

audited group results for the year ended 30 June 2003

income statement

	Note	Year ended 30 June		
		2003	2002	%
		Rm	Rm	Change
Revenue		10 094.8	9 020.7	11.9
Continuing operations		10 094.8	8 825.6	14.4
Discontinued operations		–	195.1	
Continuing operations		9 500.3	8 421.4	12.8
Turnover		9 500.3	8 421.4	12.8
Cost of merchandise		6 358.6	5 571.8	14.1
Gross profit		3 141.7	2 849.6	10.3
Other revenue		594.5	404.2	47.1
Expenses		2 848.2	2 568.6	10.9
Depreciation		227.1	213.5	6.4
Occupancy cost		512.4	503.4	1.8
Employment cost		1 276.5	1 158.2	10.2
Other operating cost		832.2	693.5	20.0
Operating profit		888.0	685.2	29.6
Interest paid		87.4	44.5	96.4
Net profit before exceptional items		800.6	640.7	25.0
Exceptional items	2	(23.7)	(41.5)	
Net profit before tax		776.9	599.2	29.7
Tax	3	227.4	203.6	11.7
Net profit after tax		549.5	395.6	38.9
Outside shareholders' interest		(1.2)	(2.1)	
Net profit from continuing operations		548.3	393.5	39.3
Discontinued operations		–	(14.0)	–
Operating loss		–	(14.0)	
Interest paid		–	(0.7)	
Loss from discontinued operations		–	(14.7)	
Exceptional items	2	1.5	(139.6)	
Outside shareholders' interest		(0.2)	18.8	
Net profit/(loss) from discontinued operations		1.3	(135.5)	–
Total group		549.6	258.0	113.0
Net profit attributable to ordinary shareholders		549.6	258.0	113.0
Reconciliation of headline earnings		549.6	258.0	113.0
Attributable earnings – all operations		549.6	258.0	113.0
Goodwill amortisation		10.0	12.1	
Loss/(profit) on disposal of property, plant and equipment net of outside shareholders' interest		4.9	(8.8)	
(Profit)/loss on discontinuance, net of outside shareholders' interest		(1.3)	115.6	
Loss on disposal of listed investment		–	4.8	
Impairment of property		–	17.2	
Headline earnings		563.2	398.9	41.2
Net loss from discontinued operations net of outside shareholders' interest		–	19.9	
Headline earnings from continuing operations		563.2	418.8	34.5
Headline earnings per share (cents)		64.8	44.0	47.3
– All operations		64.8	44.0	47.3
– Continuing operations		64.8	46.2	40.3
Earnings per share (cents)		63.3	28.5	122.1
– All operations		63.3	28.5	122.1
– Continuing operations		63.1	43.4	45.4
Diluted earnings per share (cents)	4	61.9	28.0	121.1
Distributions per share (cents)	5	29.0	20.0	45.0
Distribution cover (based on headline earnings from continuing operations)		2.2	2.3	
Number of shares in issue (millions)		853.1	889.7	-4.1
Weighted average number of shares in issue (millions)		868.5	905.7	-4.1
group analysis		9 500.3	8 421.4	12.8
Revenue		9 500.3	8 421.4	12.8
Turnover		8 430.0	7 302.0	15.4
Woolworths		4 280.4	3 834.1	11.6
– Clothing and home		3 980.8	3 302.1	20.6
– Foods		168.8	165.8	1.8
– Logistics services and other		1 070.3	1 119.4	-4.4
Country Road – continuing operations		522.3	355.5	46.9
Interest		72.2	48.7	48.3
Other revenue		–	–	–
Continuing operations		10 094.8	8 825.6	14.4
Discontinued operations		–	195.1	
		10 094.8	9 020.7	11.9
Operating profit		870.7	663.1	31.3
Woolworths		17.3	22.1	-21.7
Country Road		888.0	685.2	29.6
Continuing operations		–	(14.0)	
Discontinued operations		888.0	671.2	32.3

