

Financial Highlights

		% Change	2003	2002
Income Statement				
Turnover	R'000	34.3%	7 367 739	5 487 791
Gross profit	R'000	15.1%	1 790 882	1 555 401
Operating profit	R'000	19.9%	382 003	318 560
Profit before taxation and exceptional items	R'000	36.1%	297 886	218 865
Headline earnings	R'000	40.5%	221 296	157 546
Balance Sheet				
Ordinary shareholders' interest	R'000	31.7%	1 608 510	1 221 757
Total assets	R'000	39.9%	3 453 830	2 468 580
Cash Flow				
Net cash inflow from operating activities	R'000		337 208	213 665
Net interest paid	R'000		84 117	67 220
Capital expenditure	R'000		203 005	158 005
Performance				
Turnover growth	%		34.3	25.7
Comparable stores turnover growth				
– Southern Africa	%		8.0	9.2
– Australia (A\$)	%		4.5	6.5
Gross profit margin	%		24.3	28.3
Operating profit margin	%		5.2	5.8
Inventory turn	times		5.3	5.2
Return on total assets	%		7.5	7.1
Return on shareholders' interest	%		15.6	14.1
Interest cover	times		4.5	4.7
Net interest-bearing debt to shareholders' funds at year end	%		27.7	27.8
Exchange rate (Rand/Australian Dollar)				
Average rate	R/A\$		5.11686	5.54883
Closing rate	R/A\$		4.72438	5.82403
Statistics				
Number of permanent employees			7 973	6 364
Number of stores				
– company owned			729	699
– franchised			519	516
Trading area – company owned	m ²		273 636	261 539
Share statistics				
Number of shares in issue	'000		354 118	305 172
Weighted average number of shares	'000		337 587	301 772
Headline earnings per share				
– undiluted	cents		65.6	52.2
– diluted	cents		64.5	49.7
Distribution per share	cents		26.0	24.0
Distribution cover	times		2.5	2.1
Net asset value per share	cents		454	400
Net tangible asset value per share	cents		388	341
Market capitalisation	R'000		2 354 885	1 983 618
Price earnings ratio	times		10.1	12.5
Free float	%		92.7	95.4

For an explanation of terms used, refer to the Definitions section at the end of this Annual Report.

Overview of Group Strategy

“The focus on health, beauty and lifestyle products will now be extended to include pharmacy.”



Group profile

New Clicks Holdings Limited is a specialist retail group with more than 1 200 stores across its operations in southern Africa and Australia. The group has been listed on the JSE Securities Exchange South Africa since March 1996 and is quoted in the General Retailers sector.

The group focuses on the retailing of health, beauty and lifestyle products and services. It operates an advanced supply chain management infrastructure, and its centralised shared services model allows for multiple store ownership structures, namely company-owned stores, joint ventures and franchise operations.

The South African and Australian businesses of New Clicks are managed on an autonomous basis, with the leadership teams in each region being responsible for strategy and implementation. Post the announcement of the financial results, New Clicks advised shareholders that the group was in discussions to dispose of its Australian operations and at the time of completing the financial report, the transaction was not yet concluded.

The trading brands of New Clicks South Africa are Clicks, Discom, Musica, Compact Disc Warehouse and The Body Shop. The group has extensive healthcare interests, including New United Pharmaceutical Distributors (UPD), a 56% interest in the Link Investment Trust (LIT), the franchise holder of Link and LinkMax-branded pharmacies, and an 80% interest in Intercare. The group has also provided loan funding to Purchase Milton & Associates (PM&A), which the group is in the process of acquiring.

New Clicks Australia trades under the Priceline, Priceline Pharmacy, House and Price Attack brands.

Business strategy

New Clicks has been positioned as world-class originators and distributors of a range of compelling and differentiated health, beauty and lifestyle retail products and services to multiple brand formats in a variety of ownership models.

The core elements of the business strategy are to:

- Strengthen and rejuvenate retail brands;

- Introduce pharmacy into the Clicks brand in South Africa;
- Drive efficiency and productivity through shared services;
- Focus on improving stock turns;
- Boost profitability through improved turnover and margins; and
- Create value for stakeholders.

Detailed commentary on the strategy and progress towards implementation is contained in both the chairman’s statement and the group leader’s review which follow later in this report.

Brand strategy















New Clicks operates multiple brand formats within its focus on health, beauty and lifestyle products and

Our values

- Creating an environment for individual and organisational learning
- Listening to and respecting the other voice
- Delighting the customer
- Stretching our performance to our common purpose
- Being true to ourselves and others
- Reaching decisions through dialogue
- Earning leadership through vision and values
- Committing to doing things properly

services. Specific brands such as Clicks, Discom and Priceline provide a consolidated retail offering across these three categories, while others specialise in one category, including

Musica, The Body Shop and House. Support services are centralised to create efficiencies for the group and this enables the brands to focus on their core functions.

	Health	Beauty	Lifestyle
Consolidated Retail Offer			
Pharmacy	 	 	
Specialist Retail			   
Wholesale			

A Story of Growth

New Clicks Holdings as we know it today goes back to 1968 when entrepreneurial retailer Jack Goldin opened the first Clicks store. These milestones outline the growth of the group over the past 35 years.



1968, August

First Clicks store opens in Cape Town



1971, June

Clicks expands outside the Western Cape

1979, March

Clicks Stores Limited – later to be named the Clicks Group Limited – is listed on the Johannesburg Stock Exchange (JSE) with a market capitalisation of R10 million

1980, June

Group annual turnover exceeds R50 million for the first time; 31 stores

1983, June

Group turnover exceeds R100 million; 44 stores

1983, October

Clickdin Limited incorporated and listed on the JSE, holding 50% of the issued share capital of Clicks Stores Limited

1984, March

Acquisition of Diskom – now re-branded Discom – comprising 11 stores

1987, August

Trevor Honneysett appointed managing director



1988, July

Jack Goldin sells control of the company to Score Food Group

1991, February

Group turnover exceeds R500 million; 155 stores

1991, July

Jack Goldin resigns from the board and as chairman. Carlos dos Santos appointed chairman

1992, April

Acquisition of Musica, the country's leading music retail brand

1992, July

Control of the group moves to The Premier Group Limited. Gordon Utian appointed chairman

1994, April

Turnover exceeds R1 billion; 330 stores

1994, December

Doug Band appointed chairman

1995, November

The assets of The Clicks Group Limited are sold to a subsidiary of Malbak Limited, New Clicks Holdings Limited

1996, March

New Clicks Holdings listed on the JSE with a market capitalisation of R880 million. Hugh Brown appointed chairman

1997, April

Malbak unbundles and the company has no controlling shareholder for the first time. David Nurek appointed chairman

1997, September

Acquisition of the Compact Disc Warehouse, a specialist music store

1998, July

New Clicks expands to Australia with the acquisition of the 70-store Priceline chain

1998, July

Acquisition of the V&A Waterfront Top CD and Sessions music stores



1998, August

Group turnover exceeds R2 billion; 536 stores

1999, August

Group turnover exceeds R3 billion; 596 stores

1999, August

Acquisition of a 30% interest in the Link Investment Trust, which operates over 300 pharmacies. The stake was later increased to 56%

2000, December

Acquisition of House, a 66-store homeware franchise brand

2001, March

Acquisition of Modisons, a discount retail chain in KwaZulu-Natal

2001, August

Group turnover exceeds R4 billion; 1 077 stores (including franchisees)

2001, October

The Body Shop opens in South Africa through a direct franchise agreement with The Body Shop UK



2002, July

Acquisition of Price Attack in Australia, a speciality haircare franchise brand comprising 94 stores

2002, July

Acquisition of healthcare distribution company, New United Pharmaceutical Distributors (UPD), subject to Competition Commission approval

2002, August

Group turnover exceeds R5 billion; 1 215 stores (including franchisees)

2002, September

Priceline Pharmacy launched in Australia

2002, December

UPD acquisition receives unconditional approval from Competition authorities with effect from 1 January 2003

2003, April

Legislation passed enabling New Clicks to implement an integrated healthcare strategy, including the introduction of pharmacy dispensaries into Clicks stores



2003, August

Competition Tribunal grants approval for acquisition of PM&A pharmacy group

2003, August

Group turnover passes R7 billion mark; 1 248 stores



Chairman's Statement

“New Clicks’ move into pharmacy will see the group transform from a general retailer into a healthcare and pharmacy specialist.”

The past year will be remembered in the corporate annals of New Clicks for the far-reaching legislative changes which were announced, allowing for corporate ownership of pharmacies in South Africa for the first time.

The implications of this deregulation for the group – and indeed the healthcare industry – cannot be underestimated and will bring South Africa in line with the retail pharmacy model applied so successfully in several developed economies.

These long-awaited changes come 35 years after the group was formed. It is a tribute to the leadership of the group down the years that they have been able to build a successful, sustainable business without the core component that Clicks was originally designed to sell.

We also welcomed the approval granted by the Competition Tribunal for New Clicks to formally acquire the Purchase Milton & Associates (PM&A) chain of pharmacies, which will serve as our springboard into the retail pharmacy arena.

The jubilation at finally being able to embark on our healthcare strategy was tempered by a disappointing financial performance, most notably from Clicks, Discom and the Australian operations.

We lost focus and allowed ourselves to be distracted from our core business. This has come at a time when the market has become increasingly competitive, evidenced by several new entrants into the homeware sector.

Financial performance

Reviewing the financial results for the year, the 34% growth in the group's turnover to R7.4 billion was bolstered by the acquisition of New United Pharmaceutical Distributors (UPD) during the period. Comparable turnover growth was a relatively modest 8.0% in South Africa and 4.5% in Australia. This was negatively impacted by declining sales in the lifestyle merchandise category in South Africa and the effect of the strengthening Rand on the results of New Clicks Australia.

Headline earnings per share grew by 26% to 65.6 cents per share, while diluted headline earnings per share showed a 30% rise to 64.5 cents per share. The increase is largely due to an impairment of R32.5 million of the loan to PM&A which was reflected in the 2002 figures. No further impairment was considered necessary in 2003. Diluted headline earnings per share adjusted for the PM&A provision increased by 13.4%.

The return on shareholders' interest showed a marginal improvement to 15.6% and remains below the target of some 4% to 5% above the group's cost of capital.

Strategy

The changes in the pharmacy regulatory environment have brought about a realisation that years of strategising are now over. The group will need to move rapidly to the implementation phase if it is to capitalise on the window of opportunity it has created in the healthcare market.

The board is committed to enhancing value for shareholders and will hold management accountable for financial and project delivery as it moves to adopt a stronger performance and results orientation in the business. Our stakeholders need to be reassured of our ability to implement our strategies, particularly around the integration of pharmacy into Clicks and unlocking value from the centralised distribution system.

Part of this intense focus on performance has been to move group leader, Trevor Honneysett, back into the business as head of New Clicks in

South Africa. The early signs of a renewed focus on the business are starting to emerge and the board is encouraged by the recent progress.

Earlier this year, management was also tasked by the board with separating the South African and Australian divisions and allowing them to operate on an autonomous basis. Leadership and operational structures spanning the two regions have been dismantled and the respective teams have been given responsibility for their own strategic planning and implementation. Once again, this step was designed to bring about renewed focus on performance and delivery in the respective regions, freed from the distraction of endeavouring to pursue a transnational business.

At the same time, the board undertook a review of the group's Australian strategy. The retail environment in that country is particularly competitive and New Clicks Australia is facing several strategic challenges. As the healthcare strategy moves to implementation phase in South Africa the board took the view that we cannot allow ourselves to lose focus and commit resources to addressing the issues in the Australian environment at the expense of our growth strategy locally.

The group advised shareholders in late October that it had entered into negotiations for the disposal of the Australian operations. These discussions are continuing and we will keep shareholders informed of developments.

New Clicks' move into pharmacy signals a major strategic shift in our

business and a move in a new direction which will see the group transform from a general retailer into a healthcare and pharmacy specialist. It is not just about adding another pillar to our health, beauty and lifestyle offering.

While the implementation of the strategy is covered in more detail in the group leader's report, one of our challenges is to integrate the pharmacy chain and operate it as a business. Our strength lies in traditional retailing and we now have to develop the expertise to manage a national retail pharmacy network.

Corporate governance

We are continually striving to improve corporate governance standards and during the year a board governance committee was constituted to ensure compliance with the recommendations of the King Report, as well as monitor governance practices throughout the group.

While the group is substantially compliant with King II, there are still areas requiring attention. These include addressing the composition of the board to appoint additional independent non-executive directors, the review of the board charter and the establishment of a nominations committee.

Our commitment to governance is outlined in the expanded Corporate Governance Report which appears on page 39.

Corporate citizenship

The corporate sector has responded positively and proactively to the

recommendations of the King Report for enhanced disclosure on non-financial issues. While financial reporting is retrospective, non-financial reporting covers the future and provides shareholders with an assessment of the long-term sustainability of the business. New Clicks is committed to integrated sustainability reporting and as a move in this direction we have prepared our first Corporate Citizenship Report, and plan to enhance this annually.

Board of directors

Peter Green resigned as an executive director in June this year after more than 25 years service with the group. He was appointed to the board in 1996. I would like to acknowledge the

contribution he made to the group, not only in the management of the finance division over several years, but also in the development of the group's healthcare strategy.

As referred to earlier in this report, we are planning to make further board changes as we increase our component of non-executive directors and restructure the board in line with changes to the operations.

Outlook

Management has given the board a commitment to renew its focus on performance delivery, and achieve a number of strategic objectives which have been set for the group.

Based on the forecast performance for the group, the directors are confident

that shareholders can expect continued real growth in earnings in the year ahead.

Thanks

In closing, let me thank you – our shareholders – for your ongoing support of the group, as well as our other external stakeholders, including our customers, suppliers, advisers and business associates, for the invaluable contribution you continue to make to the group. Thanks are also due to my fellow directors, the management team and the people of New Clicks.



DAVID NUREK
Non-executive chairman

Board of Directors



DM Nurek

Independent Non-executive Chairman, Chairman of Governance and Remuneration committees
Aged 53. Appointed to the board in June 1997.

Dip Law (UCT), Grad Dip Company Law (UCT). Non-executive chairman of Distell Group Ltd, non-executive deputy chairman of Foschini Ltd, and, *inter alia*, non-executive director of Aspen Pharmacare Holdings Ltd, Comparex Holdings Ltd, Kersaf Investments Ltd, Pick 'n Pay Stores Ltd and Tencor Ltd. Prior to joining Investec in June 2000, he practised as an attorney at law with Sonnenberg Hoffmann Galombik for 32 years.



TC Honneysett

Executive Director, Group Leader

Aged 55. Appointed to the board in March 1996.

Joined the group in 1971 as a management trainee. In 1973 he was appointed branch manager, and then regional manager later that year. Between 1976 and 1987 he gained experience in merchandising and assumed general management responsibilities for a national store base. In 1987 he was appointed managing director of the Clicks Stores division, and then chief executive of the Clicks Group Ltd in 1988. When New Clicks Holdings acquired the businesses of the Clicks Group and listed on the JSE Securities Exchange South Africa in 1996, he was appointed chief executive of the group.



RB Godfrey

Executive Director, Merchandise Leader

Aged 55. Appointed to the board in March 1996.

Joined the group in 1970. In 1976 he was appointed as senior buyer and in 1987 was appointed merchandise director for Clicks Stores. In August 1995, he was appointed managing director of Clicks Stores, growing the business to 225 stores. He was appointed as joint country leader of New Clicks South Africa in 2001, and after a restructuring in 2002, was asked to take on the role of group merchandise leader.



E Osrin

Independent Non-executive Director, Chairman of the Audit committee

Aged 71. Appointed to the board in March 1996.

Registered attorney. Non-executive chairman of Foschini Ltd and non-executive director of Atlas Properties Ltd and Allan Gray Property Trust, as well as other unlisted companies.



JC Sher

Executive Director, Country Leader Australia

Aged 45. Appointed to the board in August 2001.

BA (Sydney), MBA (Macquarie). Joined Priceline in 1993, and after the acquisition by New Clicks, was appointed director, assuming responsibility for the operations and organisational development of the business. He was appointed managing director of Priceline in August 2000, and in December of the same year, when the House business was acquired, he was appointed country leader of New Clicks Australia.



PEI Swartz

Independent Non-executive Deputy Chairman

Aged 62. Appointed to the board in June 1997.

Ad Dip Ed. Executive director of Peter Swartz Properties (Pty) Ltd, chairman of Sunwest International (Pty) Ltd and a non-executive director of Absa Group Ltd, Distell Ltd, Ellerine Holdings Ltd and Sanlam Ltd.



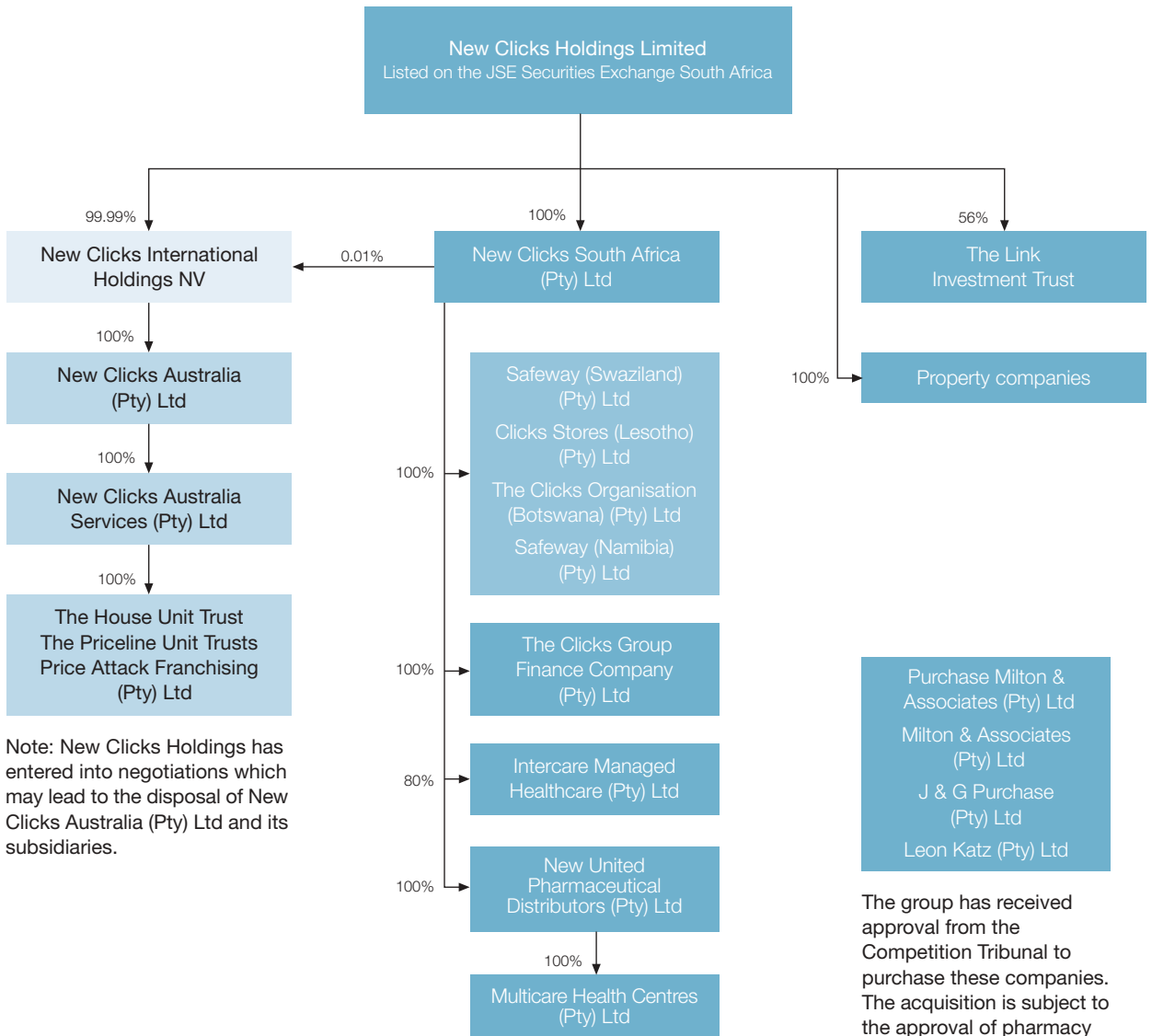
A Zimble

Non-executive Director

Aged 54. Appointed to the board in October 2001.

