the use of the Superstore brand name. Accordingly, these stores will now form part of the supermarket advertising. The staff that were employed in this Superstore region have been re-deployed.

- Hypermarkets -

Our Hypermarket business currently represents a substantial portion of Pick 'n Pay's turnover and it is common cause that we have needed to analyse not only the physical future for these stores, apropos the refurbishment programme, but also the nature in which this portion of our business has been administered. To this end, we will be embarking upon fundamental changes during the course of this coming financial year.

#### GENERAL MANAGERS SPECIAL DIVISIONS:

PETER ARNOLD (35)  
Fresh Produce - Years of Service 14

MALCOLM BAXTER (50)  
Pick 'n Pay Butcheries - Years of Service 28

MICHAEL COLES (42)  
BBusSci • Clothing - Years of Service 3

DHARMALINGHUM DASS (39)  
General Merchandise - DIY - Years of Service 20

LOUIS DE BEER (41)  
Bakeries - Years of Service 19

IVAN DIEPRAAM (44)  
Delicatessen - Years of Service 17

CORNELIUS GROBBELAAR (46)  
BCom • Internal Audit - Years of Service 16

KEVIN KORB (38)  
Groceries Hypermarkets - Years of Service 16

GARY KRUGER (42)  
Groceries Supermarkets - Years of Service 18

WARREN MARSDEN (43)  
General Merchandise - Audio Visual  
Years of Service 20

ISAAC MOTAUNG (43)  
BProc H Dip (Tax) BA (Hons)  
Organisational Development - Years of Service 22

RODNEY MUNDELL (40)  
General Merchandise - Hypermarkets  
Years of Service 16

RAY MURRAY (49)  
Perishables Supermarkets - Years of Service 23

NEAL QUIRK (42)  
General Merchandise - Housewares  
Years of Service 2

DAVID RAMSDEN (38)  
General Merchandise - Supermarkets  
Years of Service 16

CHRIS REED (37)  
Food Distribution Centre - Years of Service 13

LINDA SAACKS (41)  
BSocSci • Training & Manpower Planning  
Years of Service 18

ANDRE SIEBRITS (40)  
Perishables Hypermarkets - Years of Service 20

LEON WILKS (50)  
Systems - Store Automation - Years of Service 26

JOHN WILSON (61)  
Computer Systems Design - Years of Service 13

KEVIN WYNNE (39)  
Industrial Relations - Years of Service 17

#### BUYERS:

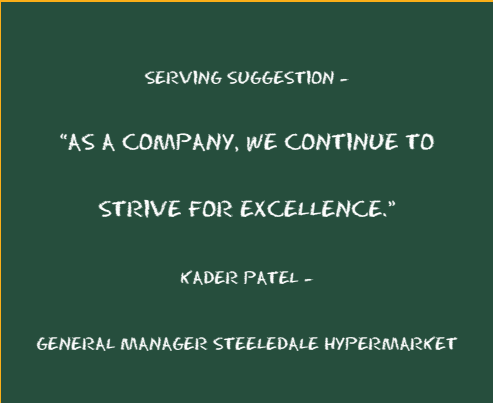
GIGI BISOGNO (42)  
Corporate Brands - Years of Service 21

DAVID BRAUN (45)  
Food - Brackenfell - Years of Service 20

CHRIS BROWN (41)  
Special Events - Years of Service 22

RICHARD COHEN (51)  
Corporate Brands - Years of Service 31





As part of the value innovation process, we will also be analysing manpower numbers, as it is evident that we are still materially overstaffed and it is an issue that needs to be managed in accordance with our values and principles.

General Comment

It is with regret that I announced the retirement of Nic Els, who has served on our Retail Management Board and was the General Manager of the Northern Province. We would like to thank Nic for his input during his time with Pick 'n Pay and specifically, his tenure as a Board Member. We wish him all of the best.

The past year has indeed been hectic and exciting, with the highest level of store refurbishments, reconstructions and projects that we have ever had. Added to this, a large number of senior management purchased shares in an Executive Share Scheme and I know that this will meaningfully add to the commitment that is so greatly appreciated by us all. We remain extremely positive about the years ahead and I would like to thank each and every one of the 28,330 people who work in Pick 'n Pay for their individual contributions.

Sean Summers  
Managing Director

BUYERS CONTINUED:

MOOSA HANS (51)  
Senior Buyer - Superstores - Years of Service 17

GEOFF KAHN (49)  
Corporate Brands - Years of Service 27

MIKE LAFFERTY (44)  
Senior Buyer - KwaZulu-Natal - Years of Service 23

LUKE LOUW (40)  
Senior Buyer - N Province - Years of Service 16

STEVE MACDONALD (39)  
Corporate Brands - Years of Service 19

ANTON MAREE (36)  
Senior Buyer - Free State Region  
Years of Service 16

ADRIAN PEARSON (45)  
Senior Buyer - Gauteng - Years of Service 22

DAVID SMITH (42)  
Senior Buyer - Western Cape - Years of Service 23

ADMINISTRATORS:

ALWIE BARNES (43)  
Regional Accountant - Superstores  
Years of Service 25

RICHARD FRIESLICH (51)  
General Merchandise - Training  
Years of Service 23

GRAHAM GIBBONS (43)  
CA (SA) • Regional Accountant - Western Cape  
Years of Service 16

GEORGE JONES (50)  
Corporate Administration - Years of Service 10

GRAEME LAITHWAITE (53)  
Corporate Operations - Years of Service 14

HENRY LEFEVRE (50)  
BAcc, CA (SA) • Internal Audit - Years of Service 26

TOM MARINCOWITZ (54)  
Regional Accountant - Gauteng  
Years of Service 27

FRED PEARL (52)  
Corporate Administration - Years of Service 27

SIDNEY SNYDERS (54)  
Systems Application - Years of Service 28

BRIAN STRYDOM (43)  
BEcon • Regional Accountant - Eastern Cape  
Years of Service 14

ERNA VAUSE (55)  
Regional Accountant - KwaZulu-Natal  
Years of Service 13

REGIONAL MANAGERS:

BOBBY BEZUIDENHOUT (52)  
General Merchandise Chief - Durban  
Years of Service 26

MELWYN ERASMUS (51)  
Western Cape - Years of Service 27

FRIK MINNIE (55)  
Northern Province - Years of Service 24

BRUCE NICHOLLS (53)  
Eastern Cape - Years of Service 28



The past year has seen the Group embrace a strategic revision of our activities, characterised by two key concepts, growth and focus. That has meant ensuring sustainable growth through focusing on investments in which we enjoy core competencies. If we identify opportunities in mass retailing that we believe will generate good returns, we will pursue them. If an investment lacks synergy, or does not generate adequate returns, we will sell it.

The application of focus can most clearly be seen in the strong retail growth since the restructuring, backed up by solid growth from Group Enterprises.

Since Group Enterprise's formation some two and a half years ago, it has evolved to a point where its focus has moved to consolidation and the enhancement of existing viable business options which will provide sustainable growth in earnings for the Pick 'n Pay Group into the next century. The entrepreneurial focus and the determination to succeed remain, while strategically, we have formulated our approach to concentrate the skills, capacities and competencies of the Pick 'n Pay Group on adding value.

We believe that our success to date has been a result of our ability to grow our corporate subsidiaries and to create viable franchising operations. These endeavours have been successful because our experience, buying power and technology place us in a position where we can grow our people and organisations faster than they would independently.

Group Enterprises is committed to its open brief to test the outer limits of mass retailing in our target markets. We must be aware of the need to bring our innovation, strategic thinking and entrepreneurial instincts into line on a thoroughly disciplined basis. In approaching a multi-demographic marketplace, we are addressing Living Standards Measure (LSM) Groups 3-8 in every appropriate retail format, giving

us the strength to withstand any venture by a multi-national chain or a challenge from revitalised competitors.

