

# Pick 'n Pay

## REVIEWED GROUP RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2004

### REVIEW OF OPERATIONS

#### GROUP OVERVIEW

One of the major features of the year from a trading perspective was the effect of the decrease in the rate of inflation in significant major categories, and the effect of food deflation which was obviously felt to a greater degree given the basic nature of the goods sold in our Score and Boxer divisions. Notwithstanding this, the Group has performed exceptionally well and posted an acceptable result.

The management of the Retail division specifically is to be congratulated on the energy and effort that has been put into the Group recovery. I would also like to take this opportunity of once again thanking our very loyal customers, employees, suppliers and all other stakeholders for their ongoing support and encouragement during the course of this year.

**Group turnover** for the year of R29.3 billion is 11.8% up on last year and includes a 15.9% increase in Southern African operations and a 7.7% decrease in Australia. In Australian dollars, Franklins turnover increased by 4.0%, the decrease shown being purely as a result of the strengthening rand.

**Trading profit** increased by 15.9% while profit before tax, after interest and investment income, increased by 13.3%. Interest income for the year was affected by the 5.0% decrease in prime rates during the year.

The **headline earnings per share** increase of 14.1% is very acceptable considering the challenges that we have had to overcome during the year.

As the board of directors are confident of ongoing growth in the year ahead, they have approved a final dividend of 63.5 cents giving a full year dividend of 80.0 cents, an increase of 15.9%.

#### PICK 'N PAY RETAIL DIVISION

Notwithstanding the effect of the extortion incident, this division performed strongly in the second half of the year and produced a really commendable result. All major parts of the division being Hypermarkets, Supermarkets, Franchise and Butcheries reported good real growth in both turnover and profit contributions.

The division opened 8 new Corporate stores, the most for many years, and 15 new Family stores. In the coming year the division will continue to increase its footprint by opening a further 15 new Corporate stores and 20 Family stores.

#### GROUP ENTERPRISES

**Score** continues to be restructured in terms of its geographic operations. While significant progress has been made on the administrative front within Score, we are not satisfied with the operational progress and further significant management changes have been made. The initial signs already indicate an improvement in its performance and will see it return to profitability in the year ahead.

Score was also significantly impacted by the effect of deflation on most basic food commodities which form the bulk of the sales within this group. Notwithstanding this, a fairly significant real growth was shown in turnover due partly to the opening of new stores, as well as aggressive promotion and marketing.

**Boxer** produced an outstanding result showing real growth in both turnover and profit. Like Score, Boxer has been particularly hard hit by the above deflationary factors. During the year Boxer opened 6 new stores and will open a further 4 stores in the next year, and convert 9 Score stores in the Eastern Cape.

**Boardmans** – the sale of Boardmans was implemented on 1 April 2004 following Competition Tribunal approval of the transaction.

**Go Banking** have continued to grow their customer base, increasing the number of accounts by 23.0% and total deposits by 25.0% during the year. In the year ahead Go Banking will launch further new products and enhance their existing product ranges.

**TM Supermarkets, in Zimbabwe** – Under continuing trying trading circumstances, the management of TM, yet again, produced a very commendable result. They continue to receive our support in any way we can. We continue to account only for dividends received. However, no dividends were received this year.

#### FRANKLINS AUSTRALIA

In Australian dollars the turnover for the year increased by 4.0% which shows real growth. During the year 2 new stores were opened and the store destroyed by fire in September 2002 was relaunched successfully.

Before depreciation, Franklins made a trading loss of R5.5 million which is a significant improvement over the loss incurred last year of R56.2 million. This shows the significant strides management have made in building our Australian business.

The Board has taken a decision to end our distribution contract with Metcash and have appointed two logistics providers to distribute to stores from January 2005. We are confident that by managing our own distribution network entirely, we will be able to further enhance our efficiencies and bottom line contributions in our Franklins operation.

#### GENERAL COMMENT

Although we have had our fair share of challenges during the year past, I would really like to thank all of my Pick 'n Pay colleagues, as well as our customers, for the significant support that we have received.

#### Sean Summers

Chief Executive Officer

19 April 2004

#### PICK 'n PAY HOLDINGS LIMITED ("PIKWIK")

##### RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2004

Share code: PWK ISIN code: ZAE000005724

Pikwik's only asset is its 53.2% (2003: 53.2%) investment in Pick 'n Pay Stores Limited. The Pikwik Group earnings are directly related to those of this investment. Headline earnings for the year amount to R294.1 million (2003: R264.9 million).

Headline earnings per share, calculated using the weighted average number of shares in issue during the year of 496.2 million (2003: 494.9 million), is 59.28 cents (2003: 53.53 cents). Pikwik's final dividend per share is 31.00 cents (2003: 26.85 cents).

