

Operational review: Other businesses

South African Retailing

As already stated, GUS intends, subject to market conditions, to arrange a partial IPO for its South African Retailing business on the Johannesburg Securities Exchange during calendar year 2004.

Sales in rand were 2% up for the year as a whole. The second half of the year was more difficult with increased competitive activity, three interest rate increases and the high level of food and petrol inflation impacting total consumer spending and durable goods in particular. Operating profit, however, increased by 13% in rand in the year, driven by further growth in financial services and by cost saving initiatives. The business currently operates 398 Lewis stores and 45 Best Electric stores.

The rand weakened further from an average rate of £1= R13.5 in 2002 to an average of R14.9 in 2003. This reduced reported sales by £12m and operating profit by £3.2m in the year. The closing rate at 31 March 2003 was R12.5.

Our South African Retailing business has a strong market position. This has been enhanced by recent consolidation in the industry, which has already led to the closure of a significant number of stores by competitors. Our business has a strong, experienced management team. Its initiatives to enhance merchandise, improve credit systems and reduce costs make it well placed for the expected recovery in consumer spending in South Africa.

Property

The joint venture with British Land disposed of a further 27 properties in the year for £55m. GUS' 50% share of operating profit was broadly in line with the prior year as the fall in rental income from sold properties was offset by small gains on disposal and increasing rents from the remaining portfolio. The joint venture's portfolio of 121 remaining properties was valued at £796m at 31 March 2003.

GUS' investment in the joint venture at 31 March 2003, including its loans to the venture, amounted to £210m. A continuing programme of property disposals is planned in the current year.

South African Retailing

12 months to 31 March	2003 £m	2002 £m	Change at constant FX rates
Sales	114	123	2%
Operating profit	31.8	30.9	13%
Operating margin	27.8%	25.2%	

Finance

General Guarantee Finance largely completed the wind down of its loan book during the year. At 31 March 2003, GGF's outstanding advances, net of provisions, were £63m, a reduction of £191m. All of the securitised debt, which had been used to fund the business, has now been repaid.

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Revenue spend largely comprised the funding of MyPoints Europe, a web-based loyalty scheme.

As both the Finance Division and gusco.com are now so small, they will be included within central costs from 1 April 2003.

Property

12 months to 31 March	2003 £m	2002 £m
Operating profit	25.9	24.8

Finance

12 months to 31 March	2003 £m	2002 £m
Operating profit	6.6	15.1

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12 months to 31 March	2003 £m	2002 £m
Operating loss ¹	(2.7)	(4.8)

¹ 2002 profit restated to exclude £4.9m loss from CreditExpert now reported in Experian North America