Our successful penetration of the surrounding countries, the significant success of Score, the re-branding of RiteValu, the launch of Pick 'n Pay Financial Services and the roll-out of 7-Eleven stores in Gauteng, KwaZulu-Natal and the Eastern Cape, are some of the features of the year for Group Enterprises.

**Franchising** within Group Enterprises is an uncomplicated formula which uses the buying power and shared resources of the Group to assimilate and replicate our proven success.

Through Franchise Director Ian Eadie's guidance, this has enabled us to consolidate and grow the brands while diversifying the financial risk which is often attached to this type of operation. In particular, franchising is allowing us to enter areas where a corporate store would not be warranted, entrenching the Pick 'n Pay brand while growing other Group brands, but at the same time not putting too much pressure on our management resources.

In particular, the success of our franchising operations in the year under review has been facilitated by the use of our Score Distribution Centre to supply Score, RiteValu and 7-Eleven.

Another indicator of the success achieved is the number of former employees who are taking up Group franchises. Group Enterprises is committed to constantly reinventing and harnessing home grown entrepreneurial zeal to ensure that it offers extra opportunities in markets which we previously did not reach. Simultaneously it provides wealth creation opportunities for franchisees and mass employment. Over 8 000 jobs have been created through our franchises to date.

"WE BELIEVE THAT OUR SUCCESS TO DATE  
HAS BEEN A RESULT OF OUR ABILITY TO  
GROW OUR CORPORATE SUBSIDIARIES  
AND TO CREATE VIABLE  
FRANCHISING OPERATIONS."



#### OPERATIONAL DIRECTORS

##### PROPERTY

COLIN CLARKE (55)  
CA (SA)

##### BOARDMAN'S

GEOFF JONES (50)

##### SCORE SUPERMARKETS

STOFFEL NIEUWOUDT (44)

##### RITEVALU

BENJI SUSMAN (33)

##### FAMILY SUPERMARKETS

JO RICE (51)

##### PNA

PIETER VAN DER MERWE (40)

##### 7-ELEVEN AFRICA

JONATHAN ACKERMAN (31)

##### TRANSWITCH SERVICES

BRIAN MOLLAGREAN (51)

##### TM SUPERMARKETS

MIKE OAKLEY (53)  
FCIS

##### FINANCIAL SERVICES

NICKY BICKET (41)  
BA (HONS)

#### OTHER EXECUTIVE DIRECTORS

##### SCORE SUPERMARKETS

MIKE COEN (42)  
Southern Division Operations

PETER MACDONALD (35)

Finance CA(SA)

ANDRE MAREE (35)

Northern Division Operations

BILL NASH (47)

Development and Information Technology

LARRY MICHELOW (46)

Merchandise

HARTMAN RIES (37)

Distribution

ANDERSON TSHAYA (48)

Human Resources

##### PNA

SELWYN COHEN (54)

Merchandise

##### TM SUPERMARKETS

GRAHAM JACOBS (53)

Finance CA(SA)

DAVE MILLS (49)

Deputy MD

##### AFRICA DEVELOPMENTS

DAVID ROBINS (43)

BBus Sci



Stoffel Nieuwoudt, a seasoned Pick 'n Pay General Manager, is the first Pick 'n Pay executive to head the **Score** operation. Score will remain an autonomous operation building on its stable proven formula and independence.

An innovative share purchase scheme, which allows employees to buy and sell their holdings, has been a major factor in developing Score management incentives and staff support.

The ultimate stronghold in South African retail, the Soweto market, was entered in the period. Score took the term "proximity retailing" to its ultimate and established a further presence in urban areas.

"Proximity retailing" loosely defined means value-for-money supermarketing located close to where communities live with product ranges adapted specifically for those communities. Quite simply, it is giving customers what they want, where they want it, at the price they demand.

Score applies the proximity retailing formula: appropriate size as close as possible to the target market, the correct range and value for money. When this is backed by distribution efficiency and a tight focus, the success achieved is considerable. Score is currently expanding its private labelling and has a strong store expansion programme in both urban and rural markets.

The Score franchise operation is designed to empower existing and new traders in urban areas which will make it a dominant player in this market in years to come.

SERVING SUGGESTION -

"PICK 'N PAY HAD FAITH IN AN EMPLOYEE, WHO WITH NO EXPERIENCE OR BACKGROUND, HAD BEEN TRAINED WITH THE KNOWLEDGE AND EQUIPPED WITH THE BASIC FUNDAMENTALS OF RETAIL MANAGEMENT, PASSED DOWN FROM PEERS."

ANIL GOPICHUND - MUSGRAVE KWAZULU-NATAL SUPERMARKETS

*Score is a very exciting business with very good future prospects. Five years ago they were running at a loss; profits are now good and turnover is in the region of R1-billion for the current financial year.*

As head of **RiteValu** and **Score Franchises**, Benji Susman has acquired the supply rights to some 200 Superliner stores, many of which will be branded RiteValu. These until now have been unbranded "mom and pop" stores which have badly needed the injection of innovation and flair.

*RiteValu - one of the franchise brands of Score - will grow substantially in its urban residential and country town bases. The family spirit amongst franchisees and franchisor ensures a good foundation for the future.*

The relentless roll out of new **7-Eleven** stores outside of the Western Cape continues to enable us to grow our market share on an almost daily basis and has kept General Manager, Jonathan Ackerman, very busy during the year under review.

From a business development point of view, 7-Eleven Africa has had an encouraging year and is now operating in three regions: Gauteng, Eastern Cape and KwaZulu-Natal.

We are looking forward to an exciting year with increased development from the current base of 27 stores, concentrating in the Eastern Cape and KwaZulu-Natal, while continuing our Gauteng expansion. This has been a particular challenge which includes the training of franchisees - many from non-retail backgrounds.

**Boardman's**, under the leadership of Geoff Jones, had a successful year with good turnover growth. We are very pleased with the new look of our revamped Claremont store in Cape Town and all our other stores will be similarly modernised by the end of 1999. Boardman's will be opening two new stores this coming year, one of which will be a new concept to us in that it will be smaller and specialise in kitchenware and homeware only. The very popular bridal section will continue as a feature.

Since PNA became part of the Pick 'n Pay Group, this stationery chain has grown from a small to a medium sized business and its presence is certainly being felt in the marketplace. Due to strategic reasons and the need for Group Enterprises to concentrate on core competencies, the Group has sold its 75% interest in PNA effective April 1998.

Group Enterprises companies are committed to having the best, but appropriate, retail technology. Group Enterprises are utilising Group IT competencies to enable our companies to maximise their systems in an independent and co-ordinated manner. We have been able to derive the maximum that technology can offer through TranSwitch Services. MD Brian Mollagrean is today one of the leading players in adapting electronic funds transfer technology to the ever changing needs of a retailer.

Adaptations using available technology have allowed other innovations within the Pick 'n Pay environment. An example is EasyPay, which has been extended to many municipalities in South Africa. This allows customers the convenience of paying their monthly municipal, Telkom, electricity and other accounts at Pick 'n Pay. There are currently 250 000 transactions per month, growing daily.

The EFT switch technology has been enhanced to provide speedy on-line authorisation from the banks for almost two million credit card, debit card and cash account card customers monthly.

*In 1998, TranSwitch Services plans to introduce new highly valued services: electricity and cellphone pre-payments which, together with EFT and EasyPay, will make a meaningful difference to Pick 'n Pay customers.*

We successfully launched Pick 'n Pay Financial Services, under MD Nicky Bicket, in August 1997. The initial product, the Cash Account, supported by Boland PKS, has met our expectations and we now have 82 000 accounts opened with R77 million on deposit. Further products are being researched and the launch of the next product is expected during this calendar year.

