



REVIEW OF OPERATIONS

GROUP OVERVIEW

Given the very low levels of inflation throughout the Group, with deflation being experienced in certain areas of our Group activities in southern Africa and Australia, we are pleased to present these results.

Group turnover increased by 9.3% which shows a good increase in real terms.

The increase in trading profit and operating profit (including interest received) of 22.0% and 18.9% respectively, is particularly pleasing and reflects the continued efficiencies being achieved throughout the Group. As a result, operating profit margins increased from 2.4% to 2.6%.

Headline earnings at R246.8 million for the period (2003: R210.6 million), increased by 17.2% with headline earnings per share growing by 17.1%. Headline earnings excludes goodwill amortisation and the profit on the sale of Boardmans of R24.0 million.

The result has enabled us to increase our interim dividend by 20.0%.

PICK 'n PAY RETAIL DIVISION

This division with 14 Hypermarkets, 128 Supermarkets and 166 Franchise stores continues to be the driving force behind the Pick 'n Pay Group and predominant contributor to Group profitability.

Pick'n Pay

UNAUDITED INTERIM GROUP RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2004

TURNOVER	↑ 9.3%	TRADING PROFIT	↑ 22.0%	OPERATING PROFIT	↑ 18.9%
HEADLINE EARNINGS PER SHARE	↑ 17.1%	INTERIM DIVIDEND PER SHARE	↑ 20.0%		

with consistently good results across all divisions. Some of the highlights are as follows:

Supermarkets – showed good growth in turnover and continue to make a significant profit contribution to the Group. During the period 7 new Corporate stores were opened, 3 in Gauteng, 3 in Kwa-Zulu Natal and 1 in Limpopo. We have another 7 stores planned to open in the second six month period.

Hypermarkets – showed real growth in turnover and strong profit growth. Our focus is on building top line sales growth in this division.

Franchise – during the period we opened a further 6 stores; 4 in South Africa, 1 in Botswana and 1 in Namibia. The Family store brand showed particularly good growth in turnover and profitability.

GROUP ENTERPRISES

Score – turnover for the period has shown strong increases with even greater increases in volumes due to deflation for the period of approximately 5.0%. Score opened 4 new stores and completed the transfer of the majority of its stores in the Eastern Cape to Boxer and the Western Cape stores to the Pick 'n Pay Western Cape region. This restructure now allows Score management to concentrate on the predominantly strong areas of the Score brand in the Northern and Central regions of the country.

With the re-organisation now complete and with further strides being made in expense savings and operational efficiencies, Score is well on the way to returning to profitability in the near future.

Boxer Superstores – had a good six month trading period with commendable increases in both turnover and profitability. In addition to the Score stores taken over in the Eastern Cape, Boxer opened 2 new stores with a further 2 to be opened in the next 6 month trading period.

Go Banking in partnership with Nedcor, has continued to grow its account base and funds on deposit. Go Banking provides a significant platform for future growth in the evolving financial services sector.

TM Supermarkets in Zimbabwe continues to trade well. Turnover increases are above the very high levels of inflation.

FRANKLINS AUSTRALIA

Turnover for the six months at A\$426.5 million is 1.6% below last year, which is largely accounted for by the fact that food deflation in New South Wales was 0.9% for the period.

We are in the process of setting up our own distribution systems and channels with two new distribution partners. As a result of these projects, exceptional once off costs pushed the trading loss before goodwill to A\$6.7 million for the period versus A\$3.2 million last year. All these additional costs were anticipated at the beginning of the year and are in line with budget. We remain confident of the future of the business and controlling our own distribution channels will drive the expansion of new corporate stores and franchising.

GENERAL COMMENT AND PROSPECTS

We foresee low levels of inflation continuing for the remainder of the financial year, which we believe is good for the consumer and the country and its economy. We are actively pursuing real volume growth through pricing and service enhancement and are confident of showing a good earnings increase for the full year.

For and on behalf of the Board

Raymond Ackerman
Chairman

Sean Summers
Chief Executive Officer

18 October 2004

PICK 'n PAY STORES LIMITED – Share code: PIK ISIN code: ZAE000005443

INCOME STATEMENT

	Six months ended 31 August		Audited
	2004	Growth	Year to
	Rm	%	Feb 2004
	Rm		Rm
Revenue (note 2)	15 859.2		30 448.3
Turnover	15 245.8	9.3	29 276.1
Cost of merchandise sold	(12 757.3)		(24 420.4)
Gross profit	2 488.5		4 855.7
Other income	566.2		1 076.1
Trading expenses	(2 686.3)		(5 142.8)
Goodwill amortisation	(17.8)		(36.8)
Trading profit	350.6	22.0	752.2
Interest received	44.7		81.9
Operating profit	395.3	18.9	834.1
Interest paid	(20.8)		(46.6)
Dividends received	2.5		14.2
Profit on sale of Boardmans (note 5)	24.0		—
Profit before tax	401.0		801.7
Tax	(148.0)		(286.0)
Net profit for the period	253.0		515.7
Trading profit margin	2.3%		2.6%
Operating profit margin	2.6%		2.8%
Per share – cents			
Headline earnings	52.40	17.1	117.38
Earnings	53.72		109.55
Fully diluted headline earnings	50.04		111.64
Fully diluted earnings	51.29		104.26
Interim dividend – No. 73	19.80	20.0	16.50
Headline earnings reconciliation			
Net profit for the period	253.0		192.3
Goodwill amortisation	17.8		18.3
Profit on sale of Boardmans	(24.0)		—
Headline earnings	246.8	17.2	210.6

PICK 'n PAY HOLDINGS LIMITED ("PIKWIK")

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2004

Share code: PWK ISIN code: ZAE000005724

Pikwik's only asset is its 52.9% (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 period amount to R130.6 million (2003: R112.1 million).

