

Operational review – South African Retailing

Sales from our **South African Retailing** business were up by 2% in Rand, driven by effective marketing and merchandise strategies.



Alan Smart
Chief Executive
South African Retailing

This growth was achieved against a background of increasing unemployment and tough competition from other retailers on price and credit offers.

Operating profit in Rand grew by 25% while operating margin improved by over four percentage points to 25%. This improvement was driven by growth in financial services, by cost saving initiatives and by a substantial reduction in bad debt costs resulting from more stringent credit and collection policies, which were developed in conjunction with Experian.

The Rand weakened from an average rate of £1=R10.8 in 2001 to an average of R13.5 in 2002. This reduced reported sales by £30m and operating profit by £7.5m in the year. The closing rate at 31 March 2002 was R16.2.

GUS has recently hedged the value of some of its South African Retailing assets against further currency risk. This is expected to increase the Group's interest charge by about £3m in the current financial year.

| South African Retailing | | | |
|--------------------------------|-------------------|------------|-----------------------|
| 12 months to 31 March | 2002 £m | 2001 £m | Underlying change* |
| Sales | 123 | 150 | 2% |
| Operating profit | 30.9 | 30.7 | 25% |
| Operating margin | 25.2% | 20.4% | |

*at constant exchange rates