Significant property developments were made during the year under the control Colin Clarke. 3 new Pick 'n Pay corporate stores were opened, 13 Family Franchise Stores, 9 RiteValu's, 6 new Score stores and 27 7-Eleven stores. Further store openings across the board are anticipated in the coming financial year. The decline in institutional investment in retail property may cause us to invest in certain strategic sites.

Pick 'n Pay's expansion into Africa is spearheaded for Group Enterprises by David Robins. In Botswana and Swaziland, Score is achieving well. The addition of two Family Franchise stores in Namibia through a partnership with Olthaver and List has been a feature. These are supplied by Pick 'n Pay Western Cape Supermarkets.

OPERATIONAL DIRECTORS



J ACKERMAN



M OAKLEY



P VANDERMERWE



B MOLLAGREAN



S NIEUWOUDT



B SUSMAN



J RICE



C CLARKE



G JONES

Our 25% holding in TM Supermarkets in Zimbabwe continues to prosper, although our returns have been softened by the devaluation of the Zimbabwean Dollar.

Opportunities are being examined in Zambia and other southern African countries through our new 50/50 joint venture with Meikles, the controlling shareholder of TM Supermarkets.

No decision has yet been taken on an overseas venture although this will continue to be examined this coming year.

We believe we are in a strong position to take advantage of any opportunity that presents itself. We have travelled extensively, with much ground yet to cover until we find the right opportunity

situated in a stable environment with growing disposable income levels.

When Group Enterprises was formed in 1995, our undertaking was to identify and develop new markets, grow our franchising operations and to deliver returns to our shareholders. We believe that since our formation, and particularly during this financial year, we have substantively delivered on our brief.

We look forward to a period of consolidation and further growth in the coming financial year.

My colleagues on the Group Enterprises Board and I would like to thank all our partners, franchisees, teams, customers and suppliers for all their support. I look forward to another successful year with their assistance.



Gareth Ackerman  
Managing Director



The Group has always endeavoured to pay above average remuneration for the retail industry. In addition, considerable funds and much management attention are directed to the provision of a wide range of employee benefits.

### Medical Scheme

Membership of the subsidised in-house Medical Scheme is compulsory for all employees other than those who form part of the non management bargaining unit (“NMBU”); for the latter, membership is voluntary. Hospital and chronic benefits are insured. For non-hospital expenses, members are allocated an amount annually and spending therefrom is under their own control; unutilised allocations accrue to the member for future usage and will be refunded if membership of the Scheme ceases.

### Life Insurance

Retirement Scheme members are covered by a group life policy which pays out to dependants 48 times the employee’s monthly earnings at the time of death.

### Parental Benefits

Female employees receive 11 months maternity leave, 9 of which are paid. This can be spread over the first 4 years of the new born’s life, with the employee’s job guaranteed on return from leave. Fathers receive 8 days paternity leave.

### Loans

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

### Educational Bursaries

Bursaries are granted to lower paid staff and their children, where there is a deserving need.

### Long Service Leave

Depending on the completion of each 5 year service period employees receive 2 weeks additional leave for that year. The formula differs from job category to job category, but at the 15th anniversary, this benefit is standard for all permanent employees.

### Funeral Scheme

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

### Disability Benefits

Retirement Scheme members who become disabled or sick to the extent that they are no longer able to work qualify, at the discretion of the Trustees, for a monthly disability benefit of 75% of the income they were earning at the time of ceasing work due to injury or illness.

### Canteen Facilities

Each store has a canteen, the costs of which are heavily subsidised by the Company.

### Health Care

Hypermarkets have a resident nursing sister and a consulting doctor available for all employees during working hours. Other stores have an arrangement with a nearby doctor for employees in times of need.

## Saver Association

A convenient, affordable banking service comprising two accounts, namely banking and savings, is available to employees. The main features of this banking service are automatic pay day deposits, general stop orders, cash withdrawals and payments for purchases at Pick 'n Pay checkouts.

The Pick 'n Pay Saver Association card serves as a multipurpose ATM card. A very favourable rate of interest is paid to members.

## Employee Share Incentive Scheme

We were among the pioneers of the now widely held view that share ownership by all staff members engenders a mutually beneficial loyalty between participants and the Company. The Pick 'n Pay Employee Share Incentive Scheme facilitates the acquisition of shares by the Company's employees.

SERVING SUGGESTION -

"HAPPY, SATISFIED CUSTOMERS ENSURE  
OUR BUSINESS SUCCESS AS WELL AS MY  
OWN."

BLESSING LUTHULI -

KWAZULU-NATAL SUPERMARKETS

Shares are allocated to staff:

- On appointment to Floor Manager level, with additional allocations as each higher level of management is attained. These shares may not be taken up until 5 years have passed from date of allocation.
- On completion of both 5 and 10 years service.

Current details of significance include:

- 2.3 million ordinary and 5.0 million N ordinary Pick 'n Pay Stores Ltd shares (1.5% of total issued capital) and 5.1 million ordinary and 17.3 million N ordinary Pick 'n Pay Holdings Ltd shares (4.4% of total issued capital) are held either on behalf of employees or for future issue.
- The Group currently has an investment of R49.3 million in the scheme.
- The number of participants in the share schemes are 1 830 and 6 700 for management and service shares respectively.

*Trustees: R D Ackerman (Chairman),  
A Fine, C Hultzer*

## Retirement Scheme

The scheme constitutes 5 separate funds:

- A Provident Fund for NMBU employees who are not members of the SACCABU National Provident Fund.
- A Pension Fund for non-NMBU employees up to Store Manager level.
- 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 above, this fund is not registered under the Pension Funds Act.

During the year ended 28 February 1998 the total market value of the assets increased by R41.5 million.

(3.6%) to R1 196.9 million. All funds are actuarially valued each year; the valuation at 1 June 1997 confirms that the funds are all adequately funded. The employer portion of contributions is charged against Group income as incurred.

Membership, which is compulsory for all permanent staff, decreased by 34.0% to 13 031. The main reason for the decrease was the transfer of employees out of our Provident Fund to the SACCAWU National Provident Fund.

The number of pensioners now stands at 481. In line with their commitment to review pensions annually, the Trustees granted a pension increase of 7% effective November 1997. The compound increase over the past 5 years is 70.6%. A pension granted in 1985 has quadrupled in nominal terms.

The Retirement and Benefit Funds are defined benefit schemes while the others operate on a defined contribution (money purchase) basis. 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

vesting of the employer portion of contributions occurring during years 1 to 4 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. These rules are common to all funds.

The Retirement Scheme Management Committee meets six times per annum to discuss application of and changes to fund rules as well as various issues affecting the funds and their members.

The Committee comprises the Trustees of the Scheme plus 4 fund members with financial/personnel skills and an outside consultant. Certain administrative services are carried out by a large, reputable insurance organisation.

In order to spread any risk inherent in the investment of assets, the services of 4 independent investment managers are utilised. Parameters are set with each for the various investment types. Regular presentations are held at which investment performance is assessed.