BA Hons (Psychology), MBA, PhD (Witwatersrand). Joined Investec Group in 2001, where he is Chief Integration Officer of the group, based in London. Prior to joining Investec, he was a Strategic Management consultant and previously a Professor of Business Administration at the Wits Business School.

Group Structure



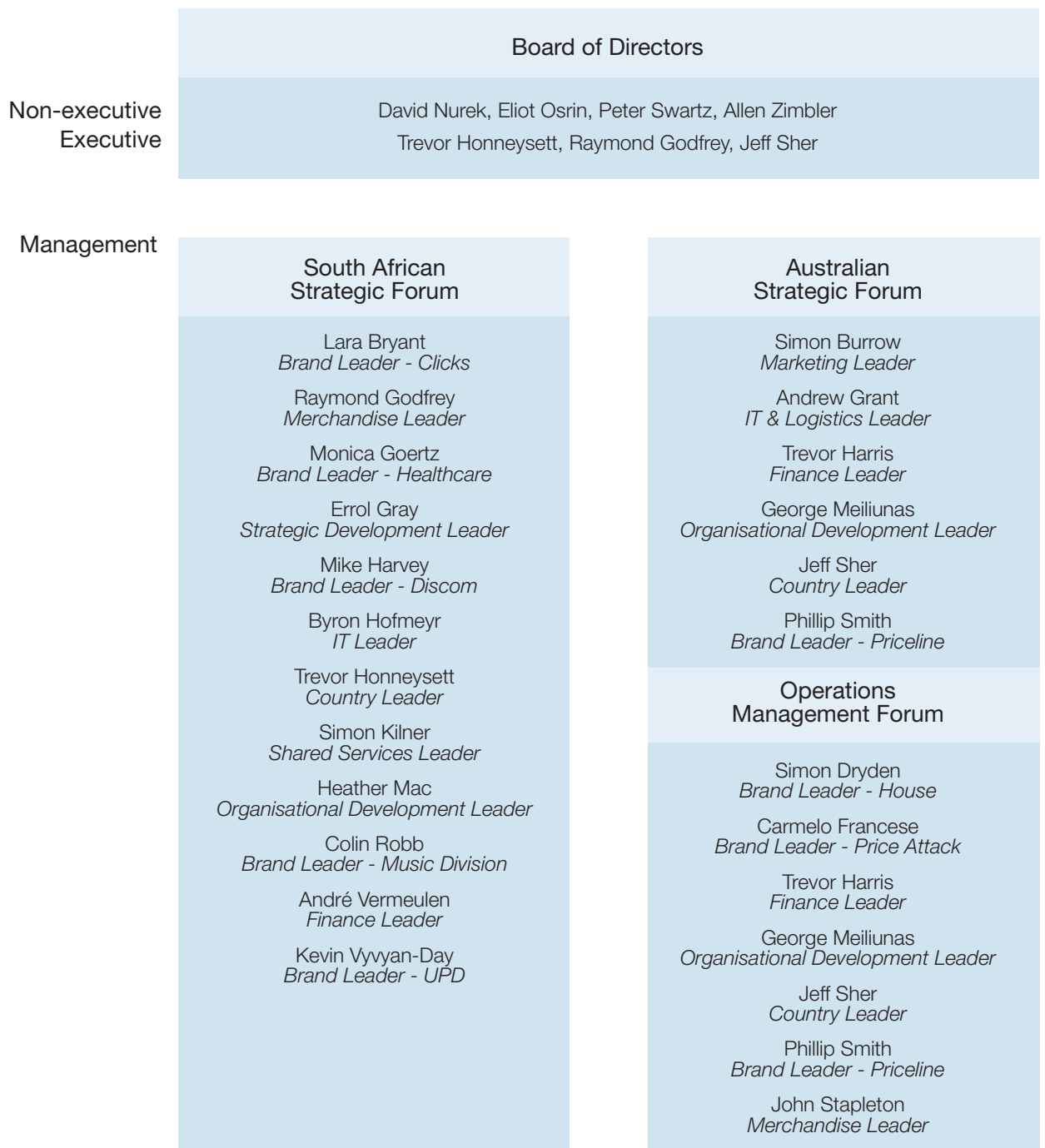
Note: New Clicks Holdings has entered into negotiations which may lead to the disposal of New Clicks Australia (Pty) Ltd and its subsidiaries.

The group has received approval from the Competition Tribunal to purchase these companies. The acquisition is subject to the approval of pharmacy licences.

Country of incorporation:

- South Africa
- Southern Africa
- Australia
- Belgium

Leadership Structure



Group Leader’s Report

“We have the opportunity to rejuvenate the 35-year old Clicks brand by introducing an entirely new category of merchandise.”

Introduction

Over the past few years our commentary in the annual report has focused increasingly on the group’s healthcare strategy, and we have shared with shareholders our vision of providing affordable healthcare to a wide range of the South African population.

Our healthcare strategy has been intensified over the past four years as we assembled the component parts of an integrated channel to market, in anticipation of the legislative changes. Our broad retail base and ownership of the distribution network will give the group the power to influence prices and offer more affordable healthcare products and services to customers.

The long-awaited changes to the legislation were announced in May this year, allowing lay-ownership of retail pharmacies for the first time ever. We are now able to integrate a more essential healthcare commodity into the existing health, beauty and lifestyle categories of merchandise.

I recognise that the group has probably placed too much emphasis on the healthcare strategy while trying to second guess Government and anticipate the outcome of the pharmacy legislation. In mitigation, the legal process took longer than we expected. Fortunately when the changes were announced they were substantially in line with our expectations.

While waiting for the regulatory changes we did not focus enough attention on our core Clicks brand, which has lost some ground in the competitive lifestyle category (homeware, confectionery and stationery).

We now have the opportunity to rejuvenate this 35-year-old brand by introducing an entirely new category of merchandise and position Clicks as a pre-eminent healthcare provider, while at the same time repositioning our lifestyle offering.

As the forerunners in this move to corporate retail pharmacy we have come to learn that pioneering can be

painful. We have not been without our detractors and have had to absorb criticism from several quarters, with many believing that the group had taken undue risk without a guaranteed outcome.

Pharmacy implementation

Following the legislative changes we have been able to respond rapidly to the challenge of introducing pharmacy into the group. A multi-functional integration team was assembled to spearhead the pharmacy project, including healthcare specialists, pharmacists and the relevant brand leaders.

Clicks will be our pharmacy brand in South Africa. Besides the brand's equity, the format of the store is ideally suited for the full extension of the healthcare category which will include a dispensary.

Our vision within Clicks is to create an experience of pharmacy that has never been seen in this country, as we seek to combine the best elements of Clicks with the best of pharmacy.

The implementation plan includes the conversion of most of the PM&A pharmacies to Clicks Pharmacy during the year ahead, introducing dispensaries into new Clicks stores as well as many of the stores identified for refurbishment.

Trading performance

Operating profit rose by 20% from R319 million to R382 million, although this increase is inflated by the inclusion of UPD which was acquired during the year. When the contribution from UPD

is excluded, profits grew at a pedestrian 3%.

The Clicks brand continues to contribute the lion's share and accounted for 68% of the group's profits, with newcomer UPD contributing 14% and the Australian operations 13%.

The 10.3% decline in the group's operating margin from 5.8% to 5.2% can be attributed to the lower margin profile within UPD's business and the change in product mix as a result of the disappointing sales of the higher margin lifestyle merchandise.

Stock levels at year-end – excluding UPD – were 16% higher than last year, mainly as a result of the additional stocks required for the promotional strategy being pursued by the Clicks and Discom brands, the increased volumes of lifestyle imports and the earlier landing of these stocks, as well as the growth in The Body Shop stores. We have made a concerted effort to ensure that we have stock in stores, with a lower out-of-stock position.

The leadership teams of the brands have been strengthened and delivery-based strategies agreed with the board. We are confident that this will go some way to addressing the areas of under-performance which impacted on our results this year.

The performance of the trading brands is covered in detail from pages 16 to 37.

New Clicks South Africa

The performance of the core Clicks brand was impacted by the poor

lifestyle sales which only showed a 4% growth. The health and beauty categories, however, have both grown market share, lifting sales by 18%. The brand's total turnover growth was 11.3%.

The new leadership team has taken strong remedial action to reverse the decline in homewares by anticipating customer needs and focusing on the presentation of merchandise in its promotional campaigns. At the same time Clicks has returned to its value proposition of "You pay less". Early indications are that the recently introduced homewares range is meeting customers' expectations for both value and quality.

At the interim stage we advised shareholders that Discom was expected to post a profit for the full year but we have not achieved this target. This was mainly due to the late arrival of the imported homewares merchandise and the slower than expected improvement in shrinkage levels.

However, Discom has continued to show a turnaround in performance as an African beauty and hair care specialist, reducing its operating loss from R20.6 million to R5.6 million.

The group's most recent acquisition, UPD, is performing ahead of expectations after its first eight months in the group. Besides a profit contribution of R54.3 million, we are also benefiting from UPD's distribution capability and the lower prices they are able to secure for their independent pharmacy customers and group companies.

PM&A has continued to improve its operating performance and showed a profit before interest and goodwill write-off for the second half of the year. We are confident that the sales and profitability of the pharmacy business will improve further once it is integrated into Clicks.

The music division showed a steady performance, despite the slowdown in sales in the music industry, and increased profit by 19.6%. In anticipation of declining music sales, the division has undertaken a strategic shift by broadening its product offering to other areas of entertainment, including gaming, DVD and lifestyle merchandise.

Although coming off a low base, The Body Shop showed a 93.5% growth in profit as it expanded the network of stores nationally to 18. The relationship with The Body Shop parent company allows the group access to a worldwide network and exposes us to current international beauty retailing trends. We are confident of The Body Shop's continued growth, although at a slower rate than in the past.

New Clicks Australia

New Clicks Australia (NCA) experienced a difficult trading period and its results were further hampered by the strengthening of the Rand against the Australian dollar (A\$). These factors led to a decline in NCA's contribution to the group's headline earnings.

During the year NCA implemented its pharmacy strategy under the Priceline Pharmacy banner. The model adopted in Australia enables pharmacists to

continue owning and managing the pharmacy, while Priceline provides 'front shop' expertise and services. This provides pharmacists with a more sustainable business with higher margin and increased turnover. Seven pharmacies were opened and further stores are planned for the new financial year.

Priceline increased operating profit by 34.8% to A\$29.6 million. This includes an amount of A\$5.2 million from the sales of two Priceline stores during the year.

Price Attack, which was acquired in July 2002, was successfully integrated into NCA.

House was repositioned during the year to create a differentiated offering as the homewares market has witnessed several new entrants and increasing competition from existing players.

A new management structure was implemented to enable NCA to operate as an independent business. Brand leadership was also strengthened, with new leaders being appointed for Priceline and Price Attack, while a new brand team was assembled for House.

Key focus areas

Together with the implementation of the pharmacy strategy and addressing the challenges in the trading brands, the group needs to focus on managing costs more effectively.

The growth in expenses has been out of line with the growth in sales in recent years, mainly as a result of increasing staff numbers. In the year ahead we will be addressing this issue

vigorously and looking to align the shared services infrastructure with the needs of the brands to create a more affordable cost platform. An inability to address our cost structure effectively will ultimately affect our ability to offer value to customers.

The centralised distribution process introduced into the group in 1998 has taken longer to generate the full benefits than was originally anticipated. We have focused our energies on the distribution centres (DC) which is the supply side of supply chain management. The group has improved stock control through the DCs and benefits have been achieved through increased volumes.

Critically, we now need to improve the management of stock in the stores, achieving a balance between adequate stock levels to meet customer needs and not carrying excessive stock in stores. We have implemented a merchandise planning system for the lifestyle category of our business to address this issue and are already seeing the early benefits.

Finally, we are also implementing new financial systems aimed at improving the speed and quality of our information.

Leadership

The board's decision to operate the businesses in South Africa and Australia independently of one another has resulted in several changes to the leadership structure of the group.

We have disbanded the Group Strategic Forum which was the co-ordinating and integrating

mechanism between the two regions, and will no longer have executives holding positions in both countries. The management forums in both South Africa and Australia have been structured for an enhanced focus on implementation and delivery, with several new appointments being made.

Following the resignation of group finance leader, Peter Green, we appointed André Vermeulen as head of finance in South Africa and Trevor Harris as his counterpart in Australia. Other changes to the South African management forum included the appointment of Lara Bryant as brand leader of Clicks, Errol Gray as strategic development leader, and Heather Mac as head of organisational development. Kevin Vyvyan-Day also joined the forum following the group's acquisition of UPD.

The Australian management forum was bolstered by the appointments of Phillip Smith as brand leader of Priceline and Priceline Pharmacy, Carmelo Francese as brand leader of Price Attack, and John Stapleton as merchandise leader. Amanda Brook was appointed to the newly-created position of pharmacy retail services leader.

Prospects

We welcome the recent reductions in interest rates and applaud the authorities for their efforts to bring rates down to more realistic levels in order to stimulate growth. An environment of lower interest rates is undoubtedly positive for the retail industry as consumers have more disposable income. However, besides the commercial benefit, there is also a psychological impact as consumers

now have less debt to service and this boosts consumer confidence which is ultimately positive for the country.

The first Clicks Pharmacy should be opened before the end of the year, with a substantial number of pharmacies planned for the year ahead. Pharmacy dispensaries will allow Clicks to offer an essential commodity to customers for the first time and ensure that a higher volume of sales will be generated through an existing infrastructure.

The pharmacy offering, together with an improved lifestyle merchandise range, will lead to the emergence of Clicks as the pre-eminent healthcare brand.

The legislative changes introduced this year mark the first moves towards liberating pharmacy ownership and we are hopeful that the authorities will in future allow open market principles to apply in an environment where there is strict control over ethical standards.

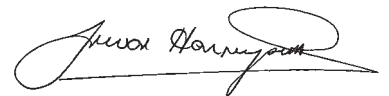
Discom is expected to return to profitability this year as the benefits of the restructuring and repositioning become evident, while all other divisions are projected to continue their sound profit contributions.

Resources will be applied to increasing stock turns through the distribution centres and within stores, and we will also focus on improving our working capital management.

Thanks

Despite another challenging year for the group, I have once again been encouraged by the commitment, drive and energy of our people. There is a mood of optimism within the group that has not been evident for a while, and much of this can be ascribed to

the certainty around our healthcare and pharmacy strategy. I would like to thank the chairman and directors for their guidance during the year, and also all the people of New Clicks for their efforts in what has been a tough period. We end the year stronger and wiser, and trust that the rewards of our endeavours will be reaped in the year ahead.



TREVOR HONNEYSETT
Group Leader

South African Strategic Forum



Lara Bryant

Brand Leader – Clicks

Aged 33. BA (Industrial Psychology).

Joined the group in 1993 as a buyer for Musica, then moved into a marketing role and in 2001 was appointed brand leader of the Music Division, which by this time included the two brands of Musica and CD Wherehouse. In April 2002, she took responsibility for the merchandise and marketing role for South Africa, and in January 2003 was appointed brand leader of Clicks.



Raymond Godfrey

Executive Director, Group Merchandise Leader

Aged 55.

Joined the group in 1970. In 1976 he was appointed as senior buyer and in 1987 was appointed merchandise director for Clicks Stores. In August 1995, he was appointed managing director of Clicks Stores, growing the business to 225 stores. He was appointed as joint country leader of New Clicks South Africa in 2001, and after a restructuring in 2002, was asked to take on the role of group merchandise leader.



Monica Goertz

Brand Leader – Healthcare

Aged 38. BSc, MBA (UCT).

Consulted to the group from 2000, and joined the group in 2002 to drive the implementation of the healthcare strategy for the group. She has extensive experience in business and systems consulting at Andersen Consulting and as an independent consultant.



Errol Gray

Strategic Development Leader

Aged 56. Bachelor of Theology.

Joined the group in 1988, after the departure of Jack Goldin, to assist in the organisational development of the group. In 2002, he was appointed joint leader of New Clicks South Africa, and then took over full responsibility for the geography in 2003. In August 2003 he moved into his current position, responsible for driving the longer term direction of the group in terms of integrating people and systems capability. Before joining the group, he spent 17 years in the Methodist Church as a minister.



Mike Harvey

Brand Leader – Discom

Aged 34. Executive Development Programme (USB), Strategic Retail Marketing (GSB).

Joined Clicks in 1989, where he ran various stores and regional divisions for operations around the country, before taking over as marketing director for Clicks in 2000. With the repositioning of the Discom brand in 2001, Mike was moved across to develop the new brand, marketing and operations of the business, and was appointed brand leader in 2002.



Byron Hofmeyr

IT Leader

Aged 39. NDip, CDP.

Joined the group in 1999, and has headed up IT for the South African businesses since January 2002. He has 13 years of previous IT experience with a fashion retailer, including 3 years on business management teams.



Trevor Honneysett

Executive Director, Group Leader

Aged 55.

Joined the group in 1971 as a management trainee. In 1973 he was appointed branch manager, and then regional manager later that year. Between 1976 and 1987 he gained experience in merchandising and assumed general management responsibilities for a national store base. In 1987 he was appointed managing director of the Clicks Stores division, and then chief executive of the Clicks Group Ltd in 1988. When New Clicks Holdings acquired the businesses of the Clicks Group and listed on the JSE Securities Exchange South Africa in 1996, he was appointed chief executive of the group.



Simon Kilner

Shared Services Leader

Aged 45. BSc (Computer Science).

