

NEW CLICKS HOLDINGS LIMITED

interim group results for the six months ended 29 February 2008

turnover – continuing operations up
13.1%

diluted headline earnings per share up
25.8%

distribution per share up
25.3%

ROE increases from 22.4% to
32.7%

Commentary

Overview

New Clicks showed the resilient nature of its business by posting a pleasing level of real sales growth in the first six months of the 2008 financial year, despite an overall slowdown in consumer spending in the country. The group has benefited from this good trading and its ongoing focus on efficient cash and capital management to exceed its medium-term ROE target of 30% in the period. At the same time the group continued to invest in people, processes and stores for the long-term growth of the business.

Financial performance

Group turnover from continuing operations increased by 13.1% to R5.64 billion (2007: R4.98 billion), with selling price inflation measured at 3.4% for the six month period. Retail turnover increased by 10.7% and 8.5% on a comparable store basis, against inflation of 3.7%. UPD increased turnover by 13.6% and experienced inflation of 3.1% for the period.

Retail total income (comprising gross profit and other income) grew by 16.7% to R1.16 billion, with UPD's total income up 5.3% to R185 million.

The retail operating margin improved from 5.9% to 6.3%, while UPD's margin declined from 3.2% to 2.8%.

The 15.2% increase in group operating expenditure from continuing operations includes a provision for the employee incentive schemes which reflect the current performance of the group, set-up costs for the Blueprint retail programme and Musica store opening costs. Management expects cost growth to be contained below the level of turnover growth for the full year.

Operating profit increased 15.2% as a result of higher turnover and the improved retail margin.

The group's headline earnings increased 12.0% from R188 million to R210 million, with the results of the Discom business included in the comparative period.

Diluted headline earnings per share benefited from the share buy-back programme and grew 25.8% to 67.8 cents per share. Diluted earnings per share increased 54.0% to 82.4 cents per share, lifted by profit from the disposal of Discom, Style Studio and land adjacent to the group's head office during the period.

Inventory continued to be well managed, with stock levels increasing by only 4.9% against turnover growth of 13.1%.

During the period the group repurchased 8.8% of its issued share capital, partly funded by the proceeds of the Discom sale.

Cash flow for the period was impacted by timing differences in working capital and the group moving into a net tax cash paying position.

Trading performance

Clicks increased turnover by 11.1%, showing real sales growth of 7.4%. The performance was attributable to the growth of 16.8% in the health category and 13.5% in beauty, highlighting the defensive nature of Clicks in a tightening economy. These categories now account for 73% of total turnover in Clicks. Operating profit increased 22.6% owing to lower shrinkage and wastage, increased private label sales and further efficiencies in the supply chain.

UPD grew turnover by 13.6%, boosted by increased sales to independent pharmacies owing to the success of the Link initiative as well as benefiting from new distribution contracts. Operating profit increased 1.7%. Management anticipates that the business will show a recovery in the second half through improved operating efficiencies and increases in logistics fees.

Strong growth in DVD and gaming sales in Musica contributed to an 8.5% increase in turnover. CD sales declined owing to a lack of popular new local releases, although Musica continued to gain market share. While

operating profit for the period was flat, Musica performed in line with budget and was impacted by the opening of 11 new stores. The business is expected to show double digit profit growth for the full year.

The Body Shop grew turnover by 19.8%, supported by the success of the Love Your Body loyalty programme and new store openings. Operating profit increased by 30.4%.

Prospects

The group has clearly defined operational plans to deliver on its strategy and achieve its medium-term targets.

While the trading environment is expected to become more challenging with increasing pressures on consumer expenditure, New Clicks is a largely defensive business which is proving fairly resilient in the current economic climate. Sales for March and April have continued in line with the performance for the first half.

Full-year earnings forecast

In the absence of any unforeseen factors in the macro-economy and any marked deterioration in the trading environment, the board and management expect diluted headline earnings per share to increase by between 20% and 30% for the year to 31 August 2008. Diluted earnings

per share are forecast to grow by between 30% and 40%. These forecasts have not been audited or reviewed by the company's auditors.

Distribution

The board of directors has approved an interim distribution of 18.8 cents per share (2007: 15.0 cents), comprising a cash dividend of 3.7 cents per share and a distribution out of share premium of 15.1 cents per share in lieu of a dividend (collectively "the distribution").

Shareholders are advised of the following salient dates relating to the distribution:

Last day to trade cum the distribution	Thursday, 12 June 2008
Shares trade ex the distribution	Friday, 13 June 2008
Record date	Friday, 20 June 2008
Payment to shareholders	Monday, 23 June 2008

Share certificates may not be dematerialised or rematerialised between Friday, 13 June 2008 and Friday, 20 June 2008, both days inclusive.