• Trustees: RP de Wet (Chairman), N Bicket, DG Cope, C Hultzer, CDG Hurst • Principal officer : DG Cope

Scheme Activity Years Ended 28 February						
	1998		1997		1996	
	Rm		Rm		Rm	
Gross contributions	85		87		82	
Disbursements	73		67		157	
Benefits paid - withdrawal	33		37		107	
- retirement	10		6		33	
Administration expenses	20		14		8	
Group life insurance premiums	10		10		9	
Invested/(withdrawn) during the year	12		20		(75)	
Income and capital appreciation	30		110		252	
Net change	42		130		177	
Market value - 1 March	1 155		1 025		848	
- 28 February	1 197		1 155		1 025	
Assets at 28 February						
		%		%		%
Equities	613	51	660	57	624	61
Gilts and semi gilts	299	25	289	25	269	26
Cash and deposits	19	2	111	10	69	7
Property trusts and property	72	6	73	6	63	6
Foreign Investments	194	16	22	2	-	-
	1 197	100	1 155	100	1 025	100





### PICK 'n PAY STORES LTD (PICKNPAY)

CATEGORY OF SHAREHOLDER	NUMBER OF SHAREHOLDERS	SHARES HELD MILLIONS	SHARES HELD %
Pick 'n Pay Holdings Ltd (PIKWIK)	1	247.8	51.6
Directors and employees Insurance companies and pension funds	816	11.7	2.4
Other institutional holdings	51	52.6	11.0
Individuals	210	150.1	31.3
	3 117	18.0	3.7
<b>TOTAL</b>	<b>4 195</b>	<b>480.2</b>	<b>100.0</b>

CONCENTRATION OF HOLDINGS	NUMBER OF SHAREHOLDERS	SHARES HELD MILLIONS	SHARES HELD %
Up to 2 000 shares	2 197	1.8	0.4
5 000	806	2.5	0.5
25 000	919	9.4	2.0
50 000	108	3.7	0.8
200 000	113	10.6	2.2
1 000 000	30	12.2	2.5
50 000 000	20	111.0	23.1
100 000 000	1	81.2	16.9
Over 100 000 000	1	247.8	51.6
<b>TOTAL</b>	<b>4 195</b>	<b>480.2</b>	<b>100.0</b>

### PICK 'n PAY HOLDINGS LTD (PIKWIK)

CATEGORY OF SHAREHOLDER	NUMBER OF SHAREHOLDERS	SHARES HELD MILLIONS	SHARES HELD %
Controlling shareholder	1	246.7	49.1
Directors and employees Insurance companies and pension funds	7 536	33.2	6.6
Other institutional holdings	47	75.5	15.0
Individuals	122	126.0	25.0
	1 406	21.4	4.3
<b>TOTAL</b>	<b>9 112</b>	<b>502.8</b>	<b>100.0</b>

CONCENTRATION OF HOLDINGS	NUMBER OF SHAREHOLDERS	SHARES HELD MILLIONS	SHARES HELD %
Up to 2 000 shares	6 944	5.6	1.1
5 000	1 079	3.5	0.7
20 000	772	8.5	1.7
50 000	120	4.0	0.8
200 000	103	10.0	2.0
1 000 000	63	25.5	5.1
50 000 000	30	199.0	39.5
Over 100 000 000	1	246.7	49.1
<b>TOTAL</b>	<b>9 112</b>	<b>502.8</b>	<b>100.0</b>

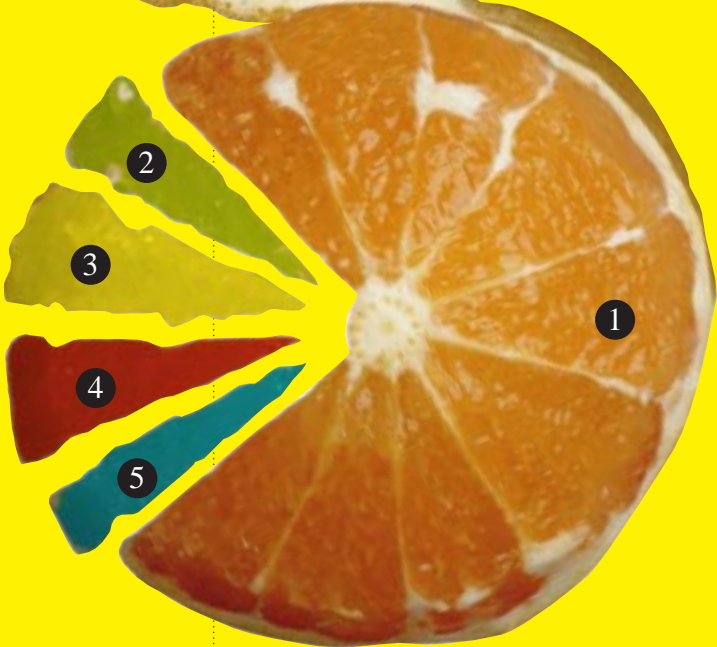
### EFFECTIVE OWNERSHIP OF PICK 'n PAY STORES LTD

CATEGORY OF SHAREHOLDER	SHARES HELD %
Controlling shareholder	25.3
Directors and employees Insurance companies and pension funds	5.8
Other institutional holdings	18.8
Individuals	44.2
	5.9
<b>TOTAL</b>	<b>100.0</b>



		1998	1997	1996	1995	1994
	Rm					
Sales	10 971					
Amounts paid for merchandise and expenses	(9 618)					
Interest received	93					
Value added	1 446					
		%	%	%	%	%
Employees' salaries, wages and other benefits	1 117	77.3	75.2	77.4	79.6	75.9
Investors: dividends and interest paid	78	5.4	6.4	7.2	5.1	6.0
Taxation	101	7.0	5.6	4.7	5.0	6.8
Retained for - replacement of assets	94	6.4	6.4	7.1	7.4	6.7
- growth	56	3.9	6.4	3.6	2.9	4.6
	1 446	100.0	100.0	100.0	100.0	100.0

- 1 - Employees' salaries wages and other benefits
- 2 - Investors
- 3 - Taxation
- 4 - Retained for replacement of assets
- 5 - Retained for growth





## Directors' Approval

These annual financial statements and Group annual financial statements of Pick 'n Pay Stores Limited were approved by the Board of Directors on 6 April 1998 and are signed on their behalf by -

RD Ackerman  
Chairman & Chief Executive Officer

DG Cope  
Group Financial Director

## 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, as set out on pages 29 to 40, for the year ended 28 February 1998. 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 1998 and the results of their operations and cash flows for the year then ended in accordance with generally accepted accounting practice, and in the manner required by the Companies Act.

Registered Accountants and Auditors  
Chartered Accountants (SA)  
Cape Town  
6 April 1998

The 'serving suggestions' appearing from pages 31 to 39 do not form part of the financial statements and are not covered by the auditors' report.



Nature of Business

The Company is an investment holding company. Trading subsidiaries mass retail food, clothing and general merchandise throughout Southern Africa. These subsidiaries also act as franchisor in a growing franchising business. Property subsidiaries acquire and, on occasion, develop retail trading sites.

Income

Details appear on page 30.

Distributions

A capitalisation share award of N ordinary shares to ordinary and N ordinary shareholders registered on 31 October 1997 was authorised by the directors. Alternatively, shareholders could elect to receive an interim cash dividend of 4.75 cents per share. Results of this award were published in the press on 4 December 1997.

The directors have authorised a capitalisation share award of N ordinary shares to ordinary and N ordinary shareholders registered on 8 May 1998. Alternatively, shareholders may elect to receive a final cash dividend of 17.50 cents per share. Full details of the capitalisation award were sent to shareholders on 15 May 1998.

Going Concern

The directors believe that the Group operations will continue as going concerns in the year ahead and into the foreseeable future.

Share Capital

As a result of capitalisation share awards, the Company issued 10 668 326 N ordinary shares during the year.

At a general meeting held on 25 June 1997, shareholders approved the allocation of 20 000 000 N ordinary shares of the unissued share capital of the Company to the Executive Share Incentive Scheme. In accordance with the scheme rules, these shares will be issued at R4.00 each on 31 December 2007, simultaneous with the redemption of 20 000 000 compulsory convertible debentures, as per note 9 on page 36.

Directors and Secretary

In terms of the Company's articles of association the directors listed on page 46 retire by rotation and they offer themselves for re-election. Information pertaining to the directors and the secretary appear on page 8.

Holding Company

The holding company is Pick 'n Pay Holdings Ltd and the ultimate holding company is Raymond Ackerman (Pty) Ltd.