Headline earnings per share, calculated using the weighted average number of shares in issue during the period of 500.5 million (2003: 495.0 million), is 26.10 cents (2003: 22.65 cents). Pikwik's interim dividend per share is 9.67 cents (2003: 8.05 cents).

DIVIDEND DECLARATIONS

The directors have declared the following cash dividends:

Pick 'n Pay Stores Ltd (No. 73) 19.80 cents per share
Pick 'n Pay Holdings Ltd (No. 46) 9.67 cents per share

For both Companies, the last day of trade in order to participate in the dividend (CUM dividend) will be Friday, 3 December 2004.

The shares will trade EX dividend from the commencement of business on Monday, 6 December 2004 and the record date will be Friday, 10 December 2004.

The dividends will be paid on Monday, 13 December 2004.

Share certificates may not be dematerialised or rematerialised between Monday, 6 December 2004 and Friday, 10 December 2004, both dates inclusive.

On behalf of the boards of directors

GF Lea – Company Secretary 18 October 2004

BALANCE SHEET

	Aug	Aug	Audited
	2004	2003	Feb 2004
	Rm	Rm	Rm
ASSETS			
Non-current assets			
Goodwill	684.1	726.9	745.1
Property	212.1	164.6	182.3
Equipment and vehicles	1 093.9	942.4	1 045.4
Investments	7.9	182.9	7.7
Loans	88.2	96.6	89.6
Participation in export partnerships	124.8	131.4	127.6
Deferred tax	114.0	87.2	99.2
	2 325.0	2 332.0	2 296.9
Current assets			
Stocks	1 566.6	1 552.6	1 578.7
Trade and other receivables	551.0	547.1	628.1
Cash resources	1 431.9	947.4	1 502.5
	3 549.5	3 047.1	3 709.3
Total assets	5 874.5	5 379.1	6 006.2
EQUITY AND LIABILITIES			
Total shareholders' equity	990.5	843.8	1 132.4
Non-current liabilities			
Interest-bearing debt	185.8	240.1	188.2
Retirement scheme obligations	170.0	136.0	145.0
Deferred tax	127.0	149.2	133.9
	482.8	525.3	467.1
Current liabilities			
Interest-bearing debt	34.2	122.7	159.9
Trade and other payables	4 037.0	3 698.6	3 972.0
Tax	330.0	188.7	274.8
	4 401.2	4 010.0	4 406.7
Total equity and liabilities	5 874.5	5 379.1	6 006.2
Shares in issue – millions (note 3)	486.1	483.4	483.4
Weighted average shares in issue – millions (note 4)	471.0	470.8	470.7
Net asset value – cents per share (property value based on directors' valuation)	255.9	213.9	285.9

STATEMENT OF CHANGES IN EQUITY

	Aug	Aug	Audited
	2004	2003	Year to
	Rm	Rm	Feb 2004
	Rm		Rm
Capital and reserves at 1 March	1 132.4	924.8	924.8
Net profit for the period	253.0	192.3	515.7
Dividends paid	(292.3)	(241.3)	(316.7)
Issue of new shares (note 3)	12.2	—	—
Share repurchases	(67.5)	(38.0)	(38.0)
Take-up of share options	18.1	9.5	21.1
Revaluation of investments	0.2	1.5	1.6
Foreign currency translation	(65.6)	(5.0)	23.9
Capital and reserves at 31 August/29 February	990.5	843.8	1 132.4

NOTES TO THE FINANCIAL INFORMATION

- Accounting policies comply with South African Statements of Generally Accepted Accounting Practice and are consistent with those applied for the year ended 29 February 2004.
- Revenue comprises turnover, other income, interest received and dividends received.
- During the period Pick 'n Pay Stores Limited issued 2 690 000 shares pursuant to the take-up of share options under the 1997 share option scheme.
- 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.
- Effective 1 April 2004 the Boardmans division was sold for net asset value plus goodwill of R26 million. The profit on sale is the amount received for goodwill after transaction costs.
- In the 2004 annual financial statements the Group advised that the South African Revenue Service ("SARS") was enquiring into the tax treatment of the participation of various corporations, including a company in the Group, in export partnerships. SARS has now issued an assessment on a Group company as the first step in a test case procedure agreed with SARS for determining the correct tax treatment. The Board considers that adequate warranties are in place to meet any liability that may arise from this assessment.

