



## 2005 highlights

Revenue up **15.1%**

Operating profit up **24.3%**

HEPS up **22.0%**

ROE up to **33.5%**

Distribution per share up **40.3%**

another year of  
continued growth



## commentary

### Group results

The board is pleased to announce another set of solid results. Headline earnings per share for the financial year to June 2005 increased by 22.0% from 75.5 cents to 92.1 cents per share, achieving a five-year compound growth of 33.3%. Return on equity grew to 33.5% in 2005 from 10.7% in 2000. A dividend payment of 15.5 cents per share and a final distribution from the share premium account of 20 cents per share is declared taking total distributions for the year to 54 cents per share, up 40.3% from last year.

### Trading environment

In South Africa, trading conditions remained buoyant throughout the year as the emerging black market and general consumer confidence continued to be strong through lower interest rates, low inflation and an increase in disposable income.

### Financial review

Group revenue increased by 15.1% to R13.0bn.

Operating profit for the group increased by 24.3% to R1.3bn on the back of strong food sales, interest income growth and good cost control. The group's gross profit percentage decreased from 33.4% to 32.8% due to mix changes in our different businesses and markdowns in the clothing divisions of Woolworths and Country Road. Finance costs increased by 40.5% primarily due to the change in capital restructuring resulting from the R1bn share repurchase undertaken in the last quarter. This is in line with our objective to optimally gear our financial services business.

### Operational review

#### WOOLWORTHS

##### Retail

Net profit before tax in the retail segment grew by 27.3% to R866m.

**Clothing and Home** sales grew by 11.6% and by 8.3% in comparable stores with an average deflation rate of approximately 1% over the financial period. The growth in sales in the second half improved. We are implementing a buying process to further enhance our quality differentiation and improve range structuring. Our sourcing strategy remains to support the South African clothing industry where possible. We procure abroad where we cannot find the right prices or capacity locally.

**Foods** performed exceptionally well throughout the year with sales growing by 19.4% and 11.4% in comparable stores with an average inflation rate of 3% over the period. During the period market share increased to 8.0%. The continued strong growth was fuelled by our roll-out of stores, our relentless pursuit of our good food strategy and our drive to ensure that Woolworths becomes our customers' main shop. Our convenience food stores are now successfully penetrating more middle income residential areas.

##### Real estate

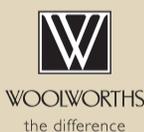
Ten full line stores and nine food stores were opened during the period, resulting in a 7.5% footage increase in Foods and 4.4% in Clothing and Home over the period.

##### Franchise

Franchise stores within South Africa performed well, whilst trade in the rest of Africa was mixed. Trading in the Middle East continued to be tough, but encouraging results have been experienced in the last few months as improvements in our supply chain resulted in more appropriate seasonal ranges being offered.

##### Financial services

Our in-store card, credit card and personal loan books grew by 23.8%. Net profit before tax increased from R212.3m to R224.8m despite the impact of lower interest rates, an increase in interest paid in respect of the securitisation and a strategic decision to grow credit more aggressively resulting in an acceptable increase in bad debt. Net bad debts on the total book were well managed representing 2.4% of advances.



The debt ratio at year-end increased from 39% to 68% as a result of the balance sheet restructure. The resulting increase in ROE from 9.3% to 11.2% did not reflect the full annualised effect as the restructure occurred during the last quarter.

### COUNTRY ROAD

Sales in Country Road were 9% higher in Australian dollar terms, with volume growth in excess of 30%. Margins were impacted by significant one-off costs associated with the transition to the new design processes, as well as higher markdowns taken to clear winter stocks following an unseasonably warm winter.

Net profit before tax increased from A\$2.5m to A\$3.2m after taking into account the change in accounting for distribution costs which had a once-off enhancement of A\$0.9m.

### Prospects

We expect our portfolio of businesses to again show solid growth in the year ahead, although we do not expect consumer growth to be at the same level of the last two years. The return on equity will improve with the full impact of the balance sheet restructure.

### Empowerment plans

Woolworths continues to be engaged in the black economic empowerment process. We are presently developing a plan around staff ownership, the majority of whom are black. We will approach shareholders on this during the course of this financial year.

**DA Hawton**

Chairman

**SN Susman**

Chief executive officer

Cape Town, 24 August 2005

### Dividend payment and cash distribution

Notice is hereby given that the directors declared a final dividend of 15.5 cents per share and a cash distribution of 20 cents per share for the six months ended 30 June 2005. The cash distribution will be made by way of a reduction in the share premium account. Both the dividend payment and the cash distribution will be made in terms of the general authority to make payments to shareholders, granted at the annual general meeting held in November 2004.