Directors' Interest in Shares

	1998	1997	1996
	%	%	%
Beneficial	6.1	6.8	6.7
Non-beneficial	19.3	19.6	19.7
	25.4	26.4	26.4

Retirement Benefits

Details appear in the Employee Benefits Report on page 23.

Post Retirement Medical Aid Contingency

Details appear in note 14 on page 38.

Business Acquisitions

An additional 16.9% shareholding in Score Supermarkets Operating Ltd was acquired during the year for a net consideration of R60.0 million, increasing the Group's total interest to 91.9%.

Effective March 1997 the Group entered into a joint venture ("JV") with the 7-Eleven Corporation. The Group's 60% share of the cost of trademarks acquired by the JV amounted to R10.0 million.

**Post Balance Sheet Event**

Effective April 1998 the Group sold its entire interest in PNA Stationery Franchising Company (Pty) Ltd and Paperbacks (Pty) Ltd. The effect on earnings and net asset value is insignificant.



Notes		1998	1997	1996
1	Turnover	10 970.6	9 793.5	9 169.4
	Continuing operations	10 970.6	9 786.3	8 774.1
	Operation sold	-	7.2	395.3
	Trading income	187.7	159.6	141.4
11	Investment income	21.8	15.1	11.4
	Interest received	92.6	68.2	41.2
	Interest paid	(19.3)	(17.8)	(16.7)
	Operating income	282.8	225.1	177.3
4	Exceptional items	(63.6)	(3.2)	-
	Income before taxation	219.2	221.9	177.3
3	Taxation	100.5	73.5	56.3
	South African normal tax	96.0	68.2	48.8
	Secondary tax on companies	4.5	5.3	7.5
	Income after taxation	118.7	148.4	121.0
	Outside shareholders' interest	8.2	13.9	15.1
	Earnings	110.5	134.5	105.9
	Headline earnings	173.2	137.7	105.9
4	Adjustment	(62.7)	(3.2)	-
5	Distributions	106.8	107.1	63.4
	Retained income for the year	3.7	27.4	42.5
	1 March	462.5	435.1	392.6
	28 February	466.2	462.5	435.1
Shares				
	- in issue	480 242 990	469 574 664	469 574 664
	- weighted average	476 409 974	469 574 664	469 574 664
Per share - cents				
	Headline earnings	36.35	29.33	22.55
	Earnings	23.18	28.65	22.55
	Distributions	22.25	22.80*	13.50
	Dividend cover	1.63	1.28*	1.67

\*Includes 5.00 cents 30th birthday special dividend



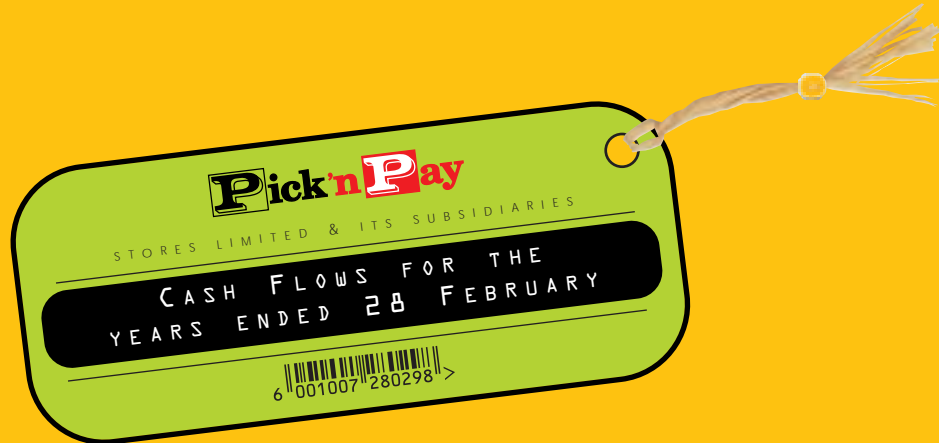
Notes		1998	1997	1996
<b>Funding</b>				
8	Shareholders' interest	580.6	528.9	447.9
	Share capital	2.0	2.0	2.0
	Share premium	70.4	10.8	10.8
	Retained income	466.2	462.5	435.1
1	Share election reserve	42.0	53.6	-
	Outside shareholders' interest	12.3	17.9	24.2
9	Long-term liabilities	170.0	90.8	92.1
	Accounts payable	1 547.1	1 324.7	1 244.1
3	Taxation	140.7	113.5	82.1
		<u>2 450.7</u>	<u>2 075.8</u>	<u>1 890.4</u>
<b>Utilisation</b>				
10	Fixed assets	532.4	493.6	506.0
	Freehold property	167.1	165.8	167.9
	Equipment	365.3	327.8	338.1
11	Investments	126.6	125.6	91.0
12	Loans	129.5	115.8	104.8
	Current assets	1 662.2	1 340.8	1 188.6
	Stock	641.4	655.9	604.6
	Accounts receivable	145.7	71.4	67.6
	Cash	917.1	649.2	566.1
1	Shareholders for distribution	(42.0)	(35.7)	(49.7)
		<u>2 450.7</u>	<u>2 075.8</u>	<u>1 890.4</u>

SERVING SUGGESTION -

"I NEVER EXPECTED PICK 'N PAY TO EXTEND  
CONSUMER SERVICE AS FAR AS ACTUALLY  
DELIVERING THE GOODS TO MY DOOR. THIS IS  
AN ORCHID AWARD TO PICK 'N PAY."

EVELYN HEPBURN OF CARLETONVILLE





Notes	1998	1997	1996
Source	598.7	388.0	435.8
Operating income	282.8	225.1	177.3
Depreciation	93.5	82.3	84.5
Accounts payable	222.4	80.6	174.0
Application	190.8	130.3	108.5
Equipment	131.0	75.2	80.3
Stock	(14.5)	51.3	(4.8)
Accounts receivable	74.3	3.8	33.0
Cash generated	407.9	257.7	327.3
3 Taxation paid	73.3	42.1	41.1
Resulting from operations	334.6	215.6	286.2
5 Dividends paid	56.9	75.6	53.8
Long-term liabilities	(79.2)	1.3	0.5
Freehold property	1.3	(2.1)	10.2
Investments	1.0	34.6	-
Loans advanced	13.7	11.0	10.8
Net acquisitions	73.0	12.1	-
Discretionary spending	66.7	132.5	75.3
Net change	267.9	83.1	210.9
Cash			
1 March	649.2	566.1	355.2
28 February	917.1	649.2	566.1

SERVING SUGGESTION -

"ALL ROUND CONGRATULATIONS -  
YOUR SERVICE IS ABSOLUTELY EXCELLENT.  
YOUR STAFF ARE KNOWLEDGEABLE, HELPFUL,  
INFINITELY PATIENT AND EFFICIENT."

M SMYTH - GREENSIDE, JOHANNESBURG



## 1. Accounting policies

The financial statements are prepared on a historical cost basis.

The following policies have been consistently applied:

### Basis of consolidation

The financial statements include those of the Company and its subsidiaries. The results of subsidiaries are included from the date of acquisition.

The premium on acquisition arising from the difference between the purchase price and the fair value of the tangible net assets of subsidiaries is written off in the income statement in the year of acquisition.

### Fixed assets

Property and equipment are stated at cost.

No depreciation is provided on properties and their valuation is based on the current open market value as determined by the directors.

Depreciation of equipment is determined on bases so as to write off assets over their anticipated useful lives. The Company leases its passenger vehicles and current rentals are expensed.

### Investments

These are stated at cost and dividends declared are brought to account in the appropriate accounting period.

### Stock

Stock comprises merchandise for resale and consumables, and is stated at the lower of current cost and net realisable value.

### Turnover

Turnover comprises retail sales to consumers and wholesale supplies to franchisees. All turnover is exclusive of value added tax.