#### DIVIDEND DECLARATIONS

The directors have declared the following cash dividends:

**Pick 'n Pay Stores Ltd (No. 72)** 63.50 cents per share  
**Pick 'n Pay Holdings Ltd (No. 45)** 31.00 cents per share

For both Companies, the last day of trade in order to participate in the dividend (CUM dividend) will be Friday, 4 June 2004.

The shares will trade EX dividend from the commencement of business on Monday, 7 June 2004 and the record date will be Friday, 11 June 2004.

The dividends will be paid on Monday, 14 June 2004.

Share certificates may not be dematerialised or rematerialised between Monday, 7 June 2004 and Friday, 11 June 2004, both dates inclusive.

On behalf of the boards of directors

GF Lea

Company secretary

19 April 2004

#### NOTES TO THE FINANCIAL INFORMATION

1. Accounting policies comply with South African Statements of Generally Accepted Accounting Practice ("SA GAAP") and, except as stated in note 4, are consistent with those applied in the previous year. The financial information has been reviewed by KPMG Inc., whose unqualified review opinion is available for inspection at the Company's registered office. It is anticipated that an unqualified audit opinion will be issued in due course once the annual financial statements have been audited.

2. Revenue comprises turnover, other income, interest received and dividends received.

#### PICK 'n PAY STORES LIMITED

Share code: PIK ISIN code: ZAE000005443

#### INCOME STATEMENT

	Reviewed 2004 Rm	Growth %	Audited 2003 Rm
Revenue (note 2)	30 448.3		27 182.0
<b>Turnover</b>	<b>29 276.1</b>	<b>11.8</b>	26 194.2
Cost of merchandise sold	(24 420.4)		(21 552.3)
Gross profit	4 855.7		4 641.9
Other income	1 076.1		875.9
Trading expenses	(5 142.8)		(4 837.1)
<b>Trading profit</b>	<b>789.0</b>	<b>15.9</b>	680.7
Interest received	81.9		91.8
Interest paid	(46.6)		(41.4)
Dividends received	14.2		20.1
Goodwill amortisation	(36.8)		(38.6)
Exceptional items	—		(5.3)
<b>Profit before tax</b>	<b>801.7</b>	<b>13.3</b>	707.3
Tax	(286.0)		(253.5)
<b>Net profit for the year</b>	<b>515.7</b>	<b>13.6</b>	453.8
<b>Trading profit margin</b>	<b>2.7%</b>		2.6%
<b>Profit before tax margin</b>	<b>2.7%</b>		2.7%
Per share – cents			
<b>Headline earnings</b> (note 3)	<b>117.38</b>	<b>14.1</b>	102.87
Earnings	109.55		93.80
Fully diluted headline earnings	111.64		98.78
Fully diluted earnings	104.26		90.17
Dividends			
Interim – No. 71 paid	16.50	17.9	14.00
Final – No. 72 payable	63.50	15.5	55.00
<b>Total</b>	<b>80.00</b>	<b>15.9</b>	69.00
Dividend cover	1.5		1.5

#### CASH FLOW STATEMENT

	Reviewed 2004 Rm	Audited 2003 Rm
Trading profit	789.0	680.7
Depreciation	283.1	278.1
Trade and other payables	591.9	429.6
Stocks	(71.4)	(149.9)
Trade and other receivables	(125.1)	(132.3)
Exchange rate effect on working capital	(19.8)	(2.6)
<b>Cash generated by operations</b>	<b>1 447.7</b>	1 103.6
Interest received	81.9	91.8
Interest paid	(46.6)	(41.4)
Dividends received	14.2	20.1
Dividends paid	(316.7)	(258.5)
Tax paid	(283.4)	(323.9)
<b>Net cash inflow from operating activities</b>	<b>897.1</b>	591.7
Property	(74.2)	(4.2)
Equipment and vehicles	(434.4)	(276.9)
Investments	181.4	(10.8)
Loans	7.9	(8.2)
Net acquisitions	—	(232.7)
<b>Net cash outflow from investing activities</b>	<b>(319.3)</b>	(532.8)
Interest bearing debt (repaid)/raised	(87.9)	171.5
Share repurchases	(33.2)	(181.3)
Take up of share options	10.2	—
<b>Net cash outflow from financing activities</b>	<b>(110.9)</b>	(9.8)
<b>Net increase in cash resources</b>	<b>466.9</b>	49.1
Cash resources at 1 March	1 035.6	986.5
Cash resources at 29 February	1 502.5	1 035.6

3. Headline earnings of R552.5 million (2003: R497.7 million) is net profit for the year adjusted for the add back of goodwill amortisation and exceptional items.

4. During the year the Group changed the following accounting policies to comply with SA GAAP:  
a. To comply with AC132 the Pick 'n Pay Share Purchase Trust, which holds both Stores and Pikwik shares, is now consolidated.