Joined the group in May 1998 to head up IT. His portfolio grew along with the organisation, and he is now responsible for Shared Services, which includes IT, supply chain, advertising, property and procurement. He was previously with Foschini for 15 years, where he also participated on the brand teams.



Heather Mac

Organisational Development Leader

Aged 43.

Joined the group in October 1997 as internal marketing manager for Musica. In January 1999, she was promoted to executive across both CD Warehouse and Musica, and in March 2001, took up the marketing portfolio for the Music Division. In 2003, she was appointed as head of Organisational Development for New Clicks South Africa.



Colin Robb

Brand Leader – Music Division

Aged 44.

Joined the group in 1991, starting off in the stores, then becoming regional director of Musica in the Cape. He then took on the role of merchandise director for Musica and CD Warehouse for 7 years, before being appointed brand leader of the Music Division in May 2002.



André Vermeulen

Finance Leader

Aged 44. CA(SA), FCMA, MBA (Wits).

Joined the group in 2002 as Chief Financial Officer in South Africa. Much of André's financial management experience was gained within the Barlows group where he worked for 8 years as Divisional Financial Director at Renown Food Products (a division of ICS) and Bartons Precision Tube (a division of Robor). He also gained operations management experience as Operations Director of Gilbeys Distillers and Vintners (now Guinness UDV). Just before joining New Clicks, he was financial director of National Brands Limited in Johannesburg, a subsidiary of Anglovaal Industries Limited.



Kevin Vyvyan-Day

Brand Leader – UPD

Aged 38. CA(SA), MBA (Wits).

Joined UPD in 1995, and was appointed Chief Executive in 1996. His previous experience includes 3 years with Gemini Consulting.



“The vision is to create an experience of pharmacy that has never been seen before in South Africa.”

Financial highlights and statistics

		2003	2002
Sales	R'000	2 997 226	2 692 620
Sales growth	%	11.3	15.4
Comparable store sales growth	%	7.1	8.2
Operating profit before interest and after allocation of net costs of support structures	R'000	259 281	262 974
Number of stores at year end			
Company owned		260	248
Franchised		14	13
Number of full-time permanent employees		3 552	2 751
Weighted trading area	m ²	140 099	133 864
Net increase in trading area during the year	%	4.7	5.4
Weighted annual sales per m ²	R	21 394	20 115

Positioning

Clicks can be described as a brand in transition as the past year has seen extensive energy being channelled into strengthening and positioning the brand for future growth. This included the restructuring of the under-performing lifestyle merchandise category, widespread people changes and the preparation for the implementation of the pharmacy offering, the most dramatic development yet in the history of the brand.

During the year Clicks moved away from the “Live Life Beautifully” advertising statement and returned to its value proposition in all promotions, acknowledging that Clicks offers value

for money to its predominantly female customer base.

Review of the year

As the flagship brand in the New Clicks stable, the financial performance of Clicks was disappointing. Sales increased by 11.3% to R3 billion, while comparable store growth was slower at 7.1%.

Profit declined slightly to R259 million, impacted mainly by the slowdown in sales of the higher margin lifestyle goods which includes homewares, confectionery and stationery. Sales of the core health and beauty categories remained buoyant.

Sixteen new stores were opened, bringing the store count to 260, while



a further 44 were revamped or relocated.

Following the changes to the leadership team and the appointment of Lara Bryant as brand leader, the category, operations and marketing teams were restructured for greater efficiency and increased focus on the brand.

The single biggest challenge was to address the homewares offering, and to continue to reverse the decline in sales. The import programme of the lifestyle range was impacted by the outbreak of Severe Acute Respiratory Syndrome (SARS) in the Far East, which resulted in goods arriving later than expected. New ranges were introduced into stores from May onwards and are being marketed through strong promotions as well as an improved in-store merchandising statement. While customer acceptance of the new range has been positive, the turnaround is expected to take another 12 to 18 months to deliver the full benefit.

The Clicks ClubCard loyalty programme was relaunched during the year. There has been a consistent growth in the customer basket size, with Gold ClubCard members showing a 15% increase against the 12% increase of all other card holders. Volume of both Blue and Gold shoppers has increased. Datamining of the membership base has also been upweighted, delivering a significant response from a targeted audience at reduced advertising costs but more importantly, building on the personal relationship created through ClubCard.

Sales increased in the latter stages of the financial year and this trend has continued into the new year, driven by strong promotional activity and an improvement in the 'in stock' position in stores, once again, underpinned with a strong value proposition.

Strategy

This year will see the long-awaited introduction of pharmacy into the Clicks brand. The vision is to create an

experience of pharmacy that has never been seen before in South Africa, combining the best of the Clicks offering on the front shop with the best of pharmacy together with the relationship with the pharmacist.

Clicks will be adopting two formats for its pharmacy offering. The first format is an existing Clicks store where a dispensary will be added strengthening the proposition of Health, Home & Beauty, while the second format – to be branded Clicks Pharmacy – is a smaller format, where the focus will be on Health and Beauty together with a dispensary.

The implementation of pharmacy will be managed on three levels:

- The integration of PM&A stores into the Clicks brand;
- Establishing pharmacies within existing Clicks stores; and
- Including pharmacies in new Clicks stores.

The Clicks pharmacy offering centres around wellness, value, professional advice and convenient locations, with ClubCard being an added attraction to customers. An exclusive marketing agreement has been concluded with Vitality, the loyalty programme of Discovery Health, which will enable members to qualify for discounts in Clicks stores as well as ClubCard benefits.

The first five PM&A stores should be converted to Clicks Pharmacy by the end of 2003, subject to the granting of the pharmacy licences. The first joint venture pharmacy should be opened in December. The strategy is to review the process early in 2004 before embarking on further conversions and opening of dispensaries in Clicks stores.

In positioning Clicks as a customer-centric brand, there will be a focus in the year ahead on uplifting the entire customer experience, from the look and feel of the stores as well as the introduction of exciting ranges, complemented by an ever strong value

statement. This customer experience will be further enhanced when pharmacists join the brand, adding an exciting dimension with the personal relationship between professional and patient as well as integrating a strong advice platform.

Prospects

The launch of pharmacy presents the opportunity to reinvent the brand by introducing a completely new range of merchandise, and provides customers with a compelling reason to shop at Clicks. The challenge is not to lose focus on the core business and to continue turning around the lifestyle category. An improved in-stock position through more efficient merchandising and a continued focus on promotions should lead to sound turnover growth for the year.

Store Locations

Province/City	Clicks
Gauteng	
Johannesburg	37
Pretoria	32
Other	24
Mpumalanga	
Limpopo	7
North West	
Free State	13
KwaZulu-Natal	
Durban	21
Pietermaritzburg	5
Other	14
Eastern Cape	
Port Elizabeth	10
East London	3
Other	8
Western Cape	
Cape Town	33
Stellenbosch	1
Other	19
Northern Cape	
Namibia	4
Swaziland	2
Zimbabwe	14*
Total	274

* Franchise stores



Pharmacy

“Operating performance showed an encouraging turnaround in the second half of the year.”



Review of the year

Following the changes in pharmacy ownership legislation, the group was granted regulatory approval to acquire the Purchase Milton & Associates (PM&A) network of 80 pharmacies across the country. The acquisition is subject to the approval of licence applications.

PM&A's operating performance on an EBIT basis showed an encouraging turnaround in the second half of the year, posting a R7.9 million profit against a loss of R8.1 million in the first half, ending the year with a loss of R0.2 million. This compares most favourably to the loss of R15.1 million incurred in 2002.

The reduction in people costs, together with improved shrinkage control, has helped PM&A manage its expenses more tightly and this is reflecting in the financial results. Plans are afoot to close or sell under-performing stores as well as restoring some of the large stores to profitability.

PM&A is benefiting from UPD's distribution capability and pricing, which has resulted in more of the buying being channelled through UPD rather than a range of smaller suppliers as was the case in the past.

A task team was assembled to manage the implementation of

pharmacy into Clicks, and extensive preparation has been completed around the legal, information technology, marketing, finance, human resources, operations and store development issues.

Although the legislation around pharmacy ownership has been passed, we are still waiting for regulations on other critical issues such as single exit pricing, dispensing fees and the granting of licences.

A disease state management programme focusing on preventative rather than curative medicine was launched to educate pharmacists and the public on chronic states of health. The first campaign around asthma was well received and will be followed by programmes on hypertension, diabetes and depression.

The group is developing relationships with medical funders to offer better pricing as a means of attracting greater volumes through stores. The relationship formed between Clicks and Discovery Health is an example of these alliances.

Relationships are being maintained with Government to ascertain how healthcare will be provided to the under-served areas of the country. The group is committed to broadening its network of compliant drug stores



but is also aware of its social responsibility in assisting Government in meeting the healthcare needs of the country.

Prospects

The sales and profitability of the PM&A group are expected to grow strongly once it is integrated into Clicks.

Intercare

Intercare was launched last year and seeks to combine the professional services of independent doctors and pharmacy. The project is still in its pilot phase and has performed in line with expectations, reducing its operating loss from R1.76 million to R0.96 million.

Following the changes to pharmacy ownership legislation, the group’s role in the Intercare project is currently being reviewed.

Link Investment Trust

Link is a household name in South Africa and the leading national pharmacy brand. New Clicks acquired a 30% stake in Link Investment Trust (LIT) in 1999. This holding later increased to 56% in 2001.

LIT had 306 franchisees at the end of August 2003 and turnover of R20 million for the year. In the year to August 2003, LIT made an operating loss of R2.7 million, but is expecting to make a moderate profit in the year ahead.

The past year was characterised by numerous changes to the environment in which LIT operates, with the long-awaited changes to legislation which brought to an end years of uncertainty around the statutory standing of the pharmacy profession.

LIT’s relationship with the rest of the New Clicks group is now managed by New United Pharmaceutical Distributions. This allows a closer working relationship between the distribution arm of the group and the retail pharmacies within the franchise.



Store Locations	
Province/City	Link/LinkMax Pharmacies
Gauteng	
Johannesburg	31
Pretoria	37
Other	48
Mpumalanga	10
Limpopo	12
North West	9
Free State	19
KwaZulu-Natal	
Durban	16
Pietermaritzburg	2
Other	22
Eastern Cape	
Port Elizabeth	8
East London	10
Other	9
Western Cape	
Cape Town	32
Stellenbosch	3
Other	27
Northern Cape	3
Botswana	4
Namibia	4
Total	306



New United Pharmaceutical Distributors (UPD)

“UPD has grown turnover from both its independent pharmacy base and group companies.”

Financial highlights and statistics

		2003
Sales	R'000	1 431 304
Operating profit before interest and after allocation of net costs of support structures	R'000	54 304
Inventory turn		10.9
Debtors' days		30.4
Number of full-time permanent employees		576

Introduction

The acquisition of UPD with effect from January 2003 forms a strategic component of the group's healthcare plans, as it provides the distribution capability for the integrated channel to market.

UPD is the largest national wholesaler in the country. Its customer base includes retail pharmacies, private hospitals, dispensing doctors and health stores.

UPD has expertise in fine distribution and it would have taken the group several years to convert the current bulk distribution centres to manage fine distribution for the implementation of pharmacy.

Review of the year

The business has been successfully integrated into the group and is already extracting synergies across the various healthcare interests.

UPD posted sales of R1.4 billion for the eight-month period and contributed R54.3 million to the group's earnings. The stock turn of 11 times reflects the efficient management of the business.

It is encouraging that UPD has grown turnover from both the PM&A group and its independent pharmacy base. There were initial concerns that UPD could lose independent customers as a result of being acquired by New Clicks.

It has been necessary to demonstrate the benefit of the association with the group to the independent pharmacies and UPD has passed on the Clicks pricing on top FMCG lines to its entire customer base.

UPD operates an innovative black empowerment programme, with the bulk of its distribution being handled by self-employed drivers from disadvantaged backgrounds with their



own vehicles. The drivers are assisted in obtaining finance and guaranteed a minimum workload. The programme has been operating successfully for seven years.

Strategy

UPD has taken over responsibility for the group's pharmacy franchise interests. A major challenge is to increase turnover from Link pharmacies and UPD is developing key value differentials for Link franchisees to enhance loyalty to UPD. Service levels remain key in this area.

UPD's distribution capacity through its five warehouses around the country will be critical to the group's pharmacy strategy, as it is currently able to deliver at least twice a day to the pharmacies that it services. This will allow the Clicks pharmacies to carry less stock.

The changing legislative environment will have a major impact on UPD.

Original source procurement will ensure ethical standards and transparency throughout the industry and, as UPD has a strict policy of only buying goods from original source, this is likely to have a beneficial impact on turnover.

There is still general uncertainty around the implementation of single exit pricing, which is due to be considered early in 2004.

Prospects

UPD is a cash generative business, with efficient working capital management. The expansion of the Clicks pharmacy offering, the prospect of increased turnover from Link franchisees and the opportunity to provide group pricing benefits to independent customers should see UPD grow turnover and profit strongly in the year ahead.



“The brand has been transformed to reflect the vibrancy, passion and culture of the new South Africa.”



Financial highlights and statistics

		2003	2002
Sales	R'000	771 441	720 895
Sales growth	%	7.0	12.1
Comparable store sales growth	%	8.7	10.9
Operating loss before interest and after allocation of net costs of support structures	R'000	(5 571)	(20 637)
Number of stores at year end			
Company owned		177	180
Franchised		1	2
Number of full-time permanent employees		1 335	1 246
Weighted trading area	m ²	49 351	51 821
Net (decrease)/increase in trading area during the year	%	(4.8)	8.6
Weighted annual sales per m ²	R	15 632	13 911

Positioning

Discom continually focuses on differentiating its product offering from the Clicks brand, and has achieved this through an aggressive move into the African beauty and ethnic hair care markets.

As the brand has been transformed over the past two years to reflect the vibrancy, passion and culture of the new South Africa, stores have migrated from traditional black areas to shopping centres in more upmarket areas. The “Look Good, Feel Good” positioning adopted by the brand is

finding increasing support from a younger, emerging market.

Price remains a key factor for Discom’s target market, and in the repositioning programme, care has been taken to retain the platform of providing affordable quality.

Review of the year

Sales for the year were up 7% to R771 million, while comparable store sales growth was higher at 8.7%. The strong growth in the beauty and toiletry categories was largely negated by the decline in homeware sales.

Discom achieved an operating profit before the allocation of corporate costs, but after allocation this figure declined to a loss of R5.6 million for the year, a turnaround of R15 million over 2002.

Store closures as part of the restructuring programme continued, with 18 stores being closed. A total of 53 stores have been closed over the past two years. Discom opened 15 new stores and was trading out of 177 company-owned stores at year-end.

While the level of shrinkage remains a challenge, Discom has been able to arrest the growth trend and for the first time in several years showed a decline in shrinkage levels.

Shrinkage is being addressed in several ways, including an electronic article surveillance system, which has been piloted in 30 stores and will be rolled out to additional stores this year. Discom is also sourcing more product from the central distribution centres, which should further limit shrinkage levels.

As part of the strategy of entrenching the brand's dominant position in the hair care market, the first three hair salons were opened in Discom stores in Mitchell's Plain, Johannesburg and Midrand. These salons are independently owned and managed, with Discom receiving a percentage of turnover. Financial assistance has been provided to the salon owners to fund the start-up businesses.

A range of private label hair care and beauty products was introduced and initial sales have been encouraging.

The leadership team has been bolstered by the recruitment of specialists who understand the Discom target market. This includes the appointment of a new head of the lifestyle category who forms part of the dedicated merchandise team for the brand.

Staff training is a critical element of the turnaround of the brand, and training levels increased by 65% over last year. There has been a concerted drive to build middle management capacity.

Strategy

Active steps are being taken to restore the lifestyle merchandise and the new range of homeware goods has been positively received by customers. An improved lifestyle range and import programme will enhance sales and margin.

The store location strategy is to move into urban shopping centres and malls, with 10 new stores planned. A further 12 stores have been identified for closure, while three will be relocated to more appropriate sites.

Along with the move into more up-market shopping malls is an upgrading of the brand's image, creating a more inviting environment for the predominantly female customer base. A low-cost upgrading model has been developed and this will be extended to all stores during the year.

A new point of sale scanning system is expected to be implemented by June 2004, which will further assist in controlling shrinkage levels.

Prospects

Strong sales and margin growth is forecast for the ethnic beauty and hair care products and the enhanced homewares range. This, together with improved gross margins, reduced shrinkage and further containment of the expense base, is expected to result in Discom's long-awaited return to profitability this year.

aStore Locations

Province/City	Discom
Gauteng	
Johannesburg	13
Pretoria	3
Other	16
Mpumalanga	
	9
Limpopo	
	13
North West	
	9
Free State	
	10
KwaZulu-Natal	
Durban	6
Pietermaritzburg	3
Other	22
Eastern Cape	
Port Elizabeth	5
East London	4
Other	11
Western Cape	
Cape Town	22
Stellenbosch	1
Other	21
Northern Cape	
	7
Lesotho	
	1
Namibia	
	1
Swaziland	
	1
Total	178



COMPACT DISC WHEREHOUSE

Music Division

“The division has undertaken a strategic repositioning to include other areas of entertainment, such as gaming, DVD and lifestyle merchandise.”



Financial highlights and statistics

		2003	2002
Sales	R'000	482 287	439 333
Sales growth	%	9.8	24.9
Comparable store sales growth	%	9.6	12.0
Operating profit before interest and after allocation of net costs of support structures	R'000	25 675	21 470
Number of stores at year end			
Company owned		138	135
Number of full-time permanent employees		545	476
Weighted trading area	m ²	17 134	16 154
Net increase in trading area during the year	%	6.1	10.9
Weighted annual sales per m ²	R	28 148	27 197

Positioning

The music division has two brands: Musica, the country's largest retailer of compact discs (CDs) and music products, and the Compact Disc Wherehouse, a specialist store for discerning music enthusiasts.

Music sales both globally and locally have shown a marked decline in recent years as the CD format reaches maturity. In anticipating this trend, the music division has undertaken a strategic repositioning from purely music to broadening its offering to include other areas of entertainment, such as gaming, DVD and lifestyle merchandise.

In line with this business shift, Musica has adopted a new brand positioning

statement of leading South African popular culture through entertainment. CD Wherehouse is positioned as a destination for people passionate about music and movies.

Review of the year

It has been most encouraging that despite the slowdown in national music sales, the division has grown market share over the past year. Sales increased by 9.8% to R482 million and operating profit rose 19.6% to R25.7 million.

While the move into broader entertainment products only started in the second half of the year, DVD sales have grown by over 30%. The popularity of local artists continues

unabated and now accounts for 31% of total sales.

CD sales continue to be negatively affected by piracy and the ability to download music off the Internet free of charge.