### Foreign currency

The Group incurs foreign currency commitments on imported merchandise which are covered by forward exchange contracts.

### Capitalisation share awards / cash distributions

The full cash equivalent of capitalisation share awards and cash distributions are recorded as distributions in the income statement. The cash equivalent of the estimated capitalisation share award is transferred to a share election reserve, pending the outcome of the award. Shareholders for distribution represents the amount estimated to be payable in cash.

### Comparative figures

Comparative figures have been adjusted, where necessary, to accord with current year classifications.

	1998	1997	1996
<b>2. Auditors' remuneration</b>			
Audit fees	1.3	1.0	0.9
	%	%	%
<b>3. Taxation</b>			
South African normal tax	96.0	68.2	48.8
Secondary tax on companies	4.5	5.3	7.5
Total tax charge	100.5	73.5	56.3
Effective tax rate	45.8	33.1	31.8
Permanent differences			
Goodwill	(8.3)	(1.8)	-
Other Expenditure of a capital nature	(0.6)	-	-
Exempt and non-taxable income	4.3	7.0	2.2
Secondary tax on companies	(2.1)	(2.3)	(4.3)
Timing differences			
Assessed losses utilised	0.3	3.0	6.3
Plant and other allowances	(2.6)	(2.3)	(2.8)
Income not currently taxable	-	1.0	1.1
Deferred expenditure	(1.8)	(2.7)	0.7
Normal tax rate	35.0	35.0	35.0
Deferred tax is provided only where a liability is anticipated, save in respect of a future liability amounting to This liability arises from the phased withdrawal of tax allowances. The attributable tax will be charged to income in the year that it is due and payable.	3.4	6.3	8.7
Deferred tax not provided on other timing differences amounts to	46.0	43.1	30.5
Participation in export partnerships has reduced a subsidiary's tax liability. This reduction, regarded as taxation and payable to the partnerships, amounts to	45.3	36.7	31.7
Tax paid			
Owing 1 March	113.5	82.1	66.9
Current tax charge	96.0	68.2	48.8
Secondary tax on companies	4.5	5.3	7.5
Owing 28 February	(140.7)	(113.5)	(82.1)
Income tax	(119.8)	(100.8)	(63.5)
VAT - net payable	(16.4)	(7.4)	(11.1)
Secondary tax on companies	(4.5)	(5.3)	(7.5)
	73.3	42.1	41.1

	1998	1997	1996
<b>4. Exceptional items</b>			
Premium paid on the acquisition of shares in:			
Score Supermarkets Operating Ltd	50.6	10.6	-
Paperbacks (Pty) Ltd	-	0.5	-
Premium paid for the acquisition of the business and trademarks of:			
PNA Stationers	-	9.0	-
7-Eleven	10.0	-	-
Superliner	3.0	-	-
Capital profit on sale of PriceClub	-	(16.9)	-
	<u>63.6</u>	<u>3.2</u>	<u>-</u>
Taxation	(0.9)	-	-
Headline earnings adjustment	<u>62.7</u>	<u>3.2</u>	<u>-</u>
<b>5. Distributions</b>			
	cents	cents	cents
Interim			
Number 59 57 55	4.75	3.80	2.92
Declared 15 Oct 97 15 Oct 96 18 Sep 95			
Paid 10 Dec 97 14 Nov 96 14 Nov 95			
Final			
Number 60 58 56	17.50	19.00*	10.58
Proposed 06 Apr 98 07 Apr 97 25 Mar 96			
Payable 18 Jun 98 11 Jun 97 14 May 96			
Total distribution	<u>22.25</u>	<u>22.80</u>	<u>13.50</u>
Value	<u>106.8</u>	<u>107.1</u>	<u>63.4</u>
Dividends paid during year			
Ordinary shareholders	52.4	67.5	51.2
Outside shareholders	4.5	8.1	2.6
	<u>56.9</u>	<u>75.6</u>	<u>53.8</u>
* Includes 5.00 cents 30th birthday special dividend			
<b>6. Directors' remuneration</b>			
Paid to directors of Pick 'n Pay Stores Ltd, by a subsidiary, for services as directors and for other managerial services	14.3	11.1	6.8
<b>7. Cost of turnover</b>			
The cost of merchandise sold amounts to	9 386.0	8 415.0	7 957.9

	1998	1997	1996
<b>8. Share capital</b>			
Authorised			
400 000 000 ordinary shares of 1.25 cents each			
800 000 000 N ordinary shares of 0.01 cents each			
Issued			
156 524 888 ordinary shares of 1.25 cents each			
323 718 102 N ordinary shares of 0.01 cents each	2.0	2.0	2.0
20 000 000 unissued N ordinary shares have been allocated to the Executive Share Incentive Scheme, to be issued at R4.00 each on the redemption of the compulsory convertible debenture (note 9).			
The unissued shares remain under the control of the directors until the next annual general meeting when shareholders will be asked to extend this power for a further year.			
The trust set up in terms of the employee share incentive schemes holds 2 316 870 (1997 - 2 407 120) ordinary shares and 4 991 185 (1997 - 4 813 040) N ordinary shares.			
Options have been granted to employees on 2 350 000 (1997 - 2 350 000) ordinary shares and 4 700 000 (1997 - 4 700 000) N ordinary shares, currently unissued, exercisable between R3.00 and R3.73 per share by June 2000.			
<b>9. Long-term liabilities</b>			
Unsecured loan, bearing interest at 18.00% per annum and repayable on 1 December 1999	90.0	90.0	90.0
7 000 debentures of R1 000 each, at 10.75% coupon, redeemable in eight equal instalments on 31 December each year ending on 31 December 1997	-	0.8	1.8
20 000 000 compulsory convertible debentures of R4.00 each, repayable in 20 semi annual instalments at a coupon of 10.67%, ending on 31 December 2007	80.0	-	-
Unsecured non-interest bearing trade loans	-	-	0.3
	<u>170.0</u>	<u>90.8</u>	<u>92.1</u>

	1998	1997	1996
<b>10. Fixed assets</b>			
Freehold property			
Cost	167.1	165.8	167.9
Valuation	277.8	269.8	262.3
Registers of properties, containing statutory information, are available for inspection at the registered office of the Company.			
Equipment: fixtures, store automation and vehicles			
Cost	655.8	592.3	619.1
Accumulated depreciation	290.5	264.5	281.0
Net book value	365.3	327.8	338.1
Net book value - 1 March	327.8	338.1	342.3
Additions, net	131.0	75.2	80.3
Depreciation	(93.5)	(85.5)	(84.5)
Net book value - 28 February	365.3	327.8	338.1
The cumulative value of fully written down fixtures eliminated from the cost and accumulated depreciation amounts to	384.5	317.0	215.0
Current vehicle rental charges	24.2	14.4	12.3
<b>11. Investments</b>			
Shares at cost			
Small Business Development Corporation Ltd	0.2	0.2	0.2
The Blue Ribbon Meat Corporation (Pty) Ltd (50% interest)	0.5	0.5	0.5
URD Beleggings (Edms) Bpk	90.0	90.0	90.0
Held by Pick 'n Pay Stores Ltd	90.7	90.7	90.7
Cape Town Philharmonic Orchestra Investaplan	2.0	2.0	-
Micawber Forty Seven (Pty) Ltd (33% interest)	3.0	-	-
TM Supermarkets (Pvt) Ltd (25% interest)	30.0	30.0	-
TranSwitch Services (Pty) Ltd (50% interest)	0.6	2.6	-
Insurance Investments	0.3	0.3	0.3
	126.6	125.6	91.0
The directors value these unlisted investments at cost except for The Blue Ribbon Meat Corporation (Pty) Ltd which is valued on an earnings yield basis	160.0	132.5	97.6
Income from shares	21.8	15.1	11.4