By order of the Board

ALLAN SCOTT
Company Secretary

24 April 2008

Consolidated Balance Sheet

R'000	As at 29 February 2008 (unaudited)	As at 28 February 2007 (unaudited)	As at 31 August 2007 (audited)
Assets			
Non-current assets	1 168 726	1 301 579	1 188 408
Property, plant and equipment	711 322	731 901	698 964
Investment property	–	6 900	–
Intangible assets	289 174	394 395	291 339
Goodwill	83 950	83 950	83 950
Deferred tax assets	26 468	23 489	45 404
Loans receivable	57 812	60 944	68 751
Current assets	2 322 157	2 435 202	2 821 971
Inventories	1 316 347	1 460 912	1 191 847
Trade and other receivables	774 861	713 909	792 126
Income tax receivable	1 576	20 634	2 446
Loans receivable	6 722	3 184	4 616
Cash and cash equivalents	147 159	195 446	413 275
Derivative financial assets	75 492	41 117	59 391
Assets held for sale	–	–	358 270
Total assets	3 490 883	3 736 781	4 010 379
Equity and liabilities			
Capital and reserves			
Ordinary shareholders' interest	1 103 513	1 528 003	1 296 188
Non-current liabilities	326 424	353 138	331 676
Interest-bearing borrowings	72 901	113 256	77 681
Employee benefits	103 460	53 398	64 943
Deferred tax liabilities	50 181	86 281	91 692
Operating lease liability	99 882	100 203	97 360
Current liabilities	2 060 946	1 855 640	2 382 515
Bank overdraft	–	20 442	–
Trade and other payables	1 740 778	1 612 301	1 902 313
Employee benefits	92 516	71 481	127 383
Provisions	41 776	42 550	47 610
Interest-bearing borrowings	71 280	75 480	203 450
Income tax payable	114 596	33 386	86 755
Liabilities held for sale	–	–	15 004
Total equity and liabilities	3 490 883	3 736 781	4 010 379

Segmental Analysis

The split per brand of turnover and profit is as follows:

R'000	6 months to 29 February 2008 (unaudited)	6 months to 28 February 2007 (unaudited)	% change
Turnover			
Clicks	3 123 305	2 810 631	11.1
New United Pharmaceutical Distributors	2 323 219	2 045 730	13.6
Musica	521 157	480 175	8.5
The Body Shop	52 786	44 057	19.8
Style Studio	–	4 299	–
Intragroup elimination	(379 486)	(395 772)	(4.1)
Continuing operations	5 640 981	4 989 120	13.1
Discom	50 140	612 243	–
Total	5 691 121	5 601 363	1.6
Profit before interest and taxation			
Clicks	186 551	152 174	22.6
New United Pharmaceutical Distributors	66 007	64 902	1.7
Musica	36 915	36 661	0.7
The Body Shop	9 683	7 425	30.4
Style Studio	357	498	–
Intragroup elimination	422	(1 244)	–
Continuing operations	299 935	260 416	15.2
Discom	8 108	19 961	–
Total	308 043	280 377	9.9

Consolidated Income Statement

R'000	Note	6 months to 29 February 2008 (unaudited)	6 months to 28 February 2007 (unaudited)	% change	Year to 31 August 2007 (audited)
Continuing operations					
Revenue		5 878 718	5 214 863	12.7	10 529 632
Turnover		5 640 981	4 989 120	13.1	10 051 373
Cost of merchandise sold		(4 518 413)	(4 038 332)	11.9	(8 153 049)
Gross profit		1 122 568	950 788	18.1	1 898 324
Other income		226 634	220 657	2.7	462 393
Expenses		(1 049 267)	(911 029)	15.2	(1 866 889)
Depreciation and amortisation		(46 410)	(38 620)	20.2	(81 587)
Occupancy costs		(152 091)	(138 978)	9.4	(284 605)
Employment costs		(490 060)	(421 789)	16.2	(891 262)
Other costs		(360 706)	(311 642)	15.7	(609 435)
Profit/(loss) on disposal of property, plant and equipment		18 806	(812)	–	29 402
Profit on disposal of business		1 244	–	–	–
Goodwill impairment		–	–	–	(250)
Operating profit before financing costs		319 985	259 604	23.3	522 980
Net financing costs		(16 406)	(22 216)	(26.2)	(38 827)
Financial income		11 103	5 086	–	15 866
Financial expense		(27 509)	(27 302)	–	(54 693)
Profit before taxation		303 579	237 388	27.9	484 153
Income tax expense		(82 300)	(64 825)	27.0	(129 965)
Profit for the period from continuing operations		221 279	172 563	28.2	354 188
Discontinued operations					
Profit for the period from discontinued operations	1	33 681	13 601	–	26 320
Total profit for the period		254 960	186 164		380 508
Headline earnings					
Total profit for the period		254 960	186 164	37.0	380 508
Adjustments for					
Profit/(loss) on disposal of property, plant and equipment		(16 237)	1 383	–	(23 836)
Profit on disposal of business		(28 742)	–	–	–
Goodwill impairment		–	–	–	250
Headline earnings		209 981	187 547	12.0	356 922
Headline earnings per share (cents)		68.6	54.7	25.4	106.1
Diluted headline earnings per share (cents)		67.8	53.9	25.8	103.0
Earnings per share (cents)		83.3	54.3	53.4	113.2
Diluted earnings per share (cents)		82.4	53.5	54.0	109.9
Distributions per share (cents)					
Proposed/paid – June		18.8	15.0	25.3	15.0
Paid – December		–	–	–	33.2