Strategy

The merchandising and sales strategies around the range of entertainment products will be the key focus in the year ahead. The components of this strategy are:

- *Gaming:* This has strong growth potential and will be stocked by more than half the stores by Christmas. A six-week pilot launch in 36 stores generated turnover of R2.3 million. While the margin on gaming products is slightly lower than CDs, the product has a high stock turn and markdowns will be minimal.
- *DVD:* This is the fastest growing technology format ever and is likely to continue this strong growth pattern in the local market as the cost of DVD hardware reduces further.
- *Lifestyle merchandise:* The high margin branded clothing and accessory range will be available in all key stores by year-end.

A comprehensive marketing strategy has been developed to capitalise on Christmas sales this year, with a renewed focus on promoting the product and the artists rather than the brand only.

The roll-out of the point of sale retail store system will continue and is expected to be implemented in all stores by March 2004. This allows for

more accurate customer profiling within each store.

Seven new stores are planned to be opened during the year, while a further seven will be relocated or revamped.

Prospects

The outlook for the division is promising, as the music division moves to expand beyond its current core business of music products and capitalise on other growth areas in the lifestyle entertainment sector. New store opportunities, a renewed product focus and the Christmas promotional drive are expected to boost sales growth in the year ahead.



Store Locations		
Province/City	CDW	Musica
Gauteng		
Johannesburg	2	25
Pretoria		13
Other		5
Mpumalanga		6
Limpopo		5
North West		6
Free State		6
KwaZulu-Natal		
Durban	1	7
Pietermaritzburg		2
Other		4
Eastern Cape		
Port Elizabeth		6
East London		3
Other		5
Western Cape		
Cape Town	1	25
Stellenbosch		1
Other		6
Northern Cape		3
Botswana		2
Namibia		4
Totals	4	134



“The brand has made a big impact in its market niche in the two years it has operated in the country.”



Financial highlights and statistics

		2003	2002
Sales	R'000	45 781	27 161
Sales growth	%	68.6	–
Operating profit before interest and after allocation of net costs of support structures	R'000	10 017	5 176
Number of stores at year end			
Company owned		18	11
Number of full-time permanent employees		75	66
Weighted trading area	m ²	942	344
Net increase in trading area during the year	%	173.8	–
Weighted annual sales per m ²	R	48 600	78 956

Positioning

The Body Shop is a truly global brand and its range of naturally-inspired beauty products continue to be well accepted in the local market, focusing primarily on the LSM 8 to 10 groups. New Clicks is the only corporate internationally to manage a franchise operation for The Body Shop.

Community-traded material is used extensively in the products, with much of the natural ingredient being sourced from local communities around the world which helps to sustain their existence.

Review of the year

The Body Shop increased its number of stores by 7 to 18 and now has national coverage. A concept store was piloted within a Clicks store for the first time and this proved most successful.

Sales grew by 68.6% to R45.8 million, assisted by the store growth, while operating profit rose by 93.5% to R10 million. The stock turn improved from 5.3 to 5.8 times.

There was a slower than anticipated initial sales growth in the newly-opened stores in suburban areas, owing partially to a lack of brand awareness and to a decline in the novelty value of the brand. This was not unexpected as the brand is perceived to be reaching maturity internationally.

In line with its philosophy of enhancing self-esteem, The Body Shop has identified the fight against child abuse as its social responsibility focus for the year ahead and will be sponsoring the training of counsellors for Childline.

A portion of the sales of selected top selling products will go towards funding this project.

Strategy

The calibre of people employed in The Body Shop is vital to its ongoing success, and it is imperative that all staff subscribe to the values-driven approach of the brand. Resources will be focused on extensive training and development in 2004, with programmes covering management, product and retail skills development.

Five new stores are scheduled to be opened during the year. As the brand is only suited to prime retail locations, the strategy is to grow the number of stores to around 30 over the next few years before reaching saturation point. Expansion opportunities exist for the concept store format within Clicks stores, and a further four concept stores are planned for the year ahead.

A catalogue mailing and promotions strategy – aimed at heightening brand

awareness – has been instituted and initial indications are that this is having a positive influence on sales. There is also a strong focus on Christmas gifting which accounts for close on 20% of annual sales.

The product offering is constantly being reviewed and redeveloped, and a new range of sun care and hair care products will be introduced in 2004.

Outlook

The brand has only been operating in the country for two years and has made a big impact in its market niche.

Sales and profits are expected to continue to grow as the store base expands as prime retail space becomes available. The Clicks concept store format should prove to be a highly profitable distribution channel.

The challenge is to maintain the current margin and stimulate consumer interest in the brand.

Store Locations

Province/City	The Body Shop
Gauteng	
Johannesburg	6
Pretoria	2
Mpumalanga	1
Free State	1
KwaZulu-Natal	
Durban	1
Pietermaritzburg	1
Western Cape	
Cape Town	5
Other	1
Total	18

Australian Strategic Forum and Operations Management Forum



Simon Burrow

Group Marketing

Aged 52. PTD (UCT), MIMM.

Joined the group in 1993 to establish an in-house advertising agency, following which he was asked to head marketing for the Clicks brand, and then took on responsibility for the marketing of all brands within the group, and was instrumental in the success of Clicks ClubCard. In March 2002, he relocated to Australia to assist in building the business, including launching the ClubCard programme. He has a background in sales and advertising, and was marketing manager at Southern Life for seven years, after which he and his wife ran their own consultancy.



Simon Dryden

Brand Leader – House

Aged 43.

Simon owned the first House franchise in Chadstone for many years before joining New Clicks Australia in 2002 as Brand Leader of House. He possesses exceptional skills in franchising.



Carmelo Francese

Brand Leader – Price Attack

Aged 35.

Carmelo has been with Priceline/New Clicks Australia for 17 years. He started as a haircare buyer, then became buying team leader and in 2003 was appointed Brand Leader of Price Attack. He is acknowledged as one of Australia's leading haircare professionals.



Andrew Grant

IT & Logistics Leader

Aged 48. B Economics (Accounting and Business) (Monash).

Joined Priceline in 1992 as IT manager, and was appointed logistics leader for New Clicks Australia in 2000. He has extensive experience in IT and logistics in the retail industry, including designing and developing a large retail merchandising, logistics and accounting software package, and was regional manager, based in Asia, for a large computer company, responsible for design, development, implementation and support of Retail Systems in five countries.



Trevor Harris

Finance Leader

Aged 53. BComm, HDip (Tax), CA(SA).

Joined the group in 2001 as chief financial officer of New Clicks Australia, after relocating from South Africa to Australia. Prior to this he was a partner at Ernst & Young in Johannesburg for 10 years, and group financial director of Sedgwick Noble Lowndes in Cape Town for 9 years.



George Meiliunas

Organisational Development and Human Resources Leader

Aged 51. BA (Psychology) (Melbourne), MBA (RMIT).

Joined Priceline in 1998, and then took over organisational development at a transnational level from Errol Gray in January 2001. His previous experience includes 13 years with Myers Grace Brothers, part of the Coles Myer group, four years of which were as GM for strategy, OD and HR; training and development manager at Toyota; as well as practising as a clinical psychologist.



Jeff Sher

Executive Director, Country Leader

Aged 45. BA (Sydney), MBA (Macquarie).

Joined Priceline in 1993, and after the acquisition by New Clicks, was appointed director, assuming responsibility for the operations and organisational development of the business. He was appointed managing director of Priceline in August 2000, and in December of the same year, when the House business was acquired, he was appointed country leader of New Clicks Australia.



Phillip Smith

Brand Leader – Priceline and Priceline Pharmacy

Aged 52.

Joined the group in April 2003. He was previously managing director of Myer Grace Brothers from 2000 to 2001, and has been involved in Australian retailing since joining Myer in 1972, holding senior positions with a number of major retailers, including David Jones.



John Stapleton

Merchandise Leader

Aged 47.

John joined New Clicks Australia in 2003, leading the merchandise function for all brands. He is vastly experienced and spent many years with multi-category leading Australian retailers.



priceline

**priceline
pharmacy**

“Priceline has a dominant position in the health, beauty and lifestyle markets.”



Priceline – Financial highlights and statistics

		2003	2002
Sales	A\$'000	310 290	283 788
	R'000	1 587 711	1 574 694
Sales growth	% (A\$)	9.3	13.4
	% (R)	0.8	52.8
Comparable stores sales growth	% (A\$)	4.6	6.4
Operating profit before interest and before allocation of net costs of support structures	A\$'000	24 424	21 943
	R'000	124 974	121 758
Number of stores			
	Company owned	133	125
Number of full-time permanent employees		767	732
Weighted trading area	m ²	62 761	59 356
Net increase in trading area for the period	%	5.7	6.3
Weighted annual sales per m ²	A\$	4 944	4 781
	R	25 298	26 529



Priceline Pharmacy – Financial highlights and statistics

		2003	2002
Operating loss before interest and before allocation of net costs of support structures	A\$'000	(397)	–
	R'000	(2 029)	–
Number of stores			
	Franchised	7	–
Weighted trading area	m ²	2 999	–
Franchisee sales	A\$'000	5 329	–
	R'000	27 263	–
Franchisee fees	A\$'000	381	–
	R'000	1 949	–

Positioning

Priceline is a national retailer with 133 stores and has a dominant position in the health, beauty and lifestyle markets. Its market focus is on the middle to upper income segments.

The group's pharmacy strategy was implemented during the year under the Priceline Pharmacy banner, and a franchise model was developed to manage the operational requirements of the new business. The first seven pharmacies were opened.



Review of the year

The retail trading environment has been particularly tough and competition has been intense. Priceline has performed well in this climate and recorded sales growth of 9.3% in Australian dollar (A\$) terms, with comparable store growth at 4.6%.

Operating profit increased by 34.8% to A\$29.6 million. Retail sales grew at 11.3% and accounted for A\$24.4 million profit. An amount of A\$5.2 million reflects the profit from the sale of two Priceline stores during the year. This forms part of a strategy developed by New Clicks Australia (NCA) to convert selected stores to pharmacy and sell the businesses to franchise holders. The stores will in future generate franchise fees for NCA.

The fledgling Priceline Pharmacy operation generated franchise sales of A\$5.3 million and posted a loss of A\$397 000 for its first few months of trading.

Priceline opened 15 stores, including the seven pharmacies.

The brand team was restructured to meet the needs of the pharmacy implementation strategy. Phillip Smith was appointed as brand leader of Priceline and Priceline Pharmacy, which enabled Amanda Brook to assume the position of pharmacy retail services leader. John Stapleton was recruited to head the merchandise team and this has resulted in an increased focus and energy around buying.

The pharmacy project has presented several challenges, including the higher than anticipated expenses to establish the dedicated pharmacy team. The plan to leverage off the operational structure of Priceline did not materialise as the service delivery to franchisees proved more complex.

Systems have now been adapted to manage the franchise network, while the supply chain for the middle and back shop product continues to pose a challenge. Most of the pharmacies are operating at a discount to normal franchisee fees in order to establish the Priceline Pharmacy brand.

The Priceline Pharmacy growth strategy is built around a three-tiered approach:

- Converting existing pharmacies to the Priceline banner;
- Selling Priceline stores to pharmacists under a franchise agreement and adding dispensaries; and
- Developing stand alone greenfield locations, again through a franchise construct.

Regardless of the format, the following results have been achieved:

- A shift in the back of store/front of store sales ratios (the average Priceline store operating on a 50/50 basis, compared to an industry standard of 70/30);
- Sales increase of on average 40% for pharmacies converted to the Priceline format; and
- In all cases, a net dollar margin growth through improved gross profit from front of store products.

The Priceline ClubCard membership base has increased to 1.2 million in just over two years.

A new point of sale solution has been aggressively rolled-out to all stores and staff have been trained, resulting in higher productivity levels in stores.

Strategy

The pharmacy implementation strategy will continue apace. The majority of pharmacies were opened in the last quarter of the financial year and the costs have therefore been incurred, while the income stream will only start to be realised in the new year.

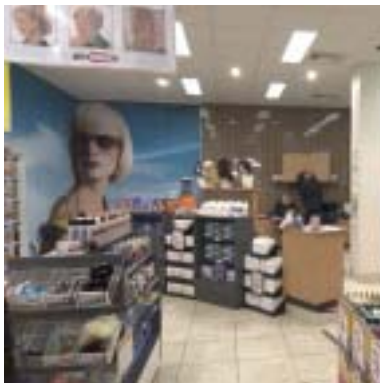
Four pharmacies are scheduled to be opened by December, and a further 16 by the end of 2004.

The growth in shrinkage levels has continued to plague the retail industry, and Priceline has not been immune to this trend. The operations team is actively addressing this issue through the implementation of security pedestals into further high risk stores, while camera surveillance systems are also being trialled. Undercover operatives are also proving successful and this will be expanded to other regions.





“...franchisees are starting to experience the benefits of the New Clicks Australia shared service structure.”



Financial highlights and statistics

		2003	2002
Operating profit/(loss) before interest and before allocation of net costs of support structures	A\$/'000	3 518	(17)
	R/'000	17 999	94
Number of stores			
Company owned		2	–
Franchised		101	95
Franchisee sales	A\$/m	87.3	–
	R'm	446.7	–
Franchisee fees	A\$/'000	3 778	–
	R/'000	19 333	–

Positioning

Price Attack is a franchise brand of combined retail stores and hair salons, marketing hair care products and related beauty accessories to a younger female market.

The brand was acquired by New Clicks in July 2002 and has now been successfully integrated into the New Clicks Australia (NCA) structures. Price Attack has adopted a stronger marketing focus and this revitalised brand is one of the leaders in the Australian professional hair care market.

Review of the year

Price Attack reported an operating profit of A\$3.5 million from franchisee sales of A\$87.3 million.

Carmelo Francese was appointed brand leader and has made an immediate impact in terms of relationships with franchisees and suppliers alike, as well as addressing the culture of the business from the previous owners.

When the brand was acquired by NCA, almost half of the franchisees did not have binding agreements. The brand team has finalised agreements with all franchisees and the business is now fully compliant.

The franchise system is working well and franchisees are starting to experience the benefits of the NCA shared service structure, with a specific example being the

development of a local area marketing kit.

The rights to the master franchise in Western Australia were acquired during the year, and this will result in increased franchise fees from the 18 stores.

Twelve new stores were opened, bringing the total store count to 101.

In order to address the complexity of hair salons and retail stores, a new store format has been developed to take the brand in a different direction, looking at growing the hair salon component to about 25% of turnover.

Price Attack has formed a strategic alliance with Australian women's basketball to inject A\$750 000 into the sport over a four-year period. This will not only provide heightened brand awareness but also access to a database of 200 000 females in the target market.

The market in Victoria continues to pose a challenge owing to the level of competition and the lack of a Price Attack store base and consequently brand awareness in the region. The brand has been supporting the franchisees with marketing to make an impact in the market.

Strategy

A new positioning will be adopted in the year ahead to align the brand with the value proposition of "You know value, we know hair".

Fifteen new stores are planned to be opened across Australia.

A new IT platform will be introduced for sales reporting to NCA and store reporting for franchisees.

A strategic alliance with Wella will be maximised to deliver improved returns to franchisees and NCA.

House.

“The brand has been successfully repositioned in the face of several new entrants into the homewares market.”

Financial highlights and statistics

		2003	2002
Operating profit before interest and before allocation of net costs of support structures	A\$'000	2 257	2 301
	R'000	11 548	12 768
Number of stores			
Company owned		1	–
Franchised		90	82
Franchisee sales	A\$m	89.6	68.5
	R'm	459.5	380.1
Franchisee fees	A\$'000	3 632	2 949
	R'000	18 584	16 363

Positioning

House is the largest national homeware and giftware retailer in Australia and is targeted at the middle to upper income market. The brand has been in the New Clicks stable since December 2000 and currently operates 90 franchised stores and 1 company-owned store.

Review of the year

Following the appointment of Simon Dryden as brand leader and a restructuring of the brand team, House has been successfully repositioned by creating a differentiated offering in the face of several new entrants into the homewares market.

The new positioning, together with increased marketing activity and an enhanced merchandise range, has given the brand the desired boost.

Eight new franchise stores were opened, while one store was acquired from a franchisee who was experiencing difficulties. House is now operating this store and should benefit when the store is sold in the forthcoming year.

House posted a 23% increase in franchise fees, as a result of new store growth and a 31% increase in franchisee sales to A\$89.6 million. The 1.9% decline in operating profit from A\$2.301 million to A\$2.257 million is largely attributable to the sale of two



company-owned stores in 2002 for an amount of A\$600 000.

The operating profit from the retail component of the business grew by 32.7% to A\$2.3 million.

Trading conditions in the homewares market have become increasingly difficult owing to the proliferation of new players and to a general slowdown resulting from the downturn in the housing market.

The buying function within House has experienced substantial change, with a revised merchandise strategy, improved supplier relationships and an improved communication strategy to the franchisees.

This new merchandise strategy has been embraced by all franchisees with the impetus created from some extensive research that concluded we

should return to our core business of kitchen and dining.

Our own imports programme has experienced many changes with positive results. Changes within merchandise selection, improved financial controls and better service have found wide acceptance from the franchisees. The programme is now well supported and will become a revenue earner in the future.

An association has been formed with the Lifestyle Channel, a cable television programme, which will increase the franchisees' advertising budget by A\$1.3 million. This is being funded by suppliers and is a first for the homewares industry.

House also received the prestigious Global Innovator Award for the best homeware retailer in Australia with

more than ten stores. House will now compete as the Australian representative in the World awards to be held in Chicago, USA in May 2004.

Strategy

The brand will continue to focus on its core business, aimed at being a leading kitchen and dining retailer. The new positioning has been adopted to stimulate interest in the brand's inspirational homewares range.

Key strategic relationships have been developed with suppliers to differentiate the offering, while improving margins for franchisees and the brand. This has also enabled House to fund the "Houseguests" pay television programme, a lifestyle magazine and recipe cards from those suppliers.

Shared Services

“The priorities for the year ahead are expense control and stock management.”

The Shared Services operation within New Clicks includes distribution and logistics, merchandise services, information technology (IT), marketing, organisational development, and finance and administration. The priorities for Shared Services in the year ahead – notably expense management and stock management – are covered in the group leader's report.

South Africa

The South African IT operation has been hampered by inflexible legacy systems and consequently an enterprise resource planning project (ERP 2) was initiated. A decision was taken to replace the core of the merchandise system with JDA. This will include the implementation of the following systems:

- JDA Merchandise Management System at the core;
- SAP Financials;
- SC Manager Warehouse Management System; and
- Retailix/Storeline point-of-sale technology.

These systems will simplify and integrate complex processes currently being conducted on several systems across the group.

The total IT capital expenditure is expected to be around R97 million for the new financial year, of which R42 million will be spent on projects and R55 million on systems for stores.

The finance and administration team is currently introducing SAP to improve the accuracy of information, enhance reporting and improve response times. This project is expected to be completed by September 2004.

Other priorities include the integration of financial systems for the pharmacy project, enhanced reporting to facilitate performance management of results and cost control, financial support to the brands and a re-evaluation of the EVA (economic value added) performance scheme.