cash flow statement

	Year ended 30 June	
	2003	2002
	Rm	Rm
Cash flow from operating activities		
Cash inflow from trading	657.6	581.7
Working capital movements	(209.7)	(262.1)
Cash generated by operating activities	447.9	319.6
Interest received	519.5	355.5
Interest paid	(87.4)	(45.2)
Tax paid	(191.7)	(284.5)
Cash generated by operations	688.3	345.4
Distributions to shareholders	(201.3)	(145.8)
Net cash inflow from operating activities	487.0	199.6
Continuing operations	487.0	187.3
Discontinued operations	–	12.3
Cash outflow from investing activities	(445.6)	(405.0)
Cash flow from financing activities		
Shares issued	39.5	41.3
Shares repurchased by subsidiary	(235.1)	(134.7)
Net cash outflow from financing activities	(195.6)	(93.4)
Decrease in cash and cash equivalents	(154.2)	(298.8)
Cash and cash equivalents at the beginning of the year	(361.7)	(64.0)
Cash acquired on acquisition of subsidiary	10.2	0.2
Effect of foreign exchange rate changes	(8.0)	0.9
Cash and cash equivalents at the end of the year	(513.7)	(361.7)
group analysis		
Cash generated by operations – before tax	880.0	629.9
Woolworths	820.9	579.1
Country Road	59.1	50.8

balance sheet

	Year ended 30 June	
	2003	2002
	Rm	Rm
assets		
Non-current assets	1 556.8	1 535.2
Property, plant and equipment	1 037.6	916.1
Investments	12.4	81.4
Loans to customers	182.3	180.2
Participation in export partnerships	183.2	210.0
Goodwill	10.1	20.1
Other loans	114.3	112.6
Deferred tax	16.9	14.8
Current assets	3 235.3	2 528.6
Inventories	564.4	511.2
Woolworths card debtors	1 669.3	1 348.7
Credit card receivables	105.9	–
Accounts receivable	382.2	347.1
Loans to customers	273.1	201.5
Tax	24.4	1.6
Cash and cash equivalents	216.0	118.5
Total assets	4 792.1	4 063.8
equity and liabilities		
Capital and reserves	2 433.4	2 375.8
Ordinary shareholders' interest	2 411.2	2 350.2
Outside shareholders' interest	22.2	25.6
Non-current liabilities	285.1	300.8
Post-retirement medical aid liability	130.8	111.0
Deferred tax	154.3	189.8
Current liabilities	2 073.6	1 387.2
Accounts payable	1 038.1	713.3
Provisions	111.5	97.3
Tax	194.3	96.4
Interest bearing borrowings	729.7	480.2
Total equity and liabilities	4 792.1	4 063.8
Net asset book value – per share (cents)	282.6	264.2
group analysis		
Total assets	4 792.1	4 063.8
Woolworths	4 428.2	3 658.0
Country Road	363.9	405.8
Inventories	564.4	511.2
Woolworths	433.3	339.1
Country Road	131.1	172.1
Approved commitments for capital expenditure for the next financial year	189.2	237.9
Woolworths	152.6	196.7
Country Road	36.6	41.2

statement of changes in ordinary shareholders' interest

	Year ended 30 June	
	2003	2002
	Rm	Rm
Ordinary shareholders' interest at the beginning of the year	2 336.1	2 238.4
As previously reported	2 350.2	2 238.4
Adjustment to opening balance arising from the change in accounting policy for:		
Revaluation of listed investment to fair value	2.1	–
Unearned finance income from export partnerships	(16.2)	–
Movements for the year:		
Share premium arising from shares issued under share purchase scheme	39.5	41.3
Shares repurchased by subsidiary	(235.1)	(134.7)
Recognised gains and losses	270.7	205.2
Distributable reserves	306.1	125.1
Net profit attributable to ordinary shareholders	549.6	258.0
Distributions to shareholders	(201.3)	(145.8)
Net fair value adjustment on financial instruments	(42.2)	12.9
Non-distributable reserves		
Exchange differences on translation of foreign entities	(35.4)	87.4
Realisation of translation reserve on closure of discontinued operations	–	(7.3)
Ordinary shareholders' interest at the end of the year	2 411.2	2 350.2

notes

- The financial statements comply with South African Statements of Generally Accepted Accounting Practice. Accounting policies used are consistent with those applicable for the June 2002 financial statements, except as follows: Following the introduction of ACI 33 – Financial Instruments: recognition and measurement, gains and losses on certain qualifying financial instruments taken out as cash flow hedges for future transactions and fair value adjustments on available-for-sale financial assets are carried in equity. In addition, loans originated by the group are now reflected at amortised cost. These changes have had the effect of increasing reported profit after tax by R0.8m. In accordance with the provisions of ACI 33, comparative figures have not been restated. Certain other comparative figures have been changed to bring them in line with classifications used in the current period.
- Exceptional items

