



The **BIDVest** Group Limited

COMMENT

Bidvest achieved satisfactory results and a solid operational performance, delivering its fourteenth consecutive year of growth. Management performed well recording significant organic growth. Operating margins improved in an environment of an appreciating currency.

The results may be below market expectation, principally due to the R117.7 million negative movement in unrealised currency losses on the translation of foreign cash resources; the R73.0 million negative impact of the dollar-based fishing operations recording lower income in local currency and the reduced quality of the catch; the R13.2 million reduced contribution from Bidcorp; and an R8.9 million non-recurring loss from a discontinued business to the date of closure.

Fourteenth consecutive year of growth

OPERATING ENVIRONMENT

The year was characterised by volatile international markets, re-inforced by the build-up to the outbreak and aftermath of the war in Iraq. The world's advanced economies recorded a real growth rate of less than 2%. South Africa's firm commitment to monetary and fiscal discipline, improvements in competitiveness and sound economic performance was recognised and rewarded by two international credit ratings. This positive sentiment also surfaced in the foreign exchange market where the rand outperformed most other currencies. High domestic interest rates and the positive balance of trade further contributed to the improved rand. Nevertheless, the Group's managers positioned their businesses to minimise the impact of the currency's volatility.

FINANCIAL HIGHLIGHTS

Revenue grew by 12.2% to R47.1 billion (2002: R42.0 billion) and the operating margin, excluding movements in translation gains on cash resources, increased to 4.8% (2002: 4.6%). Operating income amounted to R2.2 billion (2002: R2.0 billion), an increase of 11.5%.

Headline earnings increased by 13.1% to R1.5 billion (2002: R1.3 billion), with headline earnings per share increasing by 9.8% to 479.0 cents per share (2002: 436.2 cents per share). If the effects of the conversion of offshore cash resources were eliminated from the results, headline earnings per share would have increased by 20.4%.

A compound growth rate in headline earnings per share over the past twelve years of 27.7% per annum has been achieved.

Income attributable to shareholders increased by 11.4% to R1.4 billion (2002: R1.2 billion).

Total distributions to shareholders increased by 15.8% to 220.0 cents per share (2002: 190.0 cents per share).

Bidvest bought back shares worth R401.3 million. This in no way reflects on the considerable prospects available to the Group. The balance sheet remains strong, with adequate funding capability to pursue opportunities as and when they arise.

The Group is currently unencumbered on a net basis, yet is generating returns in excess of its cost of capital. Given the right circumstances Bidvest would increase its debt to equity ratio to 40%.

Fitch Ratings reaffirmed our credit rating as a AA- (zaf).

BUSINESS HIGHLIGHTS

BLACK ECONOMIC EMPOWERMENT

Black economic empowerment (BEE) in South Africa is both a business and national imperative and considerable management resources were focused on evaluating the role of BEE within Bidvest and creating an innovative solution.

In July 2003 Bidvest announced a major BEE initiative whereby Dinatla, a dedicated and credible, broad based empowerment consortium, would, subject to shareholder approval, become a 15% shareholder in the Group. The initiative is well on track and the required documentation is almost complete. We expect to implement the initiative by early November 2003, further evolving Bidvest into a truly empowered organisation.

Bidvest is one of only three South African companies included in the Dow Jones Sustainability Index

CORPORATE GOVERNANCE

Good corporate governance has always been an important part of the Bidvest culture, where it is a way of life rather than a set of rules. Bidvest is one of only three South African companies included in the Dow Jones Sustainability Index, selected on the basis of strategy, innovation, financial performance and stakeholder relations.

One needs to guard against restrictive corporate governance where undue administrative requirements place pressure on businesses. Notwithstanding this, Bidvest's entrepreneurial flair is maintained within the bounds of good corporate governance.

We are confident that our corporate governance meets the highest standard and will continue to contribute to sustained value creation and long-term performance.

The composition and size of the Board will be reviewed in light of the recently announced BEE initiative.

STRATEGIC REVIEW

Bidvest is ideally positioned for growth with control over our routes to market and distribution channels. Our solid international businesses are poised for further expansion and recognised empowerment credentials will further drive local growth. The businesses are finely tuned and we have excellent management teams.

Customers drive our business strategy

Bidvest has developed and operates primarily in emerging markets, where diversification creates critical mass, providing the funds and management talent from existing operations to expand, start and fund new ventures. Management talent is cultivated by exposure to a wide variety of situations. From our diversity we build strength.

Customers drive our business strategy. We continually look at our product and service offerings in light of the ever-changing customer requirements and grow and develop our businesses accordingly – extending our reach into each customer. Related diversification around common operations or functions to the same set of customers removes volume constraints imposed by the size of a given industry.

The success of Bidvest's decentralised and entrepreneurial strategy has shown that sustainable results are not only created in growing markets. Bidvest has consistently improved its performance in sometimes stagnant and often mature industries through increased efficiencies and market share growth.