Consolidated Statement of Changes in Equity

R'000	6 months to 29 February 2008 (unaudited)	6 months to 28 February 2007 (unaudited)	Year to 31 August 2007 (audited)
Opening shareholders' interest	1 296 188	1 593 949	1 593 949
Increase in share capital and premium	–	3 119	2 402
Increase/(decrease) in non-distributable reserve	100	20	(629)
Net cost of own shares purchased	(338 238)	(179 848)	(562 505)
Net cost of own shares cancelled	(325)	–	–
Net profit for the period	254 960	186 164	380 508
Share option reserve	2 366	2 291	3 749
Distributions to shareholders	(111 538)	(77 692)	(121 286)
Closing shareholders' interest	1 103 513	1 528 003	1 296 188

Consolidated Cash Flow Statement

R'000	6 months to 29 February 2008 (unaudited)	6 months to 28 February 2007 (unaudited)	Year to 31 August 2007 (audited)
Cash generated by operations	367 040	326 140	622 366
Working capital changes	(242 056)	175 254	520 810
Net interest paid	(13 778)	(22 216)	(36 383)
Taxation (paid)/received	(74 236)	52 553	37 504
Cash inflow from operating activities before distributions	36 970	531 731	1 144 297
Distributions paid to ordinary shareholders	(111 538)	(77 692)	(121 286)
Net cash effects of operating activities	(74 568)	454 039	1 023 011
Net cash effects of investing activities	282 484	(70 447)	(103 982)
Proceeds on disposal of business	316 356	–	–
Other investing activities	(33 872)	(70 447)	(103 982)
Net cash effects of financing activities	(474 032)	(201 699)	(498 865)
Purchase of treasury shares	(492 074)	(256 091)	(557 576)
Other financing activities	18 042	54 392	58 711
Net (decrease)/increase in cash and cash equivalents	(266 116)	181 893	420 164

Supplementary Information

	29 February 2008	28 February 2007	31 August 2007
Number of ordinary shares in issue ('000)	325 957	355 957	335 957
Weighted average number of shares in issue (net of treasury shares) ('000)	306 053	342 642	336 266
Weighted average diluted number of shares in issue (net of treasury shares) ('000)	309 581	347 803	346 372
Net asset value per share (cents)	373	453	410
Net tangible asset value per share (cents)	247	311	260
Depreciation and amortisation (R'000)	49 687	49 630	104 401
Capital expenditure (R'000)	64 791	88 229	154 622
Capital commitments (R'000)	95 300	72 371	176 000

Notes

Accounting policies

These interim financial results have been prepared in accordance with IAS 34, Interim Financial Reporting and the accounting policies used are consistent with those applicable for the 2007 annual financial statements.

1. Discontinued operations

R'000	6 months to 29 February 2008 (unaudited)	6 months to 28 February 2007 (unaudited)	Year to 31 August 2007 (audited)
Revenue from discontinued operations	51 903	629 910	1 192 255
Turnover	50 140	612 243	1 153 507
Cost of merchandise sold	(36 172)	(449 233)	(828 873)
Gross profit	13 968	163 010	324 634
Other income	1 763	17 667	38 748
Expenses	(7 623)	(160 716)	(323 421)
Depreciation and amortisation	(44)	(8 518)	(16 758)
Occupancy costs	4 118	(26 994)	(51 322)
Employment costs	(7 360)	(66 143)	(148 939)
Other costs	(4 337)	(59 061)	(106 402)
Loss on disposal of property, plant and equipment	(4)	(571)	(2 890)
Profit from operations	8 104	19 390	37 071