	1998	1997	1996
<b>12. Loans</b>			
Personnel			
Directors			
1 March 18.9	15.9	13.9	
Advanced	3.0	3.8	3.5
Repaid	(1.0)	(0.8)	(1.5)
28 February	20.9	18.9	15.9
Other employees			
Housing 57.7	51.7	45.5	
Share incentive schemes	49.3	44.2	43.8
	127.9	114.8	105.2
Trading			
Unsecured	1.6	1.0	(0.4)
	129.5	115.8	104.8
Loans to directors and employees bear interest up to a maximum rate of 12% per annum. There are no fixed dates for repayment of housing loans. Loans from the employee share purchase trust are repayable within ten years from date of issue.			
<b>13. Commitments</b>			
All to be funded from internal cash flow			
Capital			
Contracted for			
Property	-	2.0	2.3
Equipment	82.8	24.0	2.7
Not contracted for			
Property	15.0	-	-
Equipment	122.1	42.3	25.2
	219.9	68.3	30.2
<b>14. Post retirement medical aid contingency</b>			
Certain employees' medical aid contributions, post retirement, are subsidised by the Company. These subsidies are charged against income when incurred. The value of this unfunded benefit in respect of past service is currently actuarially calculated at R57.9 million (1997 - R52.0 million) and in respect of future service is calculated at R54.1 million (1997 - R56.0 million). Subsequent to the year-end, the arrangement for funding Post Retirement Medical Aid contributions has been regularised with that of other retirement benefits.			

		1998	1997	1996
<b>15. Pick 'n Pay Stores Ltd</b>				
Change in financial position 1998				
	Income			
	Distributions from subsidiaries	52.3	40.3	65.1
	Income from unlisted investments	17.4	16.4	15.0
	Interest received	1.4	1.3	1.3
	Interest paid	(1.5)	(0.2)	(0.3)
	Administrative expenses	(0.3)	(0.2)	(0.1)
69.3	Income before taxation	69.3	57.6	81.0
1.3	South African normal taxation	1.3	1.3	1.6
68.0	Retained income – for the year	68.0	56.3	79.4
	– at 1 March	40.3	91.1	75.1
		108.3	147.4	154.5
106.8	Distributions (note 5)	106.8	107.1	63.4
38.8	Retained income – at 28 February	1.5	40.3	91.1
	Financial position			
	Share capital (note 8)	2.0	2.0	2.0
59.6	Share premium	70.4	10.8	10.8
(38.8)	Retained income	1.5	40.3	91.1
(11.6)	Share election reserve (note 1)	42.0	53.6	-
79.2	Debentures (note 9)	80.0	0.8	1.8
(1.1)	Current liabilities	51.4	52.5	57.4
87.3		247.3	160.0	163.1
79.5	Interest in subsidiaries (note 16)	103.5	24.0	27.8
6.0	Employee share purchase trust	49.3	43.3	42.7
-	Investments (note 11)	90.7	90.7	90.7
1.8	Current assets	3.8	2.0	1.9
87.3		247.3	160.0	163.1

SERVING SUGGESTION -

"PICK 'N PAY STAFF GO THAT EXTRA MILE TO PLEASE  
AND ENSURE SATISFACTION, WITH THE FRIENDLIEST OF  
DISPOSITIONS, TACT, WARMTH -  
ALWAYS GIVING THEIR VERY BEST"

YA'IR AND CHANNAH LEWIS - HILLBROW, JOHANNESBURG

	1998	1997	1996
<b>16. Interest in subsidiaries</b>			
Shares at cost	<u>6.7</u>	<u>6.7</u>	<u>6.7</u>
Trading	5.2	5.2	5.2
Pick 'n Pay Retailers (Pty) Ltd			
Pick 'n Pay (Mitchells Plain) Ltd			
Pick 'n Pay (Bisho) (Pty) Ltd			
Pick 'n Pay (Bophuthatswana) (Pty) Ltd			
Tom Boardman 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 (Carletonville) (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			
Pick 'n Pay (Vanderbijlpark) (Pty) Ltd			
Pick 'n Pay Wholesalers (Pty) Ltd			
Pick 'n Pay Wholesalers (Transvaal) (Pty) Ltd			
Pick 'n Pay (Witbank) (Pty) Ltd			
Administrative			
Pick 'n Pay (Gabriel Road) (Pty) Ltd			
Retail Share Registrars (Pty) Ltd			
Name registration			
Checknet Systems (Pty) Ltd			
Hypermarkets (Pty) Ltd			
Pick 'n Pay (Pty) Ltd			
Pick 'n Paynet (Pty) Ltd			
Dormant	0.9	0.9	0.9
Associated Export Company (Pty) Ltd			
Pick 'n Pay (East London) (Pty) Ltd			
Pick 'n Pay (Klerksdorp) (Pty) Ltd			
Pick 'n Pay (Walmer) (Pty) Ltd			
Raymond Ackerman Holdings Ltd			
Indebtedness to the Company			
Pick 'n Pay Retailers (Pty) Ltd	<u>96.8</u>	<u>4.2</u>	<u>8.0</u>
Held by Pick 'n Pay Stores Ltd	<u>103.5</u>	<u>10.9</u>	<u>14.7</u>
The earnings of subsidiaries are	<u>94.8</u>	<u>119.8</u>	<u>99.4</u>
Other Group subsidiaries include:			
Score Supermarkets Operating Ltd (92% holding)			
PNA Stationery Franchising Company (Pty) Ltd (75% holding)*			
Paperbacks (Pty) Ltd (75% holding)*			
The Whales Tale (Pty) Ltd (75% holding)*			
Pick 'n Pay Financial Services (Pty) Ltd (75% holding)			
Pick 'n Pay International Ltd (Registered in the United Kingdom)			
Pick 'n Pay Insurance Company Ltd			

\* These companies were sold effective April 1998.



## Directors' Approval

These annual financial statements and Group annual financial statements of Pick 'n Pay Holdings Limited were approved by the Board of Directors on 6 April 1998 and are signed on their behalf by -

RD Ackerman  
Chairman & Chief Executive Officer

RP de Wet  
Executive Director

## Report of the independent auditors to the members of Pick 'n Pay Holdings Limited

We have audited the annual financial statements and Group annual financial statements of Pick 'n Pay Holdings Limited, as set out on pages 42 to 44, for the year ended 28 February 1998. 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 1998 and the results of their operations for the year then ended in accordance with generally accepted accounting practice, and in the manner required by the Companies Act.

Registered Accountants and Auditors

Chartered Accountants (SA)

Cape Town

6 April 1998

The 'serving suggestion' appearing on page 42 does not form part of the financial statements and is not covered by the auditors' report.



## Structure and function

The Company was formed with the sole purpose of holding the controlling interest in Pick 'n Pay Stores Ltd. As a subsidiary of Raymond Ackerman (Pty) Ltd, the Company is entitled to redistribute any dividend received from Pick 'n Pay Stores Ltd.

## Disclosure

Your directors are of the opinion that, although the Company has a 51.6% (1997 - 51.9%) direct holding in Pick 'n Pay Stores Ltd and its subsidiaries, consolidated financial statements are inappropriate. The information provided in the Pick 'n Pay Group financial statements set out on pages 31 to 44, is considered more effective and meaningful. Had consolidated financial statements been prepared Group earnings of R57.0 million (1997 - R69.8 million) and Group headline earnings of R89.4 million (1997 - R71.5 million) would have been shown. This equates to earnings per share of 11.33 cents (1997 - 14.15 cents ) and headline earnings per share of 17.78 cents (1997 - 14.49 cents). Earnings and headline earnings per share calculations are based on the number of shares in issue at year-end and not on the weighted average number of shares.