Shareholders are advised that the last day to trade in order to participate in the dividend payment and cash distribution will be on Friday, 9 September 2005. The shares will trade "ex" the dividend and distribution on Monday, 12 September 2005 and the record date will be Friday, 16 September 2005. The amounts will be payable on Monday, 19 September 2005.

Share certificates may not be dematerialised or rematerialised between Monday, 12 September 2005 and Friday, 16 September 2005 both days inclusive.

### CL Lowe

Group secretary

Cape Town, 24 August 2005

## directorate and statutory information

**Non-executive directors:** Buddy Hawton (Chairman), Mair Barnes (British), Nigel Colne (British), Nolutha Fakude, Brian Frost, Mike Leeming, Chris Nissen, Sindi Zilwa

**Executive directors:** Simon Susman (CEO), Richard Inskip, Norman Thomson

**Group secretary:** Cherrie Lowe **Share code:** WHL **ISIN:** ZAE000063863

**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

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[www.woolworthsholdings.co.za](http://www.woolworthsholdings.co.za)

# audited group results for the year ended 30 June 2005

## income statement

	Year ended 30 June			
	Note	2005 Rm	2004 Rm	% change
<b>Revenue</b>		<b>12 988.9</b>	<b>11 281.7</b>	15.1
Turnover		12 220.7	10 648.8	14.8
Cost of merchandise		8 207.6	7 091.4	15.7
<b>Gross profit</b>		<b>4 013.1</b>	<b>3 557.4</b>	12.8
Other revenue		768.2	632.9	21.4
<b>Expenses</b>		<b>3 517.1</b>	<b>3 173.1</b>	10.8
Depreciation		262.1	232.8	12.6
Occupancy cost		609.8	589.0	3.5
Employment cost		1 449.6	1 303.2	11.2
Other operating cost		1 195.6	1 048.1	14.1
<b>Operating profit</b>		<b>1 264.2</b>	<b>1 017.2</b>	24.3
Finance costs		152.7	108.7	40.5
<b>Net profit before exceptional items</b>		<b>1 111.5</b>	<b>908.5</b>	22.3
Exceptional items		–	(10.1)	
<b>Net profit before tax</b>		<b>1 111.5</b>	<b>898.4</b>	23.7
Tax	2	307.7	257.4	19.5
<b>Net profit after tax</b>		<b>803.8</b>	<b>641.0</b>	25.4
Outside shareholders' interest		(2.2)	(0.7)	
<b>Net profit attributable to ordinary shareholders</b>		<b>801.6</b>	<b>640.3</b>	25.2
<b>Reconciliation of headline earnings</b>				
Attributable earnings		801.6	640.3	25.2
Reversal of provision for impairment of property		(15.5)	–	
Profit on disposal of investment in unit trust		(7.9)	–	
(Profit)/loss on disposal of property, plant and equipment net of outside shareholders' interest		(0.9)	0.1	
Provision for impairment of plant and equipment		0.5	–	
Foreign exchange loss realised on repayment of loan by subsidiary		4.1	–	
Goodwill amortisation		–	10.1	
<b>Headline earnings</b>		<b>781.9</b>	<b>650.5</b>	20.2
<b>Headline earnings per share (cents)</b>		<b>92.1</b>	<b>75.5</b>	22.0
<b>Diluted headline earnings per share (cents)</b>	3	<b>89.7</b>	<b>73.4</b>	22.2
<b>Earnings per share (cents)</b>		<b>94.4</b>	<b>74.3</b>	27.1
<b>Diluted earnings per share (cents)</b>	3	<b>92.0</b>	<b>72.3</b>	27.2
Distributions per share (cents)	4	54.0	38.5	40.3
Distribution cover (based on earnings per share)	4	1.7	1.9	
Number of shares in issue (millions)		787.2	868.3	(9.3)
Weighted average number of shares in issue (millions)		849.4	861.2	(1.4)
<b>GROUP ANALYSIS</b>				
<b>Revenue</b>				
Turnover		12 220.7	10 648.8	14.8
Woolworths		11 238.6	9 715.4	15.7
– Clothing and home		5 349.5	4 792.2	11.6
– Foods		5 666.0	4 747.1	19.4
– Logistics services and other		223.1	176.1	26.7
Country Road		982.1	933.4	5.2
Interest		641.7	543.4	18.1
Other revenue		126.5	89.5	41.3
		12 988.9	11 281.7	15.1
<b>Operating profit</b>				
Retail				
Woolworths		866.0	690.6	25.4
Country Road		24.4	10.2	139.2
Financial services		373.8	316.4	18.1
		1 264.2	1 017.2	24.3