The Group remains acquisitive by nature and committed to expanding its distribution, services and trading strategy. Bidvest uses acquisitions not to achieve breakthrough, but rather to accelerate momentum. Finding the right acquisitions at the right price and at the right time requires skill and patience. Successful acquisitions require the insight and experience to facilitate a smooth integration. Bidvest is well known for its ability to identify underperforming assets and to achieve remarkable turnarounds.

Bidvest continues to look for acquisitions in South Africa and abroad to expand our service offerings. Progress has been made in South Africa in the development of our integrated service solution concept and cross-selling between Group companies, particularly through mymarket.com, is beginning to gain impetus.

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OPERATIONAL REVIEW

THE SERVICES DIVISION

The Services Division comprises Bidfreight, Bidserv and Rennie Financial Services. The division grew revenue by 11.4% to R18.3 billion (2002: R16.4 billion). Operating income at R750.5 million (2002: R718.6 million) represents a 4.4% increase.

Bidfreight

Bidfreight's revenue (excluding Bidcorp plc and Namso) increased by 5.3% to R13.7 billion (2002: R12.9 billion) and operating income increased by 11.1% to R395.4 million (2002: R355.9 million).

Bidfreight experienced a year where the strengthening rand/dollar exchange rate impacted the profitability of the division. Imports into South Africa have generally shown only a modest response to the strengthening currency whilst exports to the developed world are becoming less competitive and increasingly less profitable. We continue to liaise and work closely with Transnet to assist where possible to convert road traffic back to rail and to find workable solutions to the bottlenecks in the transport infrastructure, particularly in the ports. The restructuring of Portnet into the National Ports Authority and the South African Port Operations is progressing well and the division looks forward to the start of the anticipated port concessioning process. Bidfreight, and in particular the terminals operations, are well positioned to benefit from concessions in its fields of expertise.

Bidcorp plc

The restructuring and weaker markets, particularly in the last six months, have delayed the turnaround of Bidcorp, but significant progress, at a cost, has been made. A solid foundation, from which to move forward, has been established.

Bidserv

Bidserv's revenue increased by 15.2% to R1.7 billion (2002: R1.5 billion) and operating income increased by 24.1% to R166.7 million (2002: R134.3 million).

Bidserv operates in the soft services sector of the facilities management industry and supplies a wide range of services throughout South Africa. A general move by the market to formal tender processes resulted in tougher trading conditions, particularly in the latter part of the financial year. The division's extensive national footprint, superior service and product quality resulted in a high percentage of contract wins. Bidserv increased its market share and improved margins.

Rennie Financial Services

Rennie Financial Services' (Renfin) revenue increased by 20.0% to R642.1 million (2002: R534.9 million) and operating income increased by 42.2% to R156.1 million (2002: R109.7 million).

It was a year of mixed fortunes for Renfin. All operations enjoyed more positive trading conditions in the first half of the year. The second half of the year was, however, marked by traveller anxieties in the lead up to the Iraqi war, which turned out to have only a minor impact on travel patterns, and the outbreak and rapid spread of the SARS virus, which had a devastating effect on global travel suppliers as much travel was postponed. Rennie Bank showed excellent growth and its short-term A2 rating was reconfirmed. A long-term BBB rating was also awarded.

Notwithstanding the strength of the currency, tourist flow to South Africa continues.

THE FOODSERVICE PRODUCTS DIVISION

The Foodservice Products Division comprises Bidvest plc, Caterplus and Combined Foods, which are focused on the supply and distribution of foodservice products to the leisure, hospitality and catering industries. Revenue for this division grew by 6.8% to R22.6 billion (2002: R21.1 billion). Operating income increased 25.3% to R569.4 million (2002: R672.9 million).

Bidvest plc

Bidvest plc's revenue increased by 5.3% to R19.7 billion (2002: R18.7 billion) and operating income increased by 23.5% to R569.4 million (2002: R460.9 million).

United Kingdom

3663 First for Foodservice's revenue increased by 5.4% to R15.3 billion (2002: R14.6 billion) and operating income increased by 23.5% to R457.0 million (2002: R369.7 million).

The acquisition of Switbank is a strategically important step to building a competency platform to distribute fresh product to the foodservice marketplace, extending the products and services offered.

Bidvest uses acquisitions not to achieve breakthrough, but rather to accelerate momentum

Australasia

Bidvest Australasia's revenue increased by 4.8% to R4.4 billion (2002: R4.2 billion) and operating income increased by 22.4% to R119.9 million (2002: R97.9 million).

A number of small acquisitions were made, making the division a truly national foodservice products distributor in Australia and New Zealand. The non-core operation in Darwin, acquired as part of John Lewis, was sold.

Caterplus

Caterplus' revenue increased by 19.2% to R2.0 billion (2002: R1.7 billion) and operating income increased by 35.7% to R179.8 million (2002: 132.5 million).

In the first half of the financial year the declining exchange rate gave rise to significant food inflation. At the same time the country experienced a vast improvement in the numbers of domestic and foreign tourists, which boosted the resort, hotel and restaurant sectors. In the second half of the period the strengthening rand saw a sharp decline in food prices.