Australia

The shared service capability of New Clicks Australia (NCA) was fundamentally restructured during the year to provide the necessary skills and service levels to both franchise and company-owned stores. Following the acquisition of Price Attack, more than half of the 334 NCA stores are now franchised. The support functions required by franchisees differ markedly from the needs of company-owned stores.

The launch of the pharmacy offering also proved challenging and has required extensive shared services support, particularly the development of an integrated IT solution and an efficient supply chain process. The first phase of the JDA merchandise system was implemented, while the new point of sale solution was rolled out to the Priceline stores.



Corporate Governance Report

New Clicks Holdings is committed to effective corporate governance to ensure that the interests of the company and its stakeholders are paramount. Consequently, the group subscribes to the principles of transparency, accountability and business integrity in all its dealings with stakeholders.

The group endorses and supports the Code of Corporate Practices and Conduct contained in the King Committee Report on Corporate Governance (King II). Following the publication of this report in March 2002, a comprehensive implementation plan was developed and the directors believe that the group is now substantially compliant with King II.

While adherence to the King II recommendations can be viewed as a regulatory requirement, the group recognises its responsibility and the benefits that can flow from good corporate citizenship. Accordingly the group measures not only its financial performance, but also its non-financial performance, aiming to achieve a balance of integrated economic, social and environmental performance (the so-called triple bottom line). More details are contained in the Corporate Citizenship report on page 44.

As the group continually strives to improve corporate governance standards, areas requiring further enhancement will be addressed in the 2004 financial year. This process is monitored by the recently constituted board sub-committee on corporate governance.

In line with the recommendations of King II, the board is reviewing its

charter which outlines the duties, responsibilities and accountability of the board members collectively, as well as the roles of individual directors.

Board of directors

The board of directors of New Clicks Holdings retains overall accountability for the company, its strategy and the annual business plan. It is also ultimately responsible for legislative and regulatory compliance, risk management, performance measurement, transparency and communication with stakeholders.

Authority has been delegated to the group leader, other executive directors and senior management for the day-to-day management of the company and the directors are kept apprised of progress through regular reporting at board meetings.

Key features of the board, its composition and further steps being taken to comply with the guidelines of King II, are as follows:

- The board is a unitary body comprising three executive directors and four non-executive directors. Three of the non-executive directors, including the chairman and deputy chairman, are deemed to be independent in terms of the King II definition. The fourth non-executive director, Allen Zimble, provides professional services to the group on a contractual basis on behalf of Investec Bank.
- The composition of the board is currently being reviewed to align the group more closely with the guidelines of King II. The appointment of further independent non-executive directors will also

provide additional resources for board sub-committees and enhance diversity at board level.

- The roles of the non-executive chairman, David Nurek, and the chief executive, Trevor Honneysett, are separate, with a clear distinction of responsibilities.
- The board has no controlling shareholder or group of shareholders, and there is no specific minority shareholder representation on the board.
- The non-executive directors have extensive business experience across a diverse range of sectors, enabling them to provide relevant and independent advice and judgement in the decision-making process.
- Newly-appointed directors participate in a formal induction programme which outlines their fiduciary duties and provides them with an in-depth understanding of the company and its operations.
- Directors do not have a fixed term of appointment, and one-third of the directors are required to retire by rotation each year and are eligible for re-election by shareholders at the annual general meeting. Executive directors retire from the board at 65 years of age, while there is no prescribed retirement age for non-executive directors.
- An annual self-assessment review process has been developed for the board, individual directors and board sub-committees, and will be implemented during the forthcoming year.

- All directors have access to the advice and services of the company secretary and are entitled to seek independent professional advice at the company's expense. They also have unrestricted access to all company information, records, documents and property.
- The board meets at least four times a year, and additional meetings can be convened at short notice to consider specific business.

Biographical information on all directors appears on page 9.

Board committees

The board of directors has delegated specific responsibilities to sub-committees which are all chaired by independent non-executive directors. Audit and remuneration committees have been functioning for several years, and during the year a governance committee was established. The board has also approved the appointment of a nominations committee and a risk management committee which will be constituted during the coming year. All board sub-committees have specific terms of reference.

Audit committee

The board entrusts the audit committee to ensure that management has created and maintained an effective control environment in the group.

The committee consists of three independent non-executive directors and met twice during the year. Executive management, internal audit and the external audit partners and staff attend meetings at the invitation of the committee. The internal audit

manager has unrestricted access to the chairman of the audit committee.

The role of the audit committee is to

- Review and approve the appropriateness of accounting and disclosure policies in the annual financial statements;
- Assess the effectiveness of internal controls;
- Review action taken on major accounting issues; and
- Ensure that management imposes no limitation on the scope of the audits.

Remuneration committee

Composed entirely of independent non-executive directors, the committee determines the broad remuneration philosophy for the group, as well as determining the remuneration of executive directors and senior management. It also proposes fees for non-executive directors, which are then tabled for approval at the annual general meeting.

The committee also assesses and reviews remuneration policies, employee share incentive schemes, performance bonuses and service contracts.

The chief executive attends meetings at the invitation of the committee but is not entitled to vote on any issues and does not participate in discussions regarding his own remuneration.

Governance committee

The increasing focus on corporate governance, transparency and accountability was the motivation for

the creation of a dedicated governance committee during the year.

The committee's role is to ensure compliance in both substance and form with the recommendations of the King Report and to monitor governance practices throughout the group.

The committee comprises the chairman of the board, the chief executive officer, the head of finance (South Africa) and the company secretary.

Risk management committee

While the board has approved the formation of a risk management committee, this body will only be formally constituted during this year.

The mandate of the committee will be to ensure material compliance with the principles of risk management as outlined in King II.

The committee will consist of two non-executive directors and key members of operational management.

Nominations committee

The board has also constituted a nominations committee with effect from the current year which consists of the chairman and two non-executive directors.

The committee is mandated by the board to identify suitable candidates for directorships, and make recommendations to the board. It will also advise on the composition of the board, and the balance between executive and non-executive directors. It will advise the board on succession planning, particularly in relation to the chief executive and senior executive management.

Board attendance

The attendance of the directors at board meetings and sub-committee meetings for the year is detailed in the table below.

performance. The ability to attract, retain and motivate staff in the competitive retail environment is an ongoing challenge, where remuneration plays a key role.

The board believes that in line with international norms, an increasing portion of executive directors' and senior management's remuneration should be linked to variable pay as opposed to guaranteed salary.

Board remuneration

Remuneration policy

New Clicks strives to employ high calibre individuals who subscribe to the company's values and are committed to delivering sustainable long-term

Executive directors and senior management are rewarded with an annual package, variable performance-related bonus and ownership through participation in the share incentive scheme.

The fixed portion of the package should allow the group to remain competitive in the marketplace and reflect the individual's responsibility and performance. The incentive-based,

Board attendance

The attendance of the directors at board and sub-committee meetings for the year were as follows:

	Board	Audit committee	Remuneration committee	Governance committee
Number of meetings	5	2	1	3
Directors				
David Nurek ^{1,2,3}	5	2	1	3
Peter Swartz ^{1,2}	4	2	1	n/a
Eliot Osrin ^{1,2}	4	2	1	n/a
Allen Zimble	4	n/a	n/a	n/a
Trevor Honneysett ³	5	n/a	n/a	3
Raymond Godfrey	5	n/a	n/a	n/a
Peter Green* ³	2	n/a	n/a	2
Jeff Sher	4	n/a	n/a	n/a

1 – Member of the Audit committee

3 – Member of the Governance committee

2 – Member of the Remuneration committee

* Resigned from the board on 17 June 2003

Directors' remuneration

The following payments were made to directors for the year ended 31 August 2003 (R'000):

Executive directors	Salary	Bonus	Total other benefits**	Total 2003	Total 2002
Trevor Honneysett	2 483	152	1 077	3 712	4 366
Raymond Godfrey	1 428	190	751	2 369	2 803
Peter Green*	1 325	169	8 190***	9 684	2 586
Jeff Sher (Australia)	2 707	32	632	3 371	5 073
Total	7 943	543	10 650	19 136	14 828

* Resigned from the board on 17 June 2003

** Includes the benefit of interest-free loans from the New Clicks Holdings Share Trust

*** Includes R7.5 million which is the present value of the amounts payable to Peter Green on his resignation

Non-Executive directors	Directors' fees	Consultancy fees	Total 2003	Total 2002
David Nurek	220	–	220	192
Peter Swartz	165	–	165	90
Eliot Osrin	155	–	155	53
Allen Zimble	125	500****	625	53
Total	665	500	1 165	388

**** Allen Zimble provides strategic planning consultancy services to the group on a contractual basis and the fees for these services are paid to Investec Bank

variable remuneration should allow for substantial wealth creation but at all times align the interests of executive directors and senior management with those of shareholders.

The individual salary, incentive and benefits of the executive directors and senior management are reviewed annually to ensure that they are appropriately rewarded for their contribution to the group.

Directors' shareholdings

The direct and indirect holdings and transactions of the directors of New Clicks Holdings for the year ended 31 August 2003 are set out in the table below. All transactions were conducted at the ruling market price on the JSE Securities Exchange South Africa.

Accountability and audit

Risk management

The board is responsible for setting risk policies, risk tolerance and risk management processes in the group.

Business continuity plans for the head office and distribution centres have been documented and are regularly reviewed. The disaster recovery plan will ensure that the business continues with the least amount of disruption, both operationally and from an information technology perspective, with procedures in place to resume computer operations at off-site third party premises. Testing of the business continuity plans and disaster recovery plans is an ongoing process.

Details of foreign exchange, credit and interest risk are contained in note 27 on page 79 of the financial statements.

Internal audit

Internal audit is an independent, objective appraisal and assurance function and forms a core element of the group's corporate governance structures.

The internal audit function reports to the audit committee and has the support of the board and management. Operationally, the internal audit manager reports to the head of finance, South Africa, who in turn reports to the chief executive. The procedure for the appointment and dismissal of the internal audit manager is in line with

Transactions

Director	Transaction date	Average price per share	Number of shares	Nature of transaction	Interest
Raymond Godfrey	17/01/2003	R6.50	914 000	Sale	Indirect beneficial

Shareholdings

Director	Held through Share Trust	Direct	Indirect	Total
Trevor Honneysett	701 525	5 280	2 262 840	2 969 645
Raymond Godfrey	545 937	2 209	416 318	964 464
Jeff Sher	–	–	–	–
David Nurek	–	29 682	–	29 682
Peter Swartz	–	–	–	–
Eliot Osrin	–	135 413	–	135 413
Allen Zimble	75 000	–	–	75 000
Total	1 322 462	172 584	2 679 158	4 174 204
Issued shares				354 118 432
Percentage of issued share capital				1.2%

Share options

Date granted	Issue price	Trevor Honneysett	Raymond Godfrey	Jeff Sher	Allen Zimble	David Nurek	Peter Swartz	Total
October 1998	R3.50	450 000	300 000	–	99 300	–	–	849 300
January 1999	R5.35	3 150 000	2 100 000	–	481 700	1 000 000	750 000	7 481 700
July 1999	R7.80	600 000	400 000	500 000	–	–	–	1 500 000
September 2000	R9.30	750 000	500 000	500 000	250 000	500 000	–	2 500 000
April 2001	R7.40	750 000	500 000	500 000	150 000	–	–	1 900 000
Total		5 700 000	3 800 000	1 500 000	981 000	1 500 000	750 000	14 231 000

other executive positions, and would need to be sanctioned by the audit committee.

Internal audit includes the review of the effectiveness of the systems of internal control, the means of safeguarding assets, the reliability and integrity of financial and operating information, the efficient management of the group's resources and the efficient conduct of its operations.

Internal control

The board is responsible for the group's systems of internal control which are designed to provide reasonable – but not absolute – assurance against inaccurate internal financial information and other irregularities. The audit committee has reviewed the effectiveness of the systems of internal control and the board has been satisfied that management has established a system of controls and procedures of a high standard to ensure the accuracy and integrity of the accounting records and to effectively monitor the group's businesses and their performance.

No incidents have come to the attention of the board that would indicate any material breakdown in these internal controls during the year.

Financial statements

The directors accept ultimate responsibility for the preparation of the financial statements and related financial information that fairly represent the state of affairs and the results of the group.

The financial statements have been prepared by management in accordance with South African Statements of Generally Accepted Accounting Practice. They incorporate full and reasonable disclosure and are based on appropriate accounting policies that are supported by reasonable and prudent judgements and estimates. The views of investors have been taken into account in determining the content and presentation of the annual report.

The external auditors are responsible for independently auditing and reporting on these financial statements in conformance with Statements of South African Auditing Standards.

Going concern

The directors are satisfied that the group has adequate resources to continue operating for the next 12 months and into the foreseeable future. The financial statements presented on pages 52 to 88 have accordingly been prepared on a going concern basis.

Personal share dealings

Directors and staff are restricted from trading in the shares of New Clicks Holdings during two formalised closed periods. These closed periods run from the end of the interim and annual reporting periods until the financial results are announced on the Securities Exchange News Service (SENS).

Embargoes may also be placed on share dealings should the group be involved in corporate activity which results in the directors and executives having access to price-sensitive

information. The company secretary advises all directors and employees prior to the start of the closed periods of the prohibitions contained in the Insider Trading Act.

All directors are required to obtain written clearance from the chairman or deputy chairman prior to dealing in the company's shares. It is also mandatory to notify the company secretary of any dealings in the company's shares and this information is then disclosed to the Listings Division of the JSE Securities Exchange within 48 hours of the trade being made. These dealings are also disclosed at the quarterly board meetings.

Ethics and values

All employees are required to maintain the highest ethical standards of business practice. The group has adopted a set of values and behavioural principles (outlined on page 3) which require staff to display honesty, integrity, mutual respect, openness and affords them the right and obligation to challenge others who are not adhering to these values. These values are shared with all new staff as part of the formal induction programme, and staff give an undertaking to abide by the values. When staff act outside of the spirit of these values, the matter is investigated and dealt with by an appropriate executive who is empowered to recommend disciplinary action depending on the transgression.

Corporate Citizenship Report

“The challenge facing business is to find a balance between short-term profitability targets and the longer term needs of society.”



The King II Report has heightened the need for corporates to broaden their traditional financial reporting to cover issues which ultimately determine the sustainability of the business. This is generally referred to as integrated sustainability reporting, or triple bottom line reporting, where companies address the economic, social and environmental aspects affecting their performance and the relationship with stakeholders in these areas.

Sustainability reporting is particularly relevant in South Africa as extensive resources are being applied to address transformation, both within companies and in the external environment.

The challenge facing business is to find a balance between short-term profitability targets while at the same time meeting the longer term needs of the society within which they operate. This report outlines the progress that New Clicks has made in addressing these needs and the contribution the group is making to social upliftment in the country.

Staff development and welfare

Employment equity is a corporate priority and sound progress has been

made in addressing the staff profile and gender equity. The accompanying table (opposite) provides detailed statistics on the group's employees.

Previously disadvantaged individuals represent 89% of the total SA staff complement. Black managers represent 42% of total managers. Progress in appointing previously disadvantaged individuals into management has been slower than the group would have wanted. Women currently make up 58% of the total and represent 48% of management. The composition of the board of directors is currently being reviewed to increase the level of diversity and representivity.

Employment equity is integrated into all people development processes, including the graduate training programme and the store management trainee programme. The group's policy is to favour previously disadvantaged individuals for employment opportunities.

The group has complied with all the legislative requirements of the Employment Equity Act and plans are submitted to the Department of Labour on an annual basis.

Staff statistics		
Permanent staff		
Number of staff at August 2002		6 364
Plus:	Recruitments	2 208
	Acquisitions of new businesses	576
Less:	Resignations	(820)
	Deaths	(47)
	Dismissals	(226)
	Retirements	(3)
	Retrenchments	(79)
<hr/>		
Number of staff at August 2003		7 973
Gender Splits:		
	Males	3 331
	Females	4 642
<hr/>		
		7 973
Non-Management by gender		
	Males	2 839
	Females	4 191
Management by gender		
	Males	492
	Females	451
<hr/>		
		7 973
Race Splits:		
	SA – Black	6 223
	SA – White	772
	Australia	978
<hr/>		
		7 973
Non-Management by race:		
	SA – Black	5 873
	SA – White	281
	Australia	876
Management by race:		
	SA – Black	350
	SA – White	491
	Australia	102
<hr/>		
		7 973
Age Distribution:		
	0 – 29	3 358
	30 – 39	2 979
	40 – 49	1 238
	above 50	398
<hr/>		
		7 973
Casual staff		
Number of staff at August 2002		2 888
Number of staff at August 2003		2 086

During the year, new requirements under the Labour Relations Act led to a change in definition of part-time employees and these staff now qualify for annual and sick leave benefits.

New Clicks encourages staff to further their education and enhance job-related and technical skills. A study scheme enables staff to enrol for approved courses and during the past year 201 people completed degrees, diplomas and short courses with registered institutions at a cost to the company of R946 500. A further R200 000 was invested in job skills courses undertaken at the group's request.

The housing assistance programme has enabled many employees to own homes for the first time and improve their living standards. More than R13 million has been made available through low-interest loans to staff through this programme.

HIV/AIDS management

New Clicks recognises that the HIV/AIDS pandemic poses a serious threat to its business in South Africa, as well as to employees, their families and the broader society in which it operates. The group has been actively committed to managing HIV/AIDS-related issues in the workplace and during the year a formal AIDS policy was developed after extensive negotiation with internal and external role players.

The policy provides consistent guidelines for dealing with HIV/AIDS and addresses issues including confidentiality and disclosure, employee benefits, education and prevention programmes, counselling,

support and the management of infected employees.

Central to the group's strategy is to limit new infections through education and guidance, extend the life expectancy of HIV-positive employees, and to eliminate discrimination and prejudice towards infected employees.

HIV/AIDS is a life-threatening disease. Based on current medical and scientific evidence, HIV causes AIDS and cannot be transmitted through casual personal contact under normal working conditions. Infected employees therefore do not present a risk to the health or safety of colleagues or customers.

Employees are encouraged to know their status, but have a common-law right to privacy and are under no obligation to disclose their status to the group. No pre-employment medical testing is conducted for any positions in the group, while no one will be refused employment or promotion on the basis of their HIV status.

Employees with HIV/AIDS can continue with employment until they are certified as being medically unfit to work. The group will pay for triple anti-retroviral therapy and counselling for employees in the case of reported rape.

Although no formal assessment has been commissioned on the impact of HIV/AIDS on the group's business and its markets, New Clicks is exposed to a wide range of socio-economic groups given the diversity of its operations and the target markets served by the different brands.

Owing to the confidential nature of employee's HIV/AIDS status, accurate figures of prevalence rates are not

available but are estimated to be below the published national and provincial averages.

Healthcare

While the legislative changes enabling corporates to own pharmacies presents a unique business opportunity, it also allows the group to make a meaningful contribution to the country in line with the Government's broader healthcare strategy as outlined in the National Drug Policy.