	2003	2002
	Rm	Rm
Continuing operations		
Goodwill amortisation	10.0	12.1
Provision for onerous lease commitment	13.7	7.4
Loss on disposal of listed investment	–	4.8
Impairment of property	–	17.2
	23.7	41.5
Discontinued operations		
(Profit)/loss on discontinuance	(1.5)	131.6
Restructuring costs	–	8.0
	(1.5)	139.6
	22.2	181.1

There is no tax effect arising from the exceptional items, other than in respect of the onerous lease provision of R4.1m (2002: R2.2m).
- The effective tax rate of 29.3% (2002: 34.0%) on continuing operations is mainly due to the STC charge, offset by tax adjustments of R31.5m relating to previous years, and the effect of the utilisation of tax losses.
- The difference between earnings per share and diluted earnings per share results from outstanding options in terms of the share purchase scheme.
- Distributions comprise the interim dividend of 10.5c per share, paid on 17 March 2003 and the proposed final distribution from share premium of 18.5c per share on 20 August 2003.
- Gross capital expenditure on property, plant and equipment

	2003	2002
	Rm	Rm
Woolworths	377.9	273.7
Country Road	36.2	61.3
	414.1	335.0
- Unutilised banking facilities amount to R1 266.8m (2002: R1 549.3m). In terms of the Articles of Association, the borrowing powers of the group are unlimited.
- The group's annual financial statements have been audited by the group's auditors, Ernst & Young, and a copy of their unqualified report is available for inspection at the company's registered office.

WOOLWORTHS HOLDINGS LIMITED **WHL**

A year of continued growth

- Revenue ↑ 14.4%
- Operating profit ↑ 29.6%
- HEPS ↑ 40.3%
- Proposed total distribution of 29 cents per share ↑ 45.0%

3 year compound annual growth

- Revenue ↑ 14.7%
- HEPS ↑ 36.6%
- Distribution per share ↑ 27.5%
- ROE 11.3% in 2000 to 23.7% in 2003



commentary

group results

The directors are pleased to report a significant increase of 34.5% in headline earnings from continuing operations and 40.3% in headline earnings per share from continuing operations for the financial year ended 30 June 2003. Operating profit was up 29.6% to R888,0m off an increased total revenue of R10,1bn. This result continues our consistent growth trend over the past 3 years.

trading results

WOOLWORTHS

The strong consumer demand experienced in late 2002 was countered by a softening in 2003 caused by continuing high prices together with high interest rates and the late arrival of winter.

Against this background Woolworths sales increased by 15.4% in the 52-week period compared to a 53-week period last year. The impact on sales of the additional week in the previous year was approximately 1.9%. Improved market share in clothing and in foods were key factors in the sales achievement. High inflation relative to the prior year also contributed to increased turnover.

The store expansion programme delivered an additional 33 stores in South Africa and internationally. Locally, the bulk of our new food stores opened in the last quarter and are expected to contribute more significantly to next year's sales growth.

Operating profit increased by 31.3% and was assisted by the high interest rates on the debtors books, tight cost control and the close attention to primary buying margins. The overall gross profit margin was slightly lower than last year reflecting the increase in foods and franchise sales contribution.

The Clothing and Home division grew sales by 11.6% against the 53 weeks last year and 10.2% within comparable South African stores. Womanswear, menswear and footwear continued to perform well and grew market share while childrenswear and homeware performed below expectations. Childrenswear will focus on better segmentation of age groups and increased fashionability. Improvements have been made to the buying division structure of homeware and a new innovative range will be launched. A store refurbishment programme aimed at modernising the presentation of our offer will commence over the next year.

Overall the market is responding well to our merchandise strategy of consistently offering our customers beautiful products of exceptional quality and value in a modern exciting shopping experience. We expect this to continue.