Combined Foods

Combined Foods' revenue increased by 17.4% to R852.7 million (2002: R726.1 million) and operating income increased by 18.4% to R94.2 million (2002: R79.6 million).

NCP Yeast reported significantly improved results and returns for the year. Chipklins Bakery Supplies remains profitable and continues to generate pleasing returns. Crown National attributes its continued success largely to its core of dedicated, loyal, experienced and committed staff. This commitment has led to a significant improvement in profitability.

THE COMMERCIAL PRODUCTS DIVISION

The Commercial Products Division comprises Bidoffice, Bidpac and Voltex, which are focused on the manufacture, trading and distribution of commercial products. Revenue for the division increased by 37.9% to R7.6 billion (2002: R5.5 billion). Operating income grew 25.8% to R613.3 million (2002: R487.7 million).

Bidoffice

Bidoffice's revenue increased by 35.0% to R4.7 billion (2002: R3.5 billion) and operating income increased by 25.5% to R393.8 million (2002: R313.7 million).

The Stationery division once again performed above expectation, delivering solid returns and generating significant cash, despite pressure on the revenue line as a result of the strengthening rand. The Printing and Related division delivered an outstanding performance as evidenced by all key indicators. Satisfactory trading conditions and improved asset management did not yield the anticipated returns in the Office Automation division due to an increased incidence of bad debts and a further investment in information technology. Cash generation was, however, much improved. The Office Furniture division greatly enhanced its contribution to Bidoffice.

We are pleased with the performance of Libotech France, which in its early stages has made a profit.

Bidpac

Bidpac's revenue increased by 16.8% to R730.6 million (2002: R625.5 million) and operating income increased by 22.5% to R103.1 million (2002: R84.1 million).

Bidpac produced pleasing results in a difficult and volatile market. Improved profitability and excellent asset management resulted in strong, positive cash flows and a substantial improvement on the return on funds employed.

Voltex

Voltex's revenue increased by 55.0% to R2.1 billion (2002: R1.4 billion) and operating income increased by 29.6% to R116.4 million (2002: R89.8 million).

Voltex experienced buoyant trading conditions to the end of December 2002 as a result of the renewed business confidence and the weaker rand, which encouraged foreign investment and capital expenditure. Government's commitment to housing projects gained momentum and further boosted the division's performance. The second half of the financial year was a period of consolidation. Cheaper imports became prevalent and facilitated the re-emergence of smaller wholesalers whose price-cutting put margins under pressure.

Bidvest's strategic patience, by not forcing the pace of acquisitions, has paid off in that the current difficult trading conditions have created numerous opportunities

PROSPECTS

Bidvest's strategic patience, not forcing the pace of acquisitions, has paid off in that the current difficult trading conditions have created numerous opportunities.

Our BEE initiative holds enormous potential. We are excited to have been able to find such an innovative solution, which will result in the empowerment of our BEE shareholders and staff, economic benefits for suppliers, access to large tenders and the social upliftment of the communities in which we operate.

Export initiatives are being developed throughout the Group, but the strengthening rand has slowed these activities.

mymarket.com is an integral part of Bidvest's technological evolution. We have responded to and are using technology with thoughtfulness and creativity, to accelerate momentum rather than create it, driven by a compulsion to turn unrealised potential into results.

As an empowered South African business, we are poised at the point of breakthrough

The restructuring of Bidcorp plc and the closure of Safcon is now behind us. We are hopeful that the underperforming businesses will make a meaningful contribution in the future.

As an empowered South African business, we are poised at the point of breakthrough.

Bidvest is proud of its achievements. We have a sound financial base, dedicated and capable management teams and exciting prospects. Management is budgeting for real growth.

We look forward with great confidence to participating in a new era in South African business together with our empowerment partners. We are certain that Bidvest will grow both organically and acquisitively, maximising opportunities to make a lasting contribution to this country.

DISTRIBUTION OUT OF SHARE PREMIUM

Notice is hereby given that a distribution out of share premium of 112.0 cents per share, in lieu of a dividend, has been awarded to members recorded in the register of the Company at close of business on Friday, September 26 2003.

Shareholders are advised that the last day to trade "CUM" the distribution will be Thursday, September 18 2003. The shares will trade "EX" distribution as from Friday, September 19 2003 and the record date will be Friday, September 26 2003. Share certificates may not be dematerialised or rematerialised during the period Friday, September 19 2003 to Friday, September 26 2003, both days inclusive. Payment will be made on Monday, September 29 2003.

In terms of the requirements of the Companies Act, the directors confirm that after the payment of the distribution the Company will be able to pay its debts as they become due in the ordinary course of business, and its consolidated assets, fairly valued, will exceed its consolidated liabilities.

In terms of article 56A of the Company's articles of association, payments amounting to R10 or less will be aggregated and donated to the Bidvest Chairman's Fund Trust, for distribution to charitable institutions.

For and on behalf of the board

B JOFFE
Executive Chairman

F Tm
Deputy Chairman

August 22 2003