

another year of continued growth

- Revenue up 11.8%
- Operating profit up 19.6% – over R1bn
- HEPS up 21.3%
- Distribution per share up 32.8%
- Foods market share at all time high
- 3 year compound annual growth
 - HEPS up 34.5%
 - Distribution per share up 36.9%
- ROE 12.9% in 2001 to 25.7%



commentary

Group results

The board is pleased to report another year of growth with a 21.3% increase in headline earnings per share for the financial year to June 2004, increasing from 64.8 cents per share to 78.6 cents per share. Group ROE has improved from 23.7% to 25.7%. In lieu of a dividend, a distribution from share premium of 25.5 cents per share is declared, taking total distributions for the year to 38.5 cents per share, up 32.8% from last year.

Trading environment

The South African retail environment was characterised by buoyant consumer demand. South Africans are feeling good about their country. Interest rates and personal debt levels are at their lowest for many years. Ten years into our democracy the growing number of economically active consumers has broadened, assisted by employment equity and empowerment and are benefiting all sectors of the retail industry.

The strong rand created difficult trading conditions for international franchise operations.

In Australia, consumer spending continued to grow supported by improved tax benefits, which offset a levelling in house prices.

Financial review

Group turnover increased by 12.1% to R10.6bn.

In the Woolworths operating group, Clothing and Home grew turnover by 12.0%. Imported merchandise, cheaper through the strengthening of the rand, made us less competitive. The Foods business grew by 19.2% which was well ahead of the market.

Country Road's sales declined by 6.5% in Australian dollar terms, in part affected by reduced wholesale sales following the decision to focus on a single wholesale customer. In addition, sales in rand terms were negatively impacted by the strengthening of the rand against the Australian dollar.

The group's gross profit percentage declined from 33.1% to 31.8% due to the larger contribution from the Foods business and local franchise operations both of which enhanced total operating profit.

Operating profit for the group increased by 19.6% to R1 062m as the business benefited from improved efficiencies and stringent cost control.

Operational review

WOOLWORTHS

Retail

Net profit before tax in the Woolworths operating group retail segment grew 30.1% to R715.6m.

Clothing and Home recorded sales growth of 12.0% (9.0% in comparable stores). The second half of the year saw an encouraging volume growth, attributable to improved customer confidence and better values.

Womenswear had an excellent year, gaining market share as the market responded well to our improved offer. Menswear and Childrenswear had a disappointing year and are currently being repositioned to follow the lessons learnt in womenswear.

Sales volumes in Home improved substantially in the second half as we introduced new ranges at more competitive prices and an improved store environment.

Foods performed exceptionally well with sales growing by 19.2% (7.8% in comparable stores). Despite the drop in food inflation in the second half of the year, sales in this period exceeded the 17.7% growth achieved in the first half of the year.

A further gain in market share from 7.0% to 7.4% confirms "the good food strategy" of consistently offering customers exceptional quality and convenience, resulting in more customers doing their main shop at Woolworths. Trading space continued to increase with the opening of more convenience stores.



WOOLWORTHS
the difference

Financial services

Substantial growth of 30.2% in our in-store card, credit card, and personal loan books was countered by an 8.0% reduction in the usury rate over the period, resulting in a decline in net profit before tax from R215.2m to R212.3m. Customers are increasing their use of their Woolworths cards whilst bad debt continues to be well managed, representing 1.7% of advances (2003: 2.0%).

COUNTRY ROAD

Country Road achieved a small profit before tax of A\$2.5m. The repositioning of Country Road which commenced in July with a new brand presentation and better, more customer-focused ranges should start to show benefits.



Prospects

The retail environment continues to experience solid growth on the back of lower interest rates and inflation. Consumer spending is expected to remain strong well into the year.

In Woolworths the repositioning in Menswear and Childrenswear, growth in Ladieswear, Home and Foods and a drive to grow the Woolworths card book should result in further real sales growth in the next year. In addition focus on supply chain efficiencies and expense control will continue. The diversity of our portfolio is beginning to deliver a less cyclical element to our earnings.

As announced in our trading update on 13 July 2004, the group has embarked on a process to evaluate alternatives in order to optimise its financial services balance sheet structure. In the event of such a restructure the board will consider how it wishes to dispose of surplus funds which may result from this process.

The board expects to continue to deliver real growth to our shareholders in the year ahead.

DA Hawton

Chairman

Cape Town, 19 August 2004

SN Susman

Chief executive officer

Cash distribution

Notice is hereby given that the directors have declared a cash distribution of 25.5 cents per share, in lieu of an ordinary final dividend, for the year ended 30 June 2004. The payment will be made by way of a reduction in the share premium account and in terms of the general authority to make payments to shareholders, granted at the annual general meeting held in November 2003.

Shareholders are advised that the last day to trade in order to participate in the cash distribution will be on Friday, 3 September 2004. The shares will trade "ex" the distribution from commencement of business on Monday, 6 September 2004 and the record date will be Friday, 10 September 2004. The distribution will be payable on Monday, 13 September 2004.