The aim of this policy is "to ensure an adequate and reliable supply of safe, cost-effective drugs of an acceptable quality, to improve access to medicines for all South Africans and to improve rendering of pharmaceutical services". New Clicks is committed to working with Government to make this a reality, and in the spirit of the new regulations, will endeavour to make affordable healthcare more accessible to broader communities.

New Clicks plans to operate company-owned, joint venture and franchise stores with pharmacies, which could provide empowerment opportunities at a store level in the future, notably for entrepreneurial retailers and pharmacists in disadvantaged areas.

The group is assisting Government in training pharmacy staff, and is actively involved in training pharmacists' assistants on behalf of the Department of Health in the Free State. A similar programme is being considered in the Western Cape, Gauteng and KwaZulu-Natal.

A disease management programme was launched during the year, aimed at educating pharmacists and the public on chronic states of health. By elevating the level of understanding

of chronic conditions, pharmacists are able to provide more effective counselling to customers and reach a wider community. Following the success of the first campaign around asthma, educational programmes on hypertension, diabetes and depression will be introduced during the year.

Environment

New Clicks is fully committed to waste minimisation and recycling, and has several initiatives in place to support environmental awareness.

One area is the support of the Department of Environmental Affairs and Tourism (DEAT) in its attempts to reduce the volume of plastic carrier bags in the country and to clean up the environment.

When regulations to address this were first mooted in early 2000, the group was instrumental in creating a working forum of some 20 retail companies to address the impact of the proposals on our industry. New Clicks was also at the forefront of establishing a working group last year to represent the major retailers in the debate with Government, labour and the plastics manufacturing, converting and recycling industries and retailers.

Five of the country's major retail groups, including New Clicks, signed a memorandum of agreement on behalf of the working forum in October 2002 which paved the way for the introduction of the regulations governing plastic bags in May this year. The group has complied fully with the requirements and all stocks of the old plastic bags were recycled.

The retail industry, represented through the Consumer Goods Council of SA, has reached agreement with the

Minister of Environmental Affairs and Tourism that no further legislation is required and that market forces should be allowed to prevail in the pricing of plastic bags. The industry remains committed to the DEAT's position on the environment and plastic bags and believes that their objectives will be met through self-regulation.

Occupational health and safety

The group's compliance with the Occupational Health and Safety Act focuses predominantly on the operations of the distribution centres. A safety, health and environmental (SHE) policy has been developed, as outlined in the King II report.

All employees and contractors have undergone a SHE induction and representatives have been appointed in all distribution centres. Emergency teams have also been appointed, and fire and emergency drills take place regularly.

The business continuity plan is available on the Intranet, with awareness training being conducted on an ongoing basis.

The distribution centres are also subject to external scrutiny. An occupational health and safety audit conducted by Alexander Forbes indicated high levels of compliance for all the audited distribution centres, while compliance certificates have been issued by the Automatic Sprinkler Inspection Bureau.

The safety, health and environmental programme now needs to be extended to all other areas of the business, notably the group support structures and the store network, to move

towards complete compliance with King II.

Corporate social investment

New Clicks Holdings is aware of the need to redress the social imbalances of the past, and is committed to investing funds in projects which lead to community upliftment and personal empowerment. The New Clicks Foundation, which was formed in 2000, manages the group's corporate social investment programme and is the conduit for the disbursement of funds.

The Foundation is managed by a board of trustees who determine the funding criteria and meet regularly to assess the progress of current programmes, monitor the appropriate usage of funds and evaluate requests for future funding.

Over the past year approximately R500 000 was committed to social investment programmes, bringing the total disbursement since the formation of the New Clicks Foundation to R2 million.

Major projects are required to have a strong business or strategic alignment with one of the group's brands, and should have a national impact rather than a regional or local focus.

Funding is provided on three levels – community support, social projects and business-aligned support:

Community support

Staff are encouraged to play a role in social investment programmes, particularly through the network of stores around the country which serve a diverse range of communities. All Clicks stores are allocated a fund to respond to requests from their local

communities. An additional budget is administered centrally for small, community-focused requests for financial assistance.

New Clicks is also actively involved in the Woodstock Upliftment Project, a programme to address the needs of the community in which the group's head office is located. New Clicks has looked to play the role of catalyst in bringing together community role players to address crime prevention, education, old age care, waste management, environmental and social issues.

Social project support

- New Clicks Foundation continues to support The Big Issue, an upliftment project aimed at assisting homeless people to earn a living and integrating them back into the formal job market. The funding was partly used to run workshops for vendors of The Big Issue, staff training workshops, a mobile distribution unit and assisting disadvantaged staff to obtain driver's licences. More than R560 000 has been invested in The Big Issue project over the last three years.
- Indecomp is a computer bureau based in Athlone in the Western Cape which provides people with disabilities the opportunity to be trained and employed as data capturers. Clicks has contracted Indecomp for the past two years to provide data services for its ClubCard membership base. An increasing workload resulted in the need for more staff, additional customised workstations and computer equipment, and this expansion has been funded by the Foundation.

- The Red Cross Children’s Hospital is the only specialist paediatric facility of its kind in Southern Africa, and serves children throughout the continent. The hospital’s trauma unit caters for the increasing number of victims of accidental and non-accidental injury, treating more than 10 000 children annually. The trauma unit is in desperate need of being upgraded and adequately equipped and the Foundation has contributed towards the funding of this project.
- Epilepsy South Africa run the annual Casual Day project, where people pay R5.00 to go to work or school in casual clothing and show their support for those with disabilities. Funds raised from Casual Day are distributed to a range of institutions providing services and assistance to the disabled. New Clicks SA and the New Clicks Foundation have supported this campaign since 1998.
- Childline works in partnership with the Departments of Health, Social Services, Administration and Community Safety to address issues from child abuse to rape, youth violence, HIV/AIDS, community health and job creation. The Foundation has committed funds to the community outreach programme undertaken by Childline’s team of permanent staff members and a large group of voluntary workers. In addition, The Body Shop has aligned itself with Childline and will be raising funds to educate and train counsellors.

Business-aligned support

The Foundation is a major supporter of The Living Music Workshop Series, a

grassroots music education project co-ordinated by Compact Disc Wherehouse, one of the brands in New Clicks’ music division. The workshop series was started in August 2002 in partnership with Paul Bothner’s Music, music development company New World Productions, and Tomecy (Township Music Education for Children & Youth in Guguletu). Four workshops are held every month in community centres, aimed at developing the local music industry and nurturing young black talent.

Investor relations

New Clicks is committed to open and transparent dialogue with institutional shareholders and investment analysts, and fully aware of its obligation to disclose accurate and timely information to the market.

The group has adopted a more formalised investor relations strategy during the year, and appointed an external consultancy to manage the programme on an outsourced basis.

The group leader, the country head of Australia and heads of finance in South Africa and Australia, are accessible to investors and regular meetings are held with local and international shareholders and analysts.

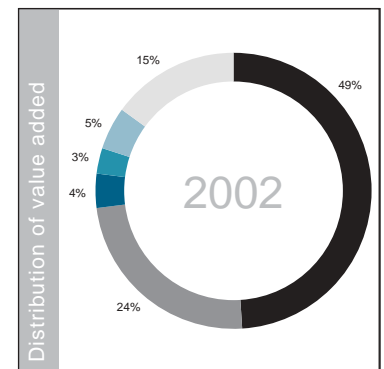
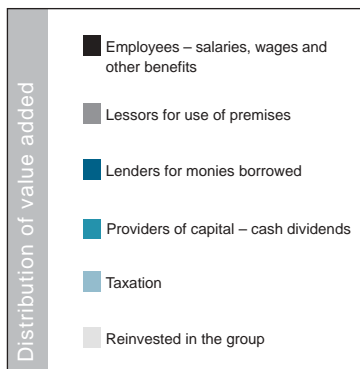
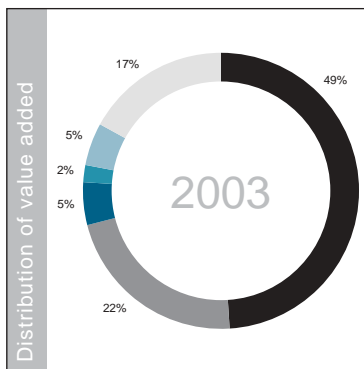
Presentations are made to investors in Johannesburg and Cape Town on the interim and final results, as well as around other major developments in the company. These presentations are generally webcast to ensure simultaneous dissemination of information to shareholders across the globe.



Value Added Statement

	2003		2002	
	R'000	%	R'000	%
Turnover	7 367 739		5 487 791	
Other revenue	554 715		424 861	
Paid to suppliers for goods and services	(6 135 304)		(4 372 846)	
Value added	1 787 150		1 539 806	
Applied as follows:				
Employees – salaries, wages and other benefits	869 402	48.6%	756 006	49.1%
Lessors for use of premises	398 875	22.3%	358 865	23.3%
Lenders for monies borrowed	84 117	4.7%	67 220	4.4%
Providers of capital – cash dividends	44 243	2.5%	37 736	2.4%
Taxation	85 599	4.8%	79 838	5.2%
Reinvested in the group	304 914	17.1%	240 141	15.6%
depreciation and trademarks amortised	103 726	5.8%	97 075	6.3%
goodwill amortised	23 719	1.3%	11 346	0.7%
deferred taxation	(1 856)	(0.1%)	(18 519)	(1.2%)
impairment of loan	–	0.0%	32 475	2.1%
scrip distributions	37 362	2.1%	25 803	1.7%
retained income	141 963	8.0%	91 961	6.0%
Distribution of value added	1 787 150	100.0%	1 539 806	100.0%

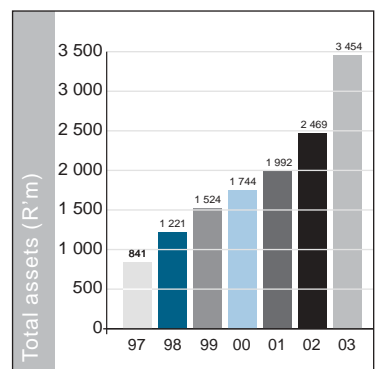
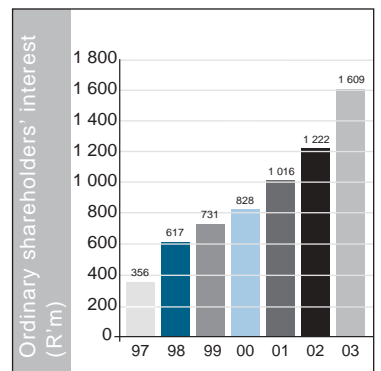
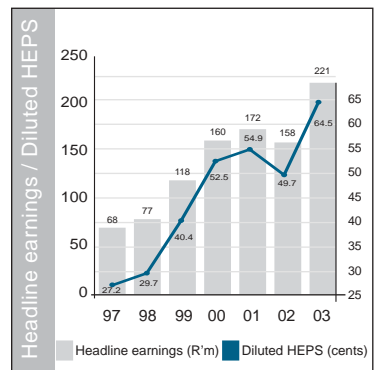
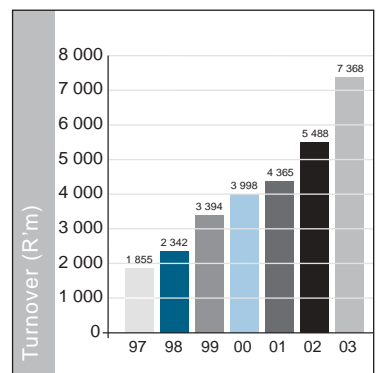
Distribution of value added



Seven Year Review

R'000		5 year CAGR (%)	2003	2002	2001
Income Statement					
Turnover	R'000	25.8%	7 367 739	5 487 791	4 365 203
Gross profit	R'000	24.9%	1 790 882	1 555 401	1 219 004
Operating profit	R'000	23.7%	382 003	318 560	262 614
Profit before taxation and exceptional items	R'000	19.9%	297 886	218 865	219 065
Headline earnings	R'000	23.5%	221 296	157 546	171 666
Balance Sheet					
Ordinary shareholders' interest	R'000	21.1%	1 608 510	1 221 757	1 015 533
Long-term liabilities	R'000	33.2%	412 532	230 546	242 398
Property, plant and equipment	R'000	19.6%	747 263	612 537	530 261
Inventories	R'000	19.8%	1 401 061	1 055 137	897 348
Total assets	R'000	23.1%	3 453 830	2 468 580	1 991 740
Cash Flow					
Net cash inflow from operating activities	R'000	31.3%	337 208	213 665	121 585
Net interest paid	R'000	48.1%	84 117	67 220	19 997
Capital expenditure	R'000	24.6%	203 005	158 005	109 669
Depreciation and amortisation	R'000	28.0%	103 726	97 075	75 982
Performance					
Turnover growth	%		34.3	25.7	9.2
Comparable stores turnover growth					
– Southern Africa	%		8.0	9.2	4.7
– Australia (A\$)	%		4.5	6.5	-4.5
Gross profit growth	%		15.1	27.6	10.5
Gross profit margin	%		24.3	28.3	27.9
Operating profit growth	%		19.9	21.3	9.2
Operating profit margin	%		5.2	5.8	6.0
Inventory turn	times		5.3	5.2	5.2
Current ratio	times		1.4	1.3	1.4
Return on total assets	%		7.5	7.1	9.3
Return on shareholders' interest	%		15.6	14.1	18.6
Interest cover	times		4.5	4.7	13.1
Net interest-bearing debt to shareholders' funds at year end	%		27.7	27.8	27.2
Exchange rates					
Rand/Australian Dollar					
– average rate	R/A\$		5.12	5.55	4.12
– closing rate	R/A\$		4.72	5.82	4.44
Rand/US Dollar					
– average rate	R/US\$		8.55	10.49	7.84
– closing rate	R/US\$		7.36	10.64	8.33
Statistics					
Number of permanent employees		6.7%	7 973	6 364	6 338
Number of stores					
– company owned		6.8%	729	699	684
– franchised		112.4%	519	516	393
Trading area – company owned	m ²	6.4%	273 636	261 539	256 280
Share statistics					
Number of shares in issue	'000	4.7%	354 118	305 172	298 541
Weighted average number of shares	'000	5.5%	337 587	301 772	293 200
Weighted average diluted number of shares	'000	3.3%	342 906	317 272	312 900
Headline earnings per share					
– undiluted	cents	17.2%	65.6	52.2	58.6
– diluted	cents	16.8%	64.5	49.7	54.9
Distribution per share	cents	17.9%	26.0	24.0	19.8
Distribution cover	times		2.5	2.1	2.8
Share price					
– closing	cents	9.1%	665	650	909
– high	cents		715	930	1 230
– low	cents		501	555	650
Net asset value per share	cents	15.7%	454	400	340
Net tangible asset value per share	cents	12.1%	388	341	314
Market capitalisation	R'000	14.2%	2 354 885	1 983 618	2 713 738
Price earnings ratio	times		10.1	12.5	15.5
Volume of shares traded	'000		156 283	180 585	107 819
Percentage of shares traded	%		46.3	59.8	36.8
Other information					
Inflation rates (CPI)					
South Africa	%		5.1	10.3	4.6
Australia	%		2.6	3.2	2.5
Interest rates					
Prime overdraft rate					
– closing	%		14.5	16.0	13.5
– average	%		16.6	14.3	14.3
R153					
– closing	%		9.5	11.6	10.8
– average	%		10.4	11.5	12.2
JSE Securities Exchange share indices					
All Share Index		15.5%	9 226	9 677	8 887
General Retail Index		9.0%	9 584	6 439	6 682
Shareholders' return	cents		41	(235)	(271)
Increase/(decrease) in share price	cents		15	(259)	(291)
Distribution per share	cents		26	24	20

2000	1999	1998	1997
3 997 525	3 394 426	2 342 177	1 854 893
1 103 491	888 135	588 798	449 322
240 541	178 082	132 042	100 468
229 270	170 621	120 241	88 817
160 221	118 110	77 033	67 834
827 555	730 659	617 070	356 014
178 386	94 669	98 213	83 099
491 581	336 485	304 782	230 054
742 010	666 028	568 611	399 346
1 743 929	1 524 056	1 221 437	841 241
75 521	253 830	86 388	87 814
11 721	7 461	11 801	11 651
232 933	81 448	67 488	78 847
58 025	46 791	30 229	23 695
17.8	44.9	26.3	38.7
11.5	9.4	14.1	-
2.6	8.1	10.4	-
24.2	50.8	31.0	35.2
27.6	26.2	25.1	24.2
35.1	34.9	31.4	49.9
6.0	5.2	5.6	5.4
5.4	5.1	4.1	4.6
1.4	1.5	1.5	1.5
9.9	8.6	7.2	9.0
20.3	17.3	14.2	20.8
20.5	23.9	11.2	8.6
27.5	13.0	15.9	22.0
3.99	3.82	3.37	3.52
3.85	3.95	3.71	3.47
6.47	6.03	5.16	4.55
6.67	6.25	6.25	4.76
6 279	6 388	5 763	5 065
628	584	524	409
12	12	12	9
236 614	220 021	200 749	156 127
288 399	285 572	281 717	251 770
286 900	283 600	258 800	294 400
305 200	292 100	258 800	294 400
55.8	41.6	29.7	27.2
52.5	40.4	29.7	27.2
18.0	14.2	11.4	9.0
2.9	2.9	2.6	2.6
1 200	855	430	570
1 285	930	950	608
770	350	415	290
287	256	219	141
287	256	219	141
3 460 788	2 441 641	1 211 383	1 435 089
21.5	20.5	14.5	21.0
120 058	120 501	79 894	74 370
41.8	42.5	30.9	25.3
6.7	3.3	7.6	8.7
6.2	1.7	1.4	-0.3
14.5	16.5	25.5	20.3
15.0	21.1	20.0	20.0
13.5	15.3	19.6	14.3
14.2	15.6	14.3	15.2
8 362	6 673	4 480	6 539
10 849	10 762	6 237	11 078
363	439	(129)	274
345	425	(140)	265
18	14	11	9



Group Balance Sheet

at 31 August 2003

R'000	Notes	2003	2002
Assets			
Non-current assets		1 452 501	1 201 924
Property, plant and equipment	1	747 263	612 537
Trademarks	2	4 580	5 230
Goodwill	3	235 288	182 502
Deferred taxation assets	4	81 363	69 900
Loans	6	384 007	331 755
Current assets		2 001 329	1 266 656
Inventories	7	1 401 061	1 055 137
Accounts receivable		417 305	196 624
Taxation prepaid		3 754	14 895
Cash on hand		179 209	–
Total assets		3 453 830	2 468 580
Equity and liabilities			
Capital and reserves		1 608 510	1 221 757
Ordinary share capital	8	3 541	3 052
Share premium	8	874 153	534 455
Non-distributable reserve	9	73 722	169 119
Distributable reserves		657 094	515 131
Non-current liabilities			
Long-term liabilities	10	412 532	230 546
Deferred taxation liabilities	4	15 252	6 790
Current liabilities		1 417 536	1 009 487
Short-term borrowings	11	33 005	108 583
Accounts payable	13	1 373 743	887 542
Taxation payable		10 788	13 362
Total equity and liabilities		3 453 830	2 468 580