## Relative Share Value

Your directors consider that the ratio of the distribution per share of Pick 'n Pay Holdings Ltd (PIKWIK), 10.97 cents, to that of Pick 'n Pay Stores Ltd (PICKNPAY), 22.25 cents, determines the value of a Pick 'n Pay Holdings Ltd share which, based on these figures, is 49.3% (1997 - 49.4%) of a Pick 'n Pay Stores Ltd share.

## Distributions

A capitalisation share award of N ordinary shares to ordinary and N ordinary shareholders registered on 31 October 1997 was authorised by the directors. Alternatively, shareholders could elect to receive an interim cash dividend of 2.34 cents per share. Results of this capitalisation award were published in the press on 4 December 1997.

The directors have authorised a capitalisation share award of N ordinary shares to ordinary and N ordinary shareholders registered on 8 May 1998. Alternatively, shareholders may elect to receive a final cash dividend of 8.63 cents per share. Full details of the capitalisation award were sent to shareholders on 15 May 1998.

## Share Capital

As a result of capitalisation share awards, the Company issued 9 422 058 N ordinary shares during the year.

## Directors and Secretary

In terms of the Company's articles of association the directors listed on page 46 retire by rotation and offer themselves for re-election. Information pertaining to the directors and secretary appears on page 8.

## Directors' Interest in Shares

	1998	1997	1996
	%	%	%
Beneficial	11.8	12.1	11.9
Non-beneficial	37.4	37.7	37.8
	49.2	49.8	49.7

SERVING SUGGESTION -

"YOUR RANDPARK RIDGE STORE  
IS LIKE A HOME AWAY FROM HOME."

DE SCHOEMAN - RANDBURG, JOHANNESBURG



Notes	1998	1997	1996
Income			
Cash equivalent of distribution from Pick 'n Pay Stores Ltd	55.1	55.6	32.9
1 Distributions	55.1	55.6	32.9
Per share - cents			
Earnings	10.97	11.26	6.67
1 Distributions	10.97	11.26	6.67
Shares in issue at year-end	502 823 418	493 401 360	493 401 360



Notes	1998	1997	1996
Funding			
2 Share capital	2.1	2.1	2.1
Share premium	45.8	22.8	22.8
4 Share election reserve	15.2	18.5	-
Shareholders' interest	63.1	43.4	24.9
Utilisation			
3 Fixed investment	62.9	43.2	24.7
Dividend receivable	28.2	27.8	25.9
Shareholders for distribution	(28.0)	(27.6)	(25.7)
	63.1	43.4	24.9





				1998	1997	1996
				cents	cents	cents
<b>1. Distributions</b>						
Interim Number Declared	32	30	28	2.34	1.88	1.44
	15 Oct 97	15 Oct 96	18 Sep 95			
Paid	10 Dec 97	14 Nov 96	14 Nov 95			
Final Number Proposed Payable	33	31	29	8.63	9.38*	5.23
	06 Apr 98	07 Apr 97	25 Mar 96			
	18 Jun 98	11 Jun 97	14 May 96			
Total distributions				<u>10.97</u>	<u>11.26</u>	<u>6.67</u>
Value (note 4)				55.1	55.6	32.9
Dividend paid during year				35.0	34.9	26.6
* Includes 2.47 cents 30th birthday special dividend						
<b>2. Share capital</b>						
Authorised						
400 000 000 ordinary shares of 1.25 cents each						
800 000 000 N ordinary shares of 0.01 cents each						
Issued						
164 467 120 ordinary shares of 1.25 cents each						
338 356 298 N ordinary shares of 0.01 cents each						
				2.1	2.1	2.1
The unissued shares remain under the control of the directors until the next annual general meeting when shareholders will be asked to extend this power for a further year.						
The trust set up in terms of the Pick 'n Pay Employee Share Incentive Schemes holds 5 111 362 (1997 - 7 147 666) ordinary shares and 17 323 621 (1997 - 14 317 132) N ordinary shares.						
<b>3. Fixed Investment</b>						
Pick 'n Pay Stores Ltd						
81 237 560 (1997 - 81 237 560) ordinary shares and 166 609 726 (1997 - 162 475 120) N ordinary shares at cost						
Capitalisation awards (note 4)						
				<u>24.7</u>	<u>24.7</u>	<u>24.7</u>
				<u>38.2</u>	<u>18.5</u>	<u>-</u>
				<u>62.9</u>	<u>43.2</u>	<u>24.7</u>
Market value				1 922.6	1 252.7	1 076.4
<b>4. Capitalisation share awards / cash distributions</b>						

The full cash equivalent of capitalisation share awards and cash distributions are recorded as distributions and dividend income in the income statement. The cash equivalent of the estimated capitalisation award is transferred to a share election reserve, pending the outcome of the award. Shareholders for distribution represents the amount estimated to be paid to shareholders in cash. The cash equivalent of the of the estimated Pick 'n Pay Stores Ltd capitalisation award is attributed to the write up of the fixed investment. Dividend receivable represents the amount estimated to be received from Pick 'n Pay Stores Ltd in cash.



## Annual general meetings

17 June 1998

## Distributions

Pick 'n Pay Stores Ltd No.	Pick 'n Pay Holdings Ltd No.		Last date for registration	Date of payment
60	33	Final	8 May 1998	18 Jun 1998
61	34	Interim	6 Nov 1998	15 Dec 1998
62	35	Final	7 May 1998	18 Jun 1999

## Preliminary profit announcements

Interim to 31 August 1998 : about 16 October 1998

Final to 28 February 1999 : about 10 April 1999

## Publication of annual report

End of May

## Secretary

M. Marsden CA (SA)

Business address: 5th Floor, Pick 'n Pay Centre, corner Main and Campground Roads, Claremont, 7706, Cape Town

Postal address: PO Box 23087, Claremont, 7735, Cape Town

## Registered offices

5th Floor, Pick 'n Pay Centre, corner Main and Campground Roads, Claremont, 7706, Cape Town

## Transfer secretaries

Retail Share Registrars (Pty) Ltd, 5th Floor, Pick 'n Pay Centre, corner Main and Campground Roads, Claremont, 7706, Cape Town

PO Box 23087, Claremont, 7735, Cape Town, Telephone. (021) 658-1000, Facsimile (021) 683-2514

## Share certification office

Mercantile Registrars Ltd, 6th Floor, 94 President Street, Johannesburg, 2001

PO Box 1053, Johannesburg, 2000, Telephone (011) 333-8181

## Auditors

Arthur Andersen & Co.

## Attorneys

Sonnenberg Hoffmann & Galombik Inc.



The annual general meetings of shareholders for the year ended 28 February 1998 will be held on Wednesday 17 June 1998:

11.00 am	11.30 am
Pick 'n Pay Stores Ltd (PICKNPAY)	Pick 'n Pay Holdings Ltd (PIKWIK)
30th annual general meeting	17th annual general meeting

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

The following business will be transacted and resolutions proposed accordingly:

1. Consideration of these financial statements with a view to their adoption.
2. Appointment of Directors

The following directors, who retire in accordance with the Companies' articles of association, offer themselves for re-election.

**Pick 'n Pay Stores Ltd**

RD Ackerman  
C Hultzer  
IJ Joubert  
SR Summers  
AE Zelinsky

**Pick 'n Pay Holdings Ltd**

RP de Wet  
C Hultzer  
DM Nurek

3. Granting the directors general authority over the unissued shares of the companies until the next annual general meeting.
4. Confirmation of fees to be paid to the directors of Pick 'n Pay Stores Ltd, being R290 000 paid by the Company and R13 500 paid by a subsidiary.
5. Any other relevant business.

Members may attend the meeting of the Company of which they are shareholders 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.

By order of the Board,

M MARSDEN CA (SA)  
Secretary

Cape Town  
6 April 1998