## cash flow statement

	Year ended 30 June		
	2005 Rm	2004 Rm	
<b>Cash flow from operating activities</b>			
Cash inflow from trading	996.5	794.4	
Working capital movements	(228.4)	(7.5)	
Cash applied to financial services assets	(722.0)	(709.8)	
<b>Cash generated by operating activities</b>	<b>46.1</b>	<b>77.1</b>	
Interest received	638.0	540.9	
Finance costs paid	(149.9)	(105.8)	
Tax paid	(314.6)	(331.5)	
<b>Cash generated by operations</b>	<b>219.6</b>	<b>180.7</b>	
Distributions to shareholders	(384.2)	(271.7)	
<b>Net cash outflow from operating activities</b>	<b>(164.6)</b>	<b>(91.0)</b>	
<b>Cash outflow from investing activities</b>	<b>(312.6)</b>	<b>(393.2)</b>	
<b>Cash flow from financing activities</b>			
Shares issued	63.2	54.5	
Shares repurchased	(1 002.0)	–	
Notes issued	1 900.0	–	
Non-current borrowings raised	500.0	–	
Capital restructuring costs	(18.4)	–	
<b>Net cash inflow from financing activities</b>	<b>1 442.8</b>	<b>54.5</b>	
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>965.6</b>	<b>(429.7)</b>	
<b>Cash and cash equivalents at the beginning of the year</b>	<b>(949.9)</b>	<b>(514.7)</b>	
<b>Effect of foreign exchange rate changes</b>	<b>7.6</b>	<b>(5.5)</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>23.3</b>	<b>(949.9)</b>	
<b>GROUP ANALYSIS</b>			
<b>Cash generated by operations – before tax</b>	<b>534.2</b>	<b>512.2</b>	
Woolworths	482.3	472.8	
Country Road	51.9	39.4	

## statement of changes in ordinary shareholders' interest

	Year ended 30 June		
	2005 Rm	2004 Rm	
<b>Ordinary shareholders' interest at the beginning of the year</b>	<b>2 581.3</b>	<b>2 169.4</b>	
As previously reported		2 412.4	
Change in accounting treatment of operating leases		(243.0)	
<b>Movements for the year:</b>			
<b>Share premium arising from shares issued under share purchase scheme</b>	<b>63.2</b>	<b>54.5</b>	
Shares repurchased	(1 002.0)	–	
<b>Recognised gains and losses</b>	<b>447.7</b>	<b>357.4</b>	
<b>Distributable reserves</b>	<b>412.5</b>	<b>379.7</b>	
Net profit attributable to ordinary shareholders	801.6	640.3	
Costs of capital restructuring	(18.4)	–	
Distributions to shareholders	(384.2)	(271.7)	
Net fair value adjustment on financial instruments	13.5	11.1	
<b>Non-distributable reserves</b>			
Exchange differences on translation of foreign entities	35.2	(22.3)	
<b>Ordinary shareholders' interest at the end of the year</b>	<b>2 090.2</b>	<b>2 581.3</b>	

## balance sheet

	At 30 June		
	Note	2005 Rm	2004 Rm
<b>ASSETS</b>		<b>1 942.7</b>	<b>1 873.9</b>
<b>Non-current assets</b>			
Property, plant and equipment		1 314.6	1 192.4
Investments		2.6	18.6
Loans to customers		198.7	162.5
Participation in export partnerships		79.3	171.6
Other loans		146.9	143.9
Deferred tax		200.6	184.9
<b>Current assets</b>		<b>5 094.6</b>	<b>3 992.3</b>
Inventories		683.0	576.4
Woolworths card debtors	5	2 561.8	2 148.2
Credit card receivables		309.6	178.7
Accounts receivable		777.0	459.4
Loans to customers		526.3	415.6
Tax		11.4	26.0
Cash		225.5	188.0
<b>Total assets</b>		<b>7 037.3</b>	<b>5 866.2</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>		<b>2 116.4</b>	<b>2 602.0</b>
Ordinary shareholders' interest		2 090.2	2 581.3
Outside shareholders' interest		26.2	20.7
<b>Non-current liabilities</b>		<b>3 081.4</b>	<b>725.2</b>
Interest-bearing borrowings	6	2 400.0	–
Non-interest bearing liabilities		417.3	387.4
Post-retirement medical-aid liability		174.0	151.2
Deferred tax		90.1	186.6
<b>Current liabilities</b>		<b>1 839.5</b>	<b>2 539.0</b>
Accounts payable		1 274.7	1 132.9
Provisions		117.5	113.6
Tax		245.1	154.6
Interest-bearing borrowings		202.2	1 137.9
<b>Total equity and liabilities</b>		<b>7 037.3</b>	<b>5 866.2</b>
Net asset book value – per share (cents)		265.5	297.3
<b>GROUP ANALYSIS</b>			
<b>Total assets</b>		<b>7 037.3</b>	<b>5 866.2</b>
Woolworths		6 652.6	5 539.7
Country Road		384.7	326.5
<b>Inventories</b>		<b>683.0</b>	<b>576.4</b>
Woolworths		563.0	472.6
Country Road		120.0	103.8
<b>Approved commitments for capital expenditure</b>		<b>643.2</b>	<b>298.5</b>
Woolworths		598.2	259.1
Country Road		45.0	39.4