This change has not had an effect on earnings in the current or prior year, however it has had an effect on the earnings per share due to the treasury shares held by the Trust. The prior year figures have been restated and now include the Pikwik shares as an investment at cost and the Stores treasury shares in equity.

#### BALANCE SHEET

	Reviewed 2004 Rm	Audited 2003 Rm
<b>Assets</b>		
Non-current assets		
Goodwill	745.1	742.1
Property	182.3	110.9
Equipment and vehicles	1 045.4	877.2
Investments (note 4b)	242.3	262.3
Loans	89.6	97.5
Deferred tax	99.2	68.6
Participation in export partnerships	127.6	143.3
	2 531.5	2 301.9
Current assets		
Stocks	1 578.7	1 507.3
Trade and other receivables	628.1	495.7
Cash resources	1 502.5	1 035.6
	3 709.3	3 038.6
<b>Total assets</b>	<b>6 240.8</b>	5 340.5
<b>Equity and liabilities</b>		
Capital and reserves	1 349.2	1 014.1
Non-current liabilities		
Interest bearing debt	188.2	243.3
Retirement scheme obligations	145.0	125.9
Deferred tax	151.7	163.8
	484.9	533.0
Current liabilities		
Interest bearing debt	159.9	186.7
Trade and other payables	3 972.0	3 395.0
Tax	274.8	211.7
	4 406.7	3 793.4
<b>Total equity and liabilities</b>	<b>6 240.8</b>	5 340.5
Shares in issue – millions	483.4	483.4
Weighted average shares in issue – millions (note 5)	470.7	483.8
Net asset value – cents per share (property value based on directors' valuation)	331.9	249.1

#### STATEMENT OF CHANGES IN EQUITY

	Reviewed 2004 Rm	Audited 2003 Rm
Capital and reserves at 1 March	1 014.1	1 220.9
Change in accounting policies (note 4)	74.9	(103.9)
Capital and reserves – as restated	1 089.0	1 117.0
Net profit for the year	515.7	453.8
Dividends paid	(316.7)	(258.5)
Share repurchases	(33.2)	(181.3)
Take up of share options	10.2	—
Revaluation of investments	60.3	—
Foreign currency translation	23.9	(116.9)
Capital and reserves at 29 February	1 349.2	1 014.1

#### SEGMENTAL REPORT

	Southern Africa		Australia		Total	
	Reviewed 2004 Rm	Audited 2003 Rm	Reviewed 2004 Rm	Audited 2003 Rm	Reviewed 2004 Rm	Audited 2003 Rm
Turnover	25 068.6	21 635.3	4 207.5	4 558.9	29 276.1	26 194.2
Turnover – Australian dollars			AUD 858.3	AUD 825.2		
Trading profit/(loss)	829.5	764.8	(40.5)	(84.1)	789.0	680.7
Goodwill amortisation	(9.5)	(9.6)	(27.3)	(29.0)	(36.8)	(38.6)
Exceptional items	—	(5.3)	—	—	—	(5.3)
Depreciation, included in trading profit/(loss)	(248.1)	(250.2)	(35.0)	(27.9)	(283.1)	(278.1)
Goodwill	171.2	180.9	573.9	561.2	745.1	742.1
Property, equipment and vehicles	1 021.0	801.2	206.7	186.9	1 227.7	988.1
Total current assets (excluding cash resources)	1 995.2	1 813.3	211.6	189.7	2 206.8	2 003.0
Total current liabilities (excluding debt)	3 784.3	3 212.6	462.5	394.1	4 246.8	3 606.7

b. To comply with AC133 listed investments are now valued at market value and the participation in export partnerships are reflected at amortised cost using the effective interest rate method.

In accordance with the adoption provisions of AC133 an adjustment has been made to the Group's reserves at the beginning of the year and no adjustments have been made to prior year figures.

5. The weighted average number of shares is lower than that in issue due to the treasury shares held by the Group being treated as cancelled for this calculation.

6. Effective 1 April 2004 the Boardmans division was sold for net asset value plus goodwill of R26 million.

Pick'n Pay  
hypermarket



Pick'n Pay  
FAMILY Supermarket

SCORE  
SUPERMARKETS

Pick'n Pay  
Discount Supermarket



Pick'n Pay  
mini market

Pick'n Pay  
go  
BANKING  
A DIVISION OF NEDBANK LIMITED

Pick'n Pay  
home shopping

Franklins  
AUSTRALIA

#### DIRECTORS OF PICK 'N PAY STORES LIMITED:

Executive: RD Ackerman\* (Chairman), D Robins\*\* (Deputy Chairman), SR Summers (CEO), W Ackerman\*, DG Cope. **Non-executive:** GM Ackerman\*, RP de Wet\*+, HS Herman\*+, C Hultzer\*+, C Nkosi+, DM Nurek\*+, BJ van der Ross+  
(\*Also directors of Pick 'n Pay Holdings Limited) (\*\*German) (\*Independent)