The Food division exceeded our expectations and sales increased by 20.6% against the 53 weeks last year and 14.7% within comparable South African stores. The growth in this period was bolstered by the opening of new smaller stores. Sales slowed somewhat as inflation figures came off their December highs, further exacerbated by the plastic bag charging which was introduced in May this year.

Customers are responding positively to our strategy to provide safe, nutritious and delicious food conveniently at good value across a comprehensive range and are increasingly choosing Woolworths to do their main shop. An uplift in product volumes in categories where inflation is lowest and the opening of approximately 20 stores, should provide this division with real growth in the years ahead.

Woolworths Financial Services achieved substantial growth in retail, credit card and personal loan books of 23.9%. Performance was bolstered by high interest rates experienced throughout the year. Bad debts were well managed and the net bad debt experience for the period improved. A clearer understanding of our mainly female customers, together with the introduction of a loyalty programme linked to our Visa card, rewarding customers with Woolworths Points, is expected to show positive results in the future.

Franchise stores achieved retail sales in excess of R1bn for the first time during the period through 110 stores; 53 located in South Africa, 47 elsewhere in Africa and 10 in the Gulf. African stores traded above expectations while the Gulf region was depressed due to the tensions of war. The international business has been affected by the strong rand which remains a concern. A greater focus on delivering product which meets the customers' needs in each market through the introduction of a revised supply chain process should provide a solid foundation for the future growth of the franchise division.



WOOLWORTHS
the difference

COUNTRY ROAD (from continuing operations)

Despite positive economic conditions in Australia, the clothing retail environment was tough. The decrease in consumer spend was exacerbated by strong competition which saw the major department stores discounting heavily.

Sales during the period in Australian dollar terms remained at similar levels to the previous year. The profit for this period of A\$2.4m (2002 A\$1.1m) was achieved against a background of significant change in the business and further sustainable cost reductions. The transformation of the supply chain processes and systems was completed and is now contributing to improved availability.

An important step has been taken with the decision to adopt a more retail-focused business model by reducing the wholesale-based component which should lead to a less complex and more efficient business.

financial

Over the last 3 years we have concentrated on improving our use of shareholder funds. ROE has grown steadily from 11.3% in June 2000 to 23.7% in the current year. The effect of our share buy-back programme has increased our HEPS by 5.8% in the current period.

buy-back of shares

During the year E-Com Investments 16 (Pty) Limited, a subsidiary of the company, repurchased 49 277 007 shares of the company's issued share capital at a cost of R235.1 million bringing the total buy-back to date to 82 415 720 (8.8%) shares at a cost of R369.8 million.

cash distribution

Notice is hereby given that the board of directors has proposed a cash distribution of 18.5 cents per share, in lieu of an ordinary final dividend, by way of a reduction of the share premium account, for the year ended 30 June 2003, subject to approval by shareholders. A circular, incorporating the details of the capital reduction and the cash distribution and notice of a general meeting of shareholders, will be posted to shareholders on 28 August 2003.

prospects

In the last three months of this reporting year trading conditions were tough and we expect this to continue through the first half of the new financial year.

However we believe that in South Africa the ongoing impact of reducing interest rates should, together with real easing of inflation, lead to an increase in our customers' disposable income and confidence by the second half of the financial year.

This, together with our organic growth strategies, leads the Board to be confident about continuing to deliver further growth for the year ahead.

On behalf of the Board of Directors.

DA Hawton
Chairman

Cape Town
21 August 2003

SN Susman
Chief executive officer

directorate

Non-executive directors DA Hawton (Chairman), M Barnes (British), NL Colne (British), BJ Frost, SV Zilwa

Executive directors SN Susman (CEO), MR Canning, GP de Kock, RJD Inskip, NW Thomson

Company Secretary CL Lowe

Woolworths Holdings Limited Company registration number 1929/001986/06

Share code WHL **ISIN** ZAE00028288

Auditors Ernst & Young

Sponsor HSBC Investment Services (Africa) (Pty) Ltd

Registered Office Woolworths House, 93 Longmarket Street, Cape Town 8001

Transfer Secretaries Computershare Limited, 70 Marshall Street, Johannesburg 2001

visit our investor relations site:

www.woolworthsholdings.co.za