Group Income Statement

for the year ended 31 August 2003

R'000	Notes	2003	2002
Turnover		7 367 739	5 487 791
Cost of merchandise		5 576 857	3 932 390
Gross profit		1 790 882	1 555 401
Other revenue		528 261	424 861
Other expenditure		1 937 140	1 661 702
Depreciation and amortisation	1, 2	103 726	97 075
Occupancy costs	14	398 875	358 865
Employment costs	15	869 402	756 006
Other operating costs	16	565 137	449 756
Operating profit		382 003	318 560
Net interest paid		(84 117)	(67 220)
Interest paid – normal operations	17	(84 117)	(67 220)
Interest accrued – Purchase Milton & Associates (PM&A)	6	59 265	45 525
Provision against interest accrued – PM&A	6	(59 265)	(45 525)
Net profit after interest		297 886	251 340
Provision – impairment of loan to PM&A	6	–	(32 475)
Net profit before exceptional items		297 886	218 865
Exceptional items			
Profit on sale of stores		26 454	–
Loss on disposal of property, plant and equipment		(2 610)	–
Goodwill amortised	3	(23 719)	(11 346)
Profit before taxation		298 011	207 519
Taxation	18	83 743	61 319
Profit attributable to ordinary shareholders		214 268	146 200
Reconciliation of headline earnings			
Profit attributable to ordinary shareholders		214 268	146 200
Adjustment for			
Profit on sale of stores		(18 518)	–
Loss on disposal of property, plant and equipment		1 827	–
Goodwill amortised		23 719	11 346
Headline earnings		221 296	157 546
Headline earnings per share (cents)			
Undiluted	19	65.6	52.2
Diluted	19	64.5	49.7
Attributable earnings per share (cents)			
Undiluted	19	63.5	48.4
Diluted	19	62.5	46.1
Distributions per share (cents)			
Paid – December	20	14.1	11.2
Paid – July	20	10.9	9.9
Payable – December		15.1	

Group Changes in Equity Statement

for the year ended 31 August 2003

R'000	Number of shares (^{'000})	Share capital (Note 8)	Share premium (Note 8)	Non- distributable reserve (Note 9)	Distributable reserve	Total
Balance at 31 August 2001	298 541	2 985	494 570	94 808	423 170	1 015 533
Capitalisation awards	3 549	36	25 767	–	–	25 803
Shares issued in respect of options	3 082	31	14 118	–	–	14 149
Foreign currency translation reserve		–	–	83 611	–	83 611
Deferred tax on write-off of intangible assets		–	–	(9 300)	9 300	–
Profit for the year		–	–	–	146 200	146 200
Distributions		–	–	–	(63 539)	(63 539)
Balance at 31 August 2002	305 172	3 052	534 455	169 119	515 131	1 221 757
Capitalisation awards	6 165	62	37 300	–	–	37 362
Shares issued in respect of options	1 933	19	9 753	–	–	9 772
Share issue expenses written off		–	(1 053)	–	–	(1 053)
Acquisition of New United Pharmaceutical Distributors	40 848	408	293 698	–	–	294 106
Foreign currency translation reserve		–	–	(86 097)	–	(86 097)
Deferred tax on write-off of intangible assets		–	–	(9 300)	9 300	–
Profit for the year		–	–	–	214 268	214 268
Distributions		–	–	–	(81 605)	(81 605)
Balance at 31 August 2003	354 118	3 541	874 153	73 722	657 094	1 608 510

Group Cash Flow Statement

for the year ended 31 August 2003

R'000	Notes	2003	2002
Cash effects of operating activities			
Operating profit before working capital changes	31.1	513 820	418 834
Working capital changes	31.2	38 893	(10 705)
Cash generated by operations		552 713	408 129
Net interest paid	31.3	(84 117)	(67 220)
Taxation paid	31.4	(87 145)	(89 508)
Cash inflow from operating activities		381 451	251 401
Distributions to ordinary shareholders		(44 243)	(37 736)
Net cash effects of operating activities		337 208	213 665
Cash effects of investing activities			
Investment in property, plant and equipment to maintain and expand operations		(203 005)	(158 005)
Acquisition of subsidiaries and businesses	31.5	(4 141)	(89 723)
Proceeds on disposal of property, plant and equipment		4 411	6 668
Increase in loans		(64 766)	(68 974)
Net cash outflow from investing activities		(267 501)	(310 034)
Cash effects of financing activities			
Shareholders' funds raised	31.6	8 719	14 149
Long-term borrowings – raised		180 230	–
Long-term borrowings – repaid		–	(13 432)
Net cash effects of financing activities		188 949	717
Net increase/(decrease) in cash and cash equivalents		258 656	(95 652)
Adjustment for foreign exchange fluctuation		(3 869)	2 575
Cash and cash equivalents at beginning of the year		(108 583)	(15 506)
Cash and cash equivalents at end of the year	31.7	146 204	(108 583)

Currency Adjusted Balance Sheet at 31 August 2003

	Notes	2003 R'000	2002 R'000	2003 US\$'000
Assets				
Non-current assets		1 452 501	1 201 924	197 350
Property, plant and equipment	1	747 263	612 537	101 530
Trademarks	2	4 580	5 230	622
Goodwill	3	235 288	182 502	31 968
Deferred taxation assets	4	81 363	69 900	11 055
Loans	6	384 007	331 755	52 175
Current assets		2 001 329	1 266 656	271 920
Inventories	7	1 401 061	1 055 137	190 362
Accounts receivable		417 305	196 624	56 699
Taxation prepaid		3 754	14 895	510
Cash on hand		179 209	–	24 349
Total assets		3 453 830	2 468 580	469 270
Equity and liabilities				
Capital and reserves		1 608 510	1 221 757	218 548
Ordinary share capital	8	3 541	3 052	481
Share premium	8	874 153	534 455	118 771
Non-distributable reserve	9	73 722	169 119	10 017
Distributable reserves		657 094	515 131	89 279
Non-current liabilities				
Long-term liabilities	10	412 532	230 546	56 050
Deferred taxation liabilities	4	15 252	6 790	2 072
Current liabilities		1 417 536	1 009 487	192 600
Short-term borrowings	11	33 005	108 583	4 484
Accounts payable	13	1 373 743	887 542	186 650
Taxation payable		10 788	13 362	1 466
Total equity and liabilities		3 453 830	2 468 580	469 270
Rates used for currency conversion				
Closing rate				R 7.36

In order to give users of these financial statements an indication of the relative values in foreign currencies, the group balance sheet in South African rands has been converted to US dollars, UK pounds and Australian dollars, using the closing spot rates of those currencies.

2002 US\$'000	2003 £'000	2002 £'000	2003 AUS\$'000	2002 AUS\$'000
112 963	126 304	72 667	307 448	206 373
57 569	64 979	37 033	158 172	105 174
492	398	316	969	898
17 152	20 460	11 034	49 803	31 336
6 570	7 075	4 226	17 222	12 002
31 180	33 392	20 058	81 282	56 963
119 047	174 028	76 582	423 618	217 488
99 167	121 832	63 793	296 560	181 169
18 480	36 287	11 888	88 330	33 761
1 400	326	901	795	2 558
–	15 583	–	37 933	–
232 010	300 332	149 249	731 066	423 861
114 827	139 870	73 867	340 471	209 778
287	308	185	750	524
50 231	76 013	32 313	185 030	91 767
15 895	6 411	10 225	15 605	29 038
48 414	57 138	31 144	139 086	88 449
21 667	35 872	13 939	87 320	39 586
639	1 326	411	3 228	1 166
94 877	123 264	61 032	300 047	173 331
10 205	2 870	6 564	6 986	18 644
83 416	119 456	53 660	290 778	152 393
1 256	938	808	2 283	2 294
232 010	300 332	149 249	731 066	423 861
R	R	R	R	R
10.64	11.50	16.54	4.72	5.82

Currency Adjusted Income Statement

for the year ended 31 August 2003

	Notes	2003 R'000	2002 R'000	2003 US\$'000
Turnover		7 367 739	5 487 791	861 724
Cost of merchandise		5 576 857	3 932 390	652 264
Gross profit		1 790 882	1 555 401	209 460
Other revenue		528 261	424 861	61 785
Other expenditure		1 937 140	1 661 702	226 566
Depreciation and amortisation	1, 2	103 726	97 075	12 132
Occupancy costs	14	398 875	358 865	46 652
Employment costs	15	869 402	756 006	101 684
Other operating costs	16	565 137	449 756	66 098
Operating profit		382 003	318 560	44 679
Net interest paid		(84 117)	(67 220)	(9 838)
Interest paid – normal operations	17	(84 117)	(67 220)	(9 838)
Interest accrued – Purchase Milton & Associates (PM&A)	6	59 265	45 525	6 932
Provision against interest accrued – PM&A	6	(59 265)	(45 525)	(6 932)
Net profit after interest		297 886	251 340	34 841
Provision – impairment of loan to PM&A	6	–	(32 475)	–
Net profit before exceptional items		297 886	218 865	34 841
Exceptional items				
Profit on sale of stores		26 454	–	3 094
Loss on disposal of property, plant and equipment		(2 610)	–	(305)
Goodwill amortised	3	(23 719)	(11 346)	(2 774)
Profit before taxation		298 011	207 519	34 856
Taxation	18	83 743	61 319	9 795
Profit attributable to ordinary shareholders		214 268	146 200	25 061
Reconciliation of headline earnings				
Profit attributable to ordinary shareholders		214 268	146 200	25 061
Adjustment for				
Profit on sale of stores		(18 518)	–	(2 166)
Loss on disposal of property, plant and equipment		1 827	–	214
Goodwill amortised		23 719	11 346	2 774
Headline earnings		221 296	157 546	25 883
Rates used for currency conversion				R
Average rate				8.55

In order to give users of these financial statements an indication of the relative values in foreign currencies, the group income statement South African rands has been converted to US dollars, UK pounds and Australian dollars, using the average spot rates of those currencies for the year.

2002 US\$'000	2003 £'000	2002 £'000	2003 AUS\$'000	2002 AUS\$'000
523 145	540 553	357 977	1 439 895	989 000
374 870	409 160	256 516	1 089 898	708 688
148 275	131 393	101 461	349 997	280 312
40 502	38 757	27 714	103 239	76 568
158 408	142 123	108 395	378 579	299 469
9 254	7 610	6 333	20 271	17 495
34 210	29 264	23 409	77 953	64 674
72 069	63 786	49 315	169 909	136 246
42 875	41 463	29 338	110 446	81 054
30 369	28 027	20 780	74 657	57 411
(6 408)	(6 171)	(4 385)	(16 439)	(12 114)
(6 408)	(6 171)	(4 385)	(16 439)	(12 114)
4 340	4 348	2 970	11 582	8 204
(4 340)	(4 348)	(2 970)	(11 582)	(8 204)
23 961	21 856	16 395	58 218	45 297
(3 096)	–	(2 118)	–	(5 853)
20 865	21 856	14 277	58 218	39 444
–	1 941	–	5 170	–
–	(191)	–	(510)	–
(1 082)	(1 740)	(740)	(4 635)	(2 045)
19 783	21 866	13 537	58 243	37 399
5 845	6 144	4 000	16 366	11 051
13 938	15 722	9 537	41 877	26 348
13 938	15 722	9 537	41 877	26 348
–	(1 359)	–	(3 619)	–
–	134	–	357	–
1 082	1 740	740	4 635	2 045
15 020	16 237	10 277	43 250	28 393
R	R	R	R	R
10.49	13.63	15.33	5.12	5.55

Operational Segmental Analysis

Balance Sheet at 31 August 2003

R'000	Retail		SOUTHERN AFRICA
	2003	2002	UPD 2003
Assets			
Non-current assets	1 120 097	899 763	35 345
Property, plant and equipment	546 295	480 200	67 275
Trademarks	4 580	5 230	–
Goodwill	15 225	16 120	94 025
Deferred taxation assets	83 844	65 903	(2 481)
Loans	470 153	332 310	(123 474)
Current assets	1 244 175	861 430	404 073
Inventories	949 789	741 077	174 739
Accounts receivable	134 309	120 353	229 334
Taxation prepaid	3 754	–	–
Cash on hand	156 323	–	–
Total assets	2 364 272	1 761 193	439 418
Equity and liabilities			
Capital and reserves	1 196 706	715 928	33 912
Ordinary share capital	3 541	3 052	–
Preference share capital	(393 034)	(393 034)	–
Share premium	874 153	534 455	–
Non-distributable reserve	149 885	99 050	–
Distributable reserves	562 161	472 405	33 912
Non-current liabilities			
Long-term liabilities	383 166	212 156	19 507
Deferred taxation liabilities	15 252	6 790	–
Current liabilities	769 148	826 319	385 999
Short-term borrowings	–	83 336	3 525
Accounts payable	759 091	729 621	382 767
Taxation payable	10 057	13 362	(293)
Total equity and liabilities	2 364 272	1 761 193	439 418

Cash Flow Statement for the year ended 31 August 2003

R'000	Retail		SOUTHERN AFRICA
	2003	2002	UPD 2003
Cash effects of operating activities			
Operating profit before working capital changes	353 651	339 161	57 013
Working capital changes	(8 474)	52 602	34 783
Cash generated by operations	345 177	391 763	91 796
Net interest (paid)/received	(61 126)	(30 949)	3 675
Taxation paid	(59 429)	(72 331)	(22 440)
Cash inflow/(outflow) from operating activities	224 622	288 483	73 031
Distributions to ordinary shareholders	(44 243)	(37 736)	–
Net cash effects of operating activities	180 379	250 747	73 031
Cash effects of investing activities			
Capital expenditure	(145 784)	(118 100)	–
Other	(88 973)	(182 489)	–
	(234 757)	(300 589)	–
Cash effects of financing activities			
Net increase/(decrease) in cash and cash equivalents	161 535	(59 313)	73 031
Adjustment for foreign exchange fluctuation	–	–	–
Cash and cash equivalents at beginning of the year	(83 298)	(23 985)	–
Cash and cash equivalents at end of the year	78 237	(83 298)	73 031

	AUSTRALIA						TOTAL
	Total		2003		2002		
	2003	2002	2003	2002	2003	2002	
	1 155 442	899 763	297 059	302 161	1 452 501	1 201 924	
	613 570	480 200	133 693	132 337	747 263	612 537	
	4 580	5 230	–	–	4 580	5 230	
	109 250	16 120	126 038	166 382	235 288	182 502	
	81 363	65 903	–	3 997	81 363	69 900	
	346 679	332 310	37 328	(555)	384 007	331 755	
	1 648 248	861 430	353 081	405 226	2 001 329	1 266 656	
	1 124 528	741 077	276 533	314 060	1 401 061	1 055 137	
	363 643	120 353	53 662	76 271	417 305	196 624	
	3 754	–	–	14 895	3 754	14 895	
	156 323	–	22 886	–	179 209	–	
	2 803 690	1 761 193	650 140	707 387	3 453 830	2 468 580	
	1 230 618	715 928	377 892	505 829	1 608 510	1 221 757	
	3 541	3 052	–	–	3 541	3 052	
	(393 034)	(393 034)	393 034	393 034	–	–	
	874 153	534 455	–	–	874 153	534 455	
	149 885	99 050	(76 163)	70 069	73 722	169 119	
	596 073	472 405	61 021	42 726	657 094	515 131	
	402 673	212 156	9 859	18 390	412 532	230 546	
	15 252	6 790	–	–	15 252	6 790	
	1 155 147	826 319	262 389	183 168	1 417 536	1 009 487	
	3 525	83 336	29 480	25 247	33 005	108 583	
	1 141 858	729 621	231 885	157 921	1 373 743	887 542	
	9 764	13 362	1 024	–	10 788	13 362	
	2 803 690	1 761 193	650 140	707 387	3 453 830	2 468 580	

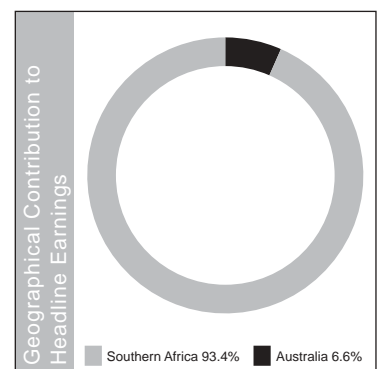
	AUSTRALIA						TOTAL
	Total		2003		2002		
	2003	2002	2003	2002	2003	2002	
	410 664	339 161	103 156	79 673	513 820	418 834	
	26 309	52 602	12 584	(63 307)	38 893	(10 705)	
	436 973	391 763	115 740	16 366	552 713	408 129	
	(57 451)	(30 949)	(26 666)	(36 271)	(84 117)	(67 220)	
	(81 869)	(72 331)	(5 276)	(17 177)	(87 145)	(89 508)	
	297 653	288 483	83 798	(37 082)	381 451	251 401	
	(44 243)	(37 736)	–	–	(44 243)	(37 736)	
	253 410	250 747	83 798	(37 082)	337 208	213 665	
	(145 784)	(118 100)	(57 221)	(39 905)	(203 005)	(158 005)	
	(88 973)	(182 489)	24 477	30 460	(64 496)	(152 029)	
	(234 757)	(300 589)	(32 744)	(9 445)	(267 501)	(310 034)	
	215 913	(9 471)	(26 964)	10 188	188 949	717	
	234 566	(59 313)	24 090	(36 339)	258 656	(95 652)	
	–	–	(3 869)	2 575	(3 869)	2 575	
	(83 298)	(23 985)	(25 285)	8 479	(108 583)	(15 506)	
	151 268	(83 298)	(5 064)	(25 285)	146 204	(108 583)	

Operational Segmental Analysis

Income Statement for the year ended 31 August 2003

R'000	Retail		SOUTHERN AFRICA
	2003	2002	UPD 2003
Turnover	4 316 654	3 896 184	1 431 304
Cost of merchandise	3 228 913	2 887 938	1 272 194
Gross profit	1 087 741	1 008 246	159 110
Other revenue	373 648	331 037	34 963
Other expenditure	1 183 037	1 072 698	139 769
Depreciation and amortisation	76 872	76 765	2 948
Occupancy costs	195 978	170 050	6 297
Employment costs	513 239	460 267	52 071
Other operating costs	396 948	365 616	78 453
Operating profit	278 352	266 585	54 304
Net interest (paid)/received	(61 125)	(30 949)	3 675
Interest paid – normal operations	(61 125)	(30 949)	3 675
Interest accrued – Purchase Milton & Associates (PM&A)	59 265	45 525	–
Provision against interest accrued – PM&A	(59 265)	(45 525)	–
Net profit after interest	217 227	235 636	57 979
Provision – impairment of loan to PM&A	–	(32 475)	–
Net profit before exceptional items	217 227	203 161	57 979
Exceptional items			
Profit on sale of stores	–	–	–
Loss on disposal of property, plant and equipment	(141)	–	–
Goodwill amortised	(896)	(881)	(6 722)
Profit before taxation	216 190	202 280	51 257
Taxation	51 066	56 608	17 345
Profit attributable to ordinary shareholders	165 124	145 672	33 912
Reconciliation of headline earnings			
Profit attributable to ordinary shareholders	165 124	145 672	33 912
Adjustment for			
Profit on sale of stores	–	–	–
Loss on disposal of property, plant and equipment	99	–	–
Goodwill amortised	896	881	6 722
Headline earnings	166 119	146 553	40 634

