

Other businesses

South African Retailing

Our South African Retailing business trades as The Lewis Group, which is a leading retailer in Southern Africa, selling furniture, household and electrical goods mainly on credit, together with associated financial products. It is the largest single brand by number of stores. The Lewis Group provides consumers with distinctive convenience, choice and credit on affordable terms, resulting in significant customer loyalty. It also has a strong focus on constantly improving operational efficiency.

The Lewis Group performed strongly in 2004, with sales in rand up 13% and operating profit up 11%. Sales growth accelerated from 6% in the first half to 21% in the second half. Gross margin was unchanged and operating margin remained above 27%, slightly impacted by lower legislated service charge income. Lifestyle Living, a furniture retailer with 18 stores in the Cape area focused on higher income market segments, was acquired in October 2003. It contributed about 2% to sales growth in the full year.

Strong consumer demand in South Africa and a reduction in overcapacity in the furniture retailing industry contributed to this performance, with lower inflation, declining interest rates and a strengthening rand enabling lower prices, especially in electrical products.

The Lewis Group also made further progress with its own growth initiatives. These include the development of exclusive furniture and electrical products, enhanced training methods and innovative marketing and store promotions. Fifteen new stores are planned for 2005.

The partial IPO of The Lewis Group is planned for calendar 2004, subject to market conditions. This transaction will enable GUS to realise some value, while enhancing the development opportunities for Lewis.

The rand strengthened from an average rate of £1=R14.89 in 2003 to an average of R12.05 in 2004. This increased reported sales by £31m and operating profit by £8.3m in the year.

Central Activities

As previously announced, the results of the Finance Division and gusco.com have been included from 1 April 2003 in central costs as they are so small. Both were closed during the year, with any remaining assets sold to third parties.

Central Activities

12 months to 31 March	Operating profit/(loss)	
	2004 £m	2003 £m
Central costs	(19.9)	(19.3)
Finance division	-	6.6
gusco.com	-	(2.7)
Total	(19.9)	(15.4)

South African Retailing

12 months to 31 March	2004 £m	2003 £m	Growth at constant FX
Sales	160	114	13%
Operating profit	43.5	31.8	11%
Operating margin	27.2%	27.8%	
At 31 March			
Number of stores			
– Lewis	400	398	
– Best Electric	47	45	
– Lifestyle Living	18	-	