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

CL Lowe

Group company secretary

Cape Town, 19 August 2004

directorate and statutory information

Non-executive directors: Buddy Hawton (Chairman), Mair Barnes (British), Nigel Colne (British), Nolitha Fakude, Brian Frost, Mike Leeming, Chris Nissen, Sindi Zilwa
 Executive directors: Simon Susman (CEO), Richard Inskip, Norman Thomson
 Group company secretary: Cherrie Lowe Share code: WHL ISIN: ZAE000028288
 Registered address (postal and physical): PO Box 680, Cape Town 8000 • Woolworths House, 93 Longmarket Street, Cape Town 8001 Registration number: 1929/001986/06
 Auditors: Ernst & Young and SAB & T Inc Bankers: Standard Bank of South Africa Limited
 Transfer secretaries: Computershare Investor Services 2004 (Pty) Ltd, 70 Marshall Street, Johannesburg 2001

audited group results for the year ended 30 June 2004

income statement

	Note	Year ended 30 June		%
		2004 Rm	2003 Rm	
Revenue		11 281.7	10 094.8	11.8
Turnover		10 648.8	9 500.3	12.1
Cost of merchandise		7 262.2	6 358.6	14.2
Gross profit		3 386.6	3 141.7	7.8
Other revenue		632.9	594.5	6.5
Expenses		2 957.7	2 848.2	3.8
Depreciation		232.8	227.1	2.5
Occupancy cost		544.4	512.4	6.2
Employment cost		1 303.2	1 276.5	2.1
Other operating cost		877.3	832.2	5.4
Operating profit		1 061.8	888.0	19.6
Interest paid		108.7	87.4	24.4
Net profit before exceptional items		953.1	800.6	19.0
Exceptional items	2	(16.4)	(22.2)	
Net profit before tax		936.7	778.4	20.3
Tax	3	268.9	227.4	18.2
Net profit after tax		667.8	551.0	21.2
Outside shareholders' interest		(1.0)	(1.4)	
Net profit attributable to ordinary shareholders		666.8	549.6	21.3
Reconciliation of headline earnings				
Attributable earnings – all operations		666.8	549.6	21.3
Goodwill amortisation		10.1	10.0	
Loss on disposal of property, plant and equipment net of outside shareholders' interest		0.1	4.9	
Reversal of provision for loss on discontinuance net of outside shareholders' interest		–	(1.3)	
Headline earnings		677.0	563.2	20.2
Headline earnings per share (cents)		78.6	64.8	21.3
Earnings per share (cents)		77.4	63.3	22.3
Diluted earnings per share (cents)	4	75.3	61.9	21.6
Distributions per share (cents)	5	38.5	29.0	32.8
Distribution cover		2.0	2.2	
Number of shares in issue (millions)		868.3	853.1	1.8
Weighted average number of shares in issue (millions)		861.2	868.5	(0.8)
GROUP ANALYSIS				
Revenue				
Turnover		10 648.8	9 500.3	12.1
Woolworths		9 715.4	8 430.0	15.2
– Clothing and home		4 792.2	4 280.4	12.0
– Foods		4 747.1	3 980.8	19.2
– Logistics services and other		176.1	168.8	4.3
Country Road		933.4	1 070.3	(12.8)
Interest		543.4	522.3	4.0
Other revenue		89.5	72.2	24.0
		11 281.7	10 094.8	11.8
Operating profit				
Woolworths		1 048.4	870.7	20.4
Country Road		13.4	17.3	(22.5)
		1 061.8	888.0	19.6

cash flow statement

	Year ended 30 June	
	2004 Rm	2003 Rm
Cash flow from operating activities		
Cash inflow from trading	794.4	681.0
Working capital movements	(7.5)	104.4
Cash applied to financial services assets	(709.8)	(461.6)
Cash generated by operating activities	77.1	323.8
Interest received	540.9	519.5
Interest paid	(105.8)	(87.4)
Tax paid	(331.5)	(191.7)
Cash generated by operations	180.7	564.2
Distributions to shareholders	(271.7)	(201.3)
Net cash (outflow)/inflow from operating activities	(91.0)	362.9
Cash outflow from investing activities	(393.2)	(322.2)
Cash flow from financing activities		
Shares issued	54.5	39.5
Shares repurchased by subsidiary	–	(235.1)
Net cash inflow/(outflow) from financing activities	54.5	(195.6)
Decrease in cash and cash equivalents	(429.7)	(154.9)
Cash acquired on acquisition of subsidiary	–	10.2
Cash and cash equivalents at the beginning of the year	(514.7)	(362.0)
Effect of foreign exchange rate changes	(5.5)	(8.0)
Cash and cash equivalents at the end of the year	(949.9)	(514.7)
GROUP ANALYSIS		
Cash generated by operations – before tax	512.2	755.9
Woolworths	472.8	696.8
Country Road	39.4	59.1