## segmental analysis

Operating results	Revenue			Net profit before tax		
	2005 Rm	2004 Rm	% change	2005 Rm	2004 Rm	% change
<b>Retail</b>						
Woolworths	11 288.4	9 751.2	15.8	866.0	680.5	27.3
Country Road	995.1	948.6	4.9	20.7	5.6	269.6
<b>Financial services</b>	<b>773.9</b>	<b>647.3</b>	<b>19.6</b>	<b>224.8</b>	<b>212.3</b>	<b>5.9</b>
<b>Intragroup</b>	<b>(68.5)</b>	<b>(65.4)</b>				
<b>Total group</b>	<b>12 988.9</b>	<b>11 281.7</b>	<b>15.1</b>	<b>1 111.5</b>	<b>898.4</b>	<b>23.7</b>
<b>Balance sheets</b>						
<b>Retail</b>						
Woolworths	923.7	655.6	40.9	77.3	81.6	
Country Road	234.2	173.0	35.4	10.3	3.9	
<b>Financial services</b>	<b>958.5</b>	<b>1 773.4</b>	<b>(46.0)</b>	<b>11.2</b>	<b>9.3</b>	
<b>Total group</b>	<b>2 116.4</b>	<b>2 602.0</b>	<b>(18.7)</b>	<b>33.5</b>	<b>27.4</b>	

## 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 2004 financial statements, except as follows:  
On 2 August 2005 the South African Institute of Chartered Accountants issued Circular 7/2005 dealing with the requirements of AC105 – Leases, in respect of operating leases which include fixed rental increases.  
AC105 states that lease expense/income should be recognised on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit. It is now considered that the definition of a "user's benefit" is only affected by factors that impact the physical usage of the property. The straight-line method results in an equal impact in the income statement in each reporting period irrespective of the fact that cash flows differ.  
The impact of this change in interpretation on opening retained profits and current year performance is set out below:  

	2005 Rm	2004 Rm
Effect on opening retained profit	–	(243.0)
Effect on current year profit	(24.6)	(26.5)
Effect on earnings per share and headline earnings per share (cents per share)	(2.9)	(3.1)

  
The effects disclosed are net of deferred tax at the rates prevailing during the relevant year.  
Two elements of the 2004 income statement have been reclassified for comparability to the 2005 performance. Provisions raised for onerous lease contracts of R6.3m before tax have been reclassified from exceptional items to occupancy costs in order that they be included in operating results. In addition, certain operational costs of our distribution subsidiary have been reclassified from cost of sales to other operating costs. The 2004 reclassification amounts to R170.8m. This has the effect of increasing the prior year gross margin from 31.8% to 33.4%.
- The effective tax rate of 27.7% (2004: 28.7%) is mainly due to the utilisation of tax losses in subsidiaries and the reduction of the corporate tax rate from 30% in 2004 to 29% in the current year.
- The difference between earnings per share and diluted earnings per share results from outstanding options.
- Distributions comprise the interim distribution of 18.5c per share, paid on 14 March 2005 and the final distribution of 35.5c per share declared on 24 August 2005. The distribution cover, based on EPS, has been reduced to 1.7 times (1.8 times excluding the operating lease accrual) from 1.9 times in respect of the 2004 year (2 times excluding the operating lease accrual).
- In February 2005 R2 323.6m of Woolworths card debtors were sold to Account On Us (Proprietary) Limited ("Account On Us") as part of an asset-backed note programme. Under the programme, card debtor receivables are sold on a daily basis from Woolworths (Proprietary) Limited to Account On Us. At the balance sheet date the Woolworths card debtors includes R2 415.8m sold to Account On Us. Account On Us is consolidated into the group results under SIC 12 (AC412).
- Non-current interest-bearing borrowings includes R1 900m of notes issued under an asset-backed note programme referred to in note 5 above.
- Gross capital expenditure on property, plant and equipment  

	2005 Rm	2004 Rm
Woolworths	344.1	392.5
Country Road	41.8	33.9
	<b>385.9</b>	<b>426.4</b>
- Unutilised banking facilities amount to R2 773.9m (2004: R1 098.7m). In terms of the Articles of Association, there is no limit on the group's authority to raise interest-bearing debt.
- 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.