statement of changes in ordinary shareholders' interest

	Year ended 30 June	
	2004 Rm	2003 Rm
Ordinary shareholders' interest at the beginning of the year	2 412.4	2 337.3
As previously reported		2 336.1
Adjustment to opening balance arising from the change in accounting policy for the consolidation of the share trust		1.2
Movements for the year:		
Share premium arising from shares issued under share purchase scheme	54.5	39.5
Shares repurchased by subsidiary	–	(235.1)
Recognised gains and losses	383.9	270.7
Distributable reserves	406.2	306.1
Net profit attributable to ordinary shareholders	666.8	549.6
Distributions to shareholders	(271.7)	(201.3)
Net fair value adjustment on financial instruments	11.1	(42.2)
Non-distributable reserves		
Exchange differences on translation of foreign entities	(22.3)	(35.4)
Ordinary shareholders' interest at the end of the year	2 850.8	2 412.4

balance sheet

	At 30 June	
	2004 Rm	2003 Rm
ASSETS		
Non-current assets	1 757.7	1 560.2
Property, plant and equipment	1 192.4	1 037.6
Investments	18.6	12.4
Loans to customers	162.5	182.3
Participation in export partnerships	171.6	183.2
Goodwill	–	10.1
Other loans	143.9	117.7
Deferred tax	68.7	16.9
Current assets	3 992.3	3 235.3
Inventories	576.4	564.4
Woolworths card debtors	2 148.2	1 669.3
Credit card receivables	178.7	105.9
Accounts receivable	459.4	382.2
Loans to customers	415.6	273.1
Tax	26.0	24.4
Cash	188.0	216.0
Total assets	5 750.0	4 795.5
EQUITY AND LIABILITIES		
Capital and reserves	2 873.2	2 434.6
Ordinary shareholders' interest	2 850.8	2 412.4
Outside shareholders' interest	22.4	22.2
Non-current liabilities	337.8	285.1
Post-retirement medical-aid liability	151.2	130.8
Deferred tax	186.6	154.3
Current liabilities	2 539.0	2 075.8
Accounts payable	1 132.9	1 039.3
Provisions	113.6	111.5
Tax	154.6	194.3
Interest bearing borrowings	1 137.9	730.7
Total equity and liabilities	5 750.0	4 795.5
Net asset book value – per share (cents)	328.3	282.8
GROUP ANALYSIS		
Total assets	5 750.0	4 795.5
Woolworths	5 429.4	4 431.6
Country Road	320.6	363.9
Inventories	576.4	564.4
Woolworths	472.6	433.3
Country Road	103.8	131.1
Approved commitments for capital expenditure for the next financial year	298.5	189.2
Woolworths	259.1	152.6
Country Road	39.4	36.6

segmental analysis

Operating results	Revenue			Net profit before tax		
	2004 Rm	2003 Rm	% change	2004 Rm	2003 Rm	% change
Retail						
Woolworths	9 751.2	8 466.6	15.2	715.6	550.1	30.1
Country Road	948.6	1 081.9	(12.3)	8.8	13.1	(32.8)
Financial services	647.3	601.7	7.6	212.3	215.2	(1.3)
Intragroup	(65.4)	(55.4)				
Total group	11 281.7	10 094.8	11.8	936.7	778.4	20.3
Balance sheets						
Retail						
Woolworths	911.8	788.5	15.6	61.1	47.0	
Country Road	186.8	185.4	0.8	4.8	5.4	
Financial services	1 774.6	1 460.7	21.5	9.3	11.1	
Total group	2 873.2	2 434.6	18.0	25.7	23.7	

notes

1. The financial statements comply with South African Statements of Generally Accepted Accounting Practice. Accounting policies used are consistent with those applicable for the June 2003 financial statements, except as follows:

Following the recommendation issued by the JSE Securities Exchange, the Woolworths Holdings Share Trust was consolidated. As a result, a cumulative adjustment to increase the opening retained profit in the prior year of R1.2m was required. There was no effect on the income statement.

The format of the cash flow statement has been revised to include cash applied to financial services assets as a separate line item under operating activities. The cash flow from the Woolworths card debtors was previously included in working capital movements. Cash flows from loans to customers and credit card receivables have been reclassified from investing to operating activities.

2. Exceptional items

	2004	2003
Goodwill amortisation	10.1	10.0
Provision for onerous lease commitments	6.3	13.7
Reversal of provision for loss on discontinuance	–	(1.5)
	16.4	22.2

There is no tax effect arising from the exceptional items, other than in respect of the onerous lease provision, of R1.9m (2003: R4.1m).

- The effective tax rate of 28.7% (2003: 29.2%) is mainly due to the utilisation of tax losses in subsidiaries.
- The difference between earnings per share and diluted earnings per share results from outstanding options.
- Distributions comprise the interim distribution of 13.0c per share, paid on 8 March 2004 and the final distribution from share premium of 25.5c per share declared on 18 August 2004.
- Gross capital expenditure on property, plant and equipment

	2004	2003
Woolworths	392.5	377.9
Country Road	33.9	36.2
	426.4	414.1

7. Unutilised banking facilities amount to R1 098.7m (2003: R1 266.8m). In terms of the Articles of Association, there is no limit on the group's authority to raise interest bearing debt.

8. The group's annual financial statements have been audited by the group's joint auditors Ernst & Young and SAB & T Inc and a copy of their unqualified report is available for inspection at the company's registered office.