	Total		AUSTRALIA		TOTAL	
	2003	2002	2003	2002	2003	2002
	5 747 958	3 896 184	1 619 781	1 591 607	7 367 739	5 487 791
4 501 107	2 887 938	1 075 750	1 044 452	5 576 857	3 932 390	
1 246 851	1 008 246	544 031	547 155	1 790 882	1 555 401	
408 611	331 037	119 650	93 824	528 261	424 861	
1 322 806	1 072 698	614 334	589 004	1 937 140	1 661 702	
79 820	76 765	23 906	20 310	103 726	97 075	
202 275	170 050	196 600	188 815	398 875	358 865	
565 310	460 267	304 092	295 739	869 402	756 006	
475 401	365 616	89 736	84 140	565 137	449 756	
332 656	266 585	49 347	51 975	382 003	318 560	
(57 450)	(30 949)	(26 667)	(36 271)	(84 117)	(67 220)	
(57 450)	(30 949)	(26 667)	(36 271)	(84 117)	(67 220)	
59 265	45 525	–	–	59 265	45 525	
(59 265)	(45 525)	–	–	(59 265)	(45 525)	
275 206	235 636	22 680	15 704	297 886	251 340	
–	(32 475)	–	–	–	(32 475)	
275 206	203 161	22 680	15 704	297 886	218 865	
–	–	26 454	–	26 454	–	
(141)	–	(2 469)	–	(2 610)	–	
(7 618)	(881)	(16 101)	(10 465)	(23 719)	(11 346)	
267 447	202 280	30 564	5 239	298 011	207 519	
68 411	56 608	15 332	4 711	83 743	61 319	
199 036	145 672	15 232	528	214 268	146 200	
199 036	145 672	15 232	528	214 268	146 200	
–	–	(18 518)	–	(18 518)	–	
99	–	1 728	–	1 827	–	
7 618	881	16 101	10 465	23 719	11 346	
206 753	146 553	14 543	10 993	221 296	157 546	



Southern African Trading Segmental Analysis

R'000	Total SA		Clicks		Discom		
	2003	2002	2003	2002	2003	2002	
Balance Sheet							
Property, plant and equipment	613 570	480 200	128 562	83 057	54 966	52 654	
Inventory	1 124 528	741 077	509 817	401 329	124 650	100 885	
Other assets	1 065 592	539 916	–	–	–	–	
Total assets	2 803 690	1 761 193	638 379	484 386	179 616	153 539	
Income Statement							
Turnover	5 747 958	3 896 184	2 997 226	2 692 620	771 441	720 895	
Operating profit/(loss) (before allocation)	332 656	266 585	344 865	332 606	15 429	672	
Shared Services allocation	–	–	85 584	69 632	21 000	21 309	
Operating profit/(loss) (after allocation)	332 656	266 585	259 281	262 974	(5 571)	(20 637)	
Ratios							
Operating profit margin (after allocation)	%	5.8	6.8	8.7	9.8	(0.7)	(2.9)
Product price inflation (local product only)	%			5.0	14.0	5.9	13.6
Number of stores							
– company owned		593	574	260	248	177	180
– franchised		321	339	14	13	1	2
Weighted trading area	m ²	207 526	202 183	140 099	133 864	49 351	51 821
Weighted annual sales per m ²	R	27 698	19 271	21 394	20 115	15 632	13 911
Number of permanent employees		6 995	5 431	3 552	2 751	1 335	1 246

Australian Trading Segmental Analysis

	Total Australia		Total Australia		Priceline	
	2003	2002	2003	2002	2003	2002
	R'000	R'000	A\$'000	A\$'000	A\$'000	A\$'000
Balance Sheet						
Property, plant and equipment	133 693	132 337	28 299	22 704	27 582	22 474
Inventory	276 533	314 060	58 533	53 925	57 023	53 425
Other assets	239 914	260 990	80 640	74 022	–	–
Total assets	650 140	707 387	167 472	150 651	84 605	75 899
Income Statement						
Turnover	1 619 781	1 591 607	316 557	286 836	310 290	283 788
Operating profit/(loss) (before allocation)	49 347	51 975	9 644	9 367	24 424	21 943
Ratios						
Operating profit margin (before allocation)	%		3.0	3.3	7.9	7.7
Number of stores						
– company owned			136	125	133	125
– franchised			198	177	–	–
Weighted trading area	m ²		66 110	59 356	62 761	59 356
Weighted annual sales per m ²	A\$		4 788	4 832	4 944	4 781
Number of permanent employees			978	933	767	732

Music Division		Body Shop		Link Investment Trust		Intercare		UPD	Shared Services	
2003	2002	2003	2002	2003	2002	2003	2002	2003	2003	2002
45 310	37 265	9 323	5 922	7 528	8 782	6 643	2 657	67 275	293 963	289 863
111 074	84 778	2 370	1 681	5 011	7 373	-	-	174 739	196 867	145 031
-	-	-	-	17 954	1 236	-	-	197 404	850 234	477 879
156 384	122 043	11 693	7 603	30 493	17 391	6 643	2 657	439 418	1 341 064	912 773
482 287	439 333	45 781	27 161	19 919	16 175			1 431 304		
43 666	41 555	10 435	6 126	(2 712)	(2 801)	(962)	(1 764)	54 304	(132 369)	(109 809)
17 991	20 085	418	950	-	-	-	-	-	(124 993)	(111 976)
25 675	21 470	10 017	5 176	(2 712)	(2 801)	(962)	(1 764)	54 304	(7 376)	2 167
5.3	4.9	21.9	19.1	-	-	-	-	3.8	-	-
138	135	18	11	-	-					
-	-	-	-	306	324					
17 134	16 154	942	344							
28 148	27 197	48 600	78 956							
545	476	75	66	28	31			576	884	861

Priceline Pharmacy	House		Price Attack		Shared Services	
2003	2003	2002	2003	2002	2003	2002
A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
-	420	230	297	-	-	-
-	1 339	500	171	-	-	-
-	-	-	-	-	80 640	74 022
-	1 759	730	468	-	80 640	74 022
3 460	2 022	3 048	785			
(397)	2 257	2 301	3 518	(17)	(20 158)	(14 860)
-	1	-	2	-		
7	90	82	101	95		
2 999	162		188	-		
1 154	12 481		4 176			
6	13	15	8	-	184	186

Accounting Policies

Basis of preparation

The financial statements are prepared in accordance with the requirements of South African Statements of Generally Accepted Accounting Practice and on a going concern basis. The measurement basis used is the historical cost basis unless otherwise stated.

The financial statements incorporate the following significant accounting policies, which are consistent in all material respects with those applied in the previous year except as otherwise stated. (See note 21)

Basis of consolidation

The group financial statements include the financial statements of the company and its subsidiaries.

Subsidiaries are those entities over whose financial and operating policies the group has the power to exercise control, so as to obtain benefits from their activities.

The results of any subsidiaries acquired or disposed of during the year are included from the dates effective control was acquired and, where applicable, up to the dates effective control ceased.

The identifiable assets and liabilities of companies acquired are assessed and included in the balance sheet at their fair values as at the date of acquisition.

All intragroup transactions and balances are eliminated on consolidation.

Financial instruments

Measurement

Financial instruments are initially measured at cost, which is the fair value of the consideration given (in the case of an asset) or received (in the case of a liability) for the instrument. The initial cost includes transaction costs. Subsequent to initial recognition, these instruments are

classified according to their nature and are measured as set out below.

Held-to-maturity investments

Held-to-maturity investments are financial assets with fixed or determinable payments and a fixed maturity that the group has the positive intent and ability to hold to maturity. These investments are carried at amortised cost.

Financial instruments included in this category are Investments in Preference Shares.

Held for trading financial instruments

A financial asset or financial liability held for trading is one that upon initial recognition is designated by the group as held for trading. It includes financial instruments that are acquired or incurred principally for the purpose of selling or repurchasing in the near term and derivatives.

Financial instruments included in this category are Options and Derivatives and Cash and bank balances.

These financial instruments are subsequently measured at fair value.

Loans and receivables originated by the group

Loans and receivables originated by the group are financial assets that are created by the group by providing money, goods, or services directly to a debtor.

Financial assets included in this classification are Loans and Accounts receivable.

These financial instruments are subsequently measured at amortised cost less provision for doubtful debts or impairment losses as appropriate.

Available-for-sale financial assets

Available-for-sale financial assets are those financial assets that are not classified as loans and receivables originated by the group, held-to-

maturity investments, or held for trading.

Financial assets included in this category are purchases of preference shares in subsidiary companies for future delivery included in Investments in subsidiary companies.

These financial instruments are subsequently measured at fair value. Where fair value cannot be determined, and there is no fixed or determinable future cash flows or maturity, the financial assets are subsequently measured at cost.

Other financial liabilities

Other financial liabilities are those financial liabilities that are not included in Financial instruments held for trading.

Financial instruments classified as Other financial liabilities include Long-term liabilities, Accounts payable and Short-term payables.

Other financial liabilities are subsequently measured at amortised cost.

Amortised cost

Amortised cost of a financial asset or financial liability is the amount at which the financial asset or liability was measured at initial recognition less principal repayments, adjusted for the cumulative amortisation of any difference between that initial amount and the maturity amount.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments are included in net profit or loss in the period in which the change arises except in the case of Available-for-sale financial assets. Gains and losses arising from a change in the fair value of Available-for-sale financial assets are recognised directly in equity. The cumulative gain

or loss so recognised is included in net profit or loss in the period in which the asset is realised.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Translation of foreign currencies

Transactions in foreign currencies are translated at rates of exchange ruling at the transaction date. Gains and losses arising from the settlement of such transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

Unrealised net gains and losses arising on the translation of foreign denominated assets and liabilities are reflected in income for the year unless the underlying asset or liability, in substance, forms part of the group's net investment in a foreign entity, in which case the gain or loss is reflected in the non-distributable reserve. Only on the disposal of the net investment are the gains or losses reflected in income for the year.

Foreign subsidiaries

Foreign entities

The financial statements of foreign entities are translated into the reporting currency as follows:

- Assets and liabilities are translated at rates of exchange ruling at the financial year-end; and
- Income and expenditure and cash flow items are translated at weighted average exchange rates for the period.

Goodwill arising on the acquisition of a foreign entity is treated as an asset of the group and translated at the exchange rate at the date of acquisition.

Exchange differences arising from the translation of foreign entities are taken directly to non-distributable reserves.

Integrated foreign operations

Where a foreign subsidiary is determined to be an integrated foreign operation, transactions and resulting non-monetary items are translated at the exchange rates ruling when the transactions occurred. Income statement items are translated at the appropriate weighted average exchange rates for the period. Monetary items are translated at the ruling exchange rates at the balance sheet dates. Translation gains and losses are taken to income for the period.

Property, plant and equipment

All of the group's properties are owner-occupied properties. Land is stated at cost less impairment losses. Owner-occupied buildings are carried at cost less accumulated depreciation and impairment losses.

Other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on the straight-line basis over the estimated useful lives of the assets.

The expected useful lives are as follows:

Buildings	50 years
Computer equipment	3 to 7 years
Furniture and fittings	5 to 10 years
Motor vehicles	5 years

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use

of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Assets subject to finance lease agreements are capitalised.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged in the income statement on the straight-line basis so as to write off the asset over its economic life, not exceeding 20 years. No value is attached to internally developed and maintained trademarks or brand names. Expenditure incurred to maintain trademarks and brand names is charged against the income statement as incurred.

Goodwill

Goodwill is the premium on acquisition arising from the difference between the purchase price paid and the fair value of the net assets acquired at the date of the transaction.

Goodwill is carried at cost, less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis over its estimated useful life, not exceeding 20 years.

Investments

Investments which are not consolidated or equity accounted are stated at cost and dividends are recognised when the right to receive payment has been established.

Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised against income.

Accounting Policies continued

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in income.

Inventories

Merchandise for resale has been valued on the first-in-first-out (FIFO) basis and is stated at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the group unless otherwise stated.

Outstanding cheques are included in accounts payable.

Provisions

A provision is recognised when the group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely

than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

Tax

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the balance sheet date, and any adjustment of tax payable for previous years.

Deferred tax is provided at current rates using the comprehensive method. Full provision is made for all temporary differences between the tax value of an asset or liability and its balance sheet carrying amount.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition.

Deferred tax assets are recognised for all deductible temporary differences to

the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Secondary Tax on Companies (STC) paid on net dividends paid is recognised as a tax charge in the year it is incurred.

Leases

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease. The capital element of future obligations under the leases is included as a liability in the balance sheet.

Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

A finance lease gives rise to depreciation expense for the asset as well as a finance expense for each accounting period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned.

Leases of assets under which all of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Inflation accounting

The group recognises that the financial statements, which are prepared on an

historical cost basis, do not take into consideration the impact of inflation on the results and the financial position. However, until an acceptable method of accounting for inflation is developed, the group will continue to disclose the financial information on an historical cost basis.

Turnover

Turnover comprises net sales to customers, excluding value-added and general sales tax. Sales are recognised when significant risks and rewards of ownership are transferred to the buyer, costs can be measured reliably, and receipt of the future economic benefits is probable.

Investment income

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is probable that such income will accrue to the group.

Dividends are recognised when the right to receive payment is established.

Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

The provisions for employee entitlements to wages, salaries, annual and sick leave represent the amount, which the group has a present obligation to pay as a result of employees' services provided to the balance sheet date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

Retirement funds

The group operates a retirement scheme comprising a number of

defined contribution funds in South Africa and superannuation funds in Australia. The retirement scheme is funded by payments from employees and the relevant group company.

Contributions to these funds are charged to the income statement as incurred.

Equity compensation benefits

The group grants share options to certain employees under an employee share plan. Other than costs incurred in administering the schemes, which are expensed as incurred, the scheme does not result in any expense to the group.

Medical aid

Where the group has an obligation to provide post-retirement medical aid benefits to employees, the group recognises the costs of those benefits in the year in which the employees render the service determined using the Projected Unit Credit Method.

Actuarial gains or losses are recognised in full in the income statement in the year they are determined.

Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested, past service costs are recognised immediately.

Capitalisation share awards/cash distributions

The full value of capitalisation share awards and cash dividends are recorded as a deduction from equity in the statement of changes in equity. Upon allotment of shares in terms of a capitalisation award, the election amounts are transferred to the share

capital account and share premium account.

Cash dividends and the related STC charge are recorded in the year of declaration.

Segmental reporting

On a primary basis, the group is organised on a worldwide basis into operating divisions in Southern Africa and Australia, and by type of operation, into retail and distribution. The secondary segments are the trading brands within the geographical areas.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to a segment, whether from external transactions or from transactions with other group segments. Inter-segment transfer pricing is based on cost plus an appropriate margin. Unallocated items mainly comprise corporate expenses, research and development costs, and amortisation of intangible assets. Segment results are determined before any adjustments for minority interest.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets are determined after deducting related allowances that are reported as direct offsets in the group's balance sheet. Segment assets and liabilities do not include income tax items.

Comparative figures

Where necessary, comparative figures have been restated to accord with current year classification.

Notes to the Financial Statements

for the year ended 31 August 2003

R'000	2003			2002		
	Cost	Accumulated depreciation	Book value	Cost	Accumulated depreciation	Book value
1 Property, plant and equipment						
Land and buildings – freehold and leasehold	295 997	15 996	280 001	221 137	11 313	209 824
Furniture, equipment and vehicles	856 207	388 945	467 262	732 608	329 895	402 713
	1 152 204	404 941	747 263	953 745	341 208	612 537

A register of land and buildings containing the required statutory information is available for inspection at the registered office of the company and is available on request.

All group property is owner-occupied and there are no significant investment properties held. Finance lease property is encumbered in terms of a liability under a capitalised finance lease.

The carrying amount of the group property, plant and equipment can be reconciled as follows:

R'000	Land and buildings – freehold and leasehold	Furniture, equipment and vehicles	Total
Carrying amount at 31 August 2001	209 656	320 605	530 261
Additions	3 344	154 661	158 005
Acquisitions	–	123	123
Disposals	–	(9 449)	(9 449)
Foreign exchange fluctuation	–	30 022	30 022
Depreciation	(3 176)	(93 249)	(96 425)
Carrying amount at 31 August 2002	209 824	402 713	612 537
Additions	15 387	187 618	203 005
Acquisitions	59 473	9 704	69 177
Disposals	–	(7 376)	(7 376)
Foreign exchange fluctuation	–	(27 004)	(27 004)
Depreciation	(4 683)	(98 393)	(103 076)
Carrying amount at 31 August 2003	280 001	467 262	747 263

R'000	2003	2002
2 Trademarks		
Balance at the beginning of the year	5 230	5 850
Arising on acquisition	–	30
Amortisation	(650)	(650)
Balance at the end of the year	4 580	5 230

R'000			2003	2002
3 Goodwill				
Balance at the beginning of the year			182 502	78 773
Arising on acquisition			106 685	89 570
Foreign exchange fluctuation			(30 180)	25 505
Amortisation			(23 719)	(11 346)
Balance at the end of the year			235 288	182 502
Arising as a result of:				
Gross carrying amount				
Arising on acquisition			298 580	191 895
Foreign exchange fluctuation			(4 660)	25 520
Accumulated amortisation			(58 632)	(34 913)
			235 288	182 502
Net goodwill comprises:				
The Link Investment Trust			15 225	16 120
House			55 820	78 305
Price Attack			70 218	88 077
New United Pharmaceutical Distributors			94 025	–
			235 288	182 502
	Company			
R'000	2003	2002	2003	2002
4 Deferred taxation				
Balance at the beginning of the year	5 000	–	63 110	44 751
Trademarks	–	–	(9 300)	(9 300)
Impairment of loan to PM&A	–	–	13 334	23 400
Property, plant and equipment	–	–	(4 405)	(3 961)
Income and expense accrual	–	5 000	527	8 220
Tax losses	1 644	–	6 284	–
Capital gains tax	–	–	(4 584)	–
Acquisition of subsidiaries and businesses	–	–	1 145	–
Balance at the end of the year	6 644	5 000	66 111	63 110
Arising as a result of:				
Deferred tax assets				
Trademarks	–	–	37 200	46 500
Capital gains tax	5 000	5 000	–	–
Impairment of loan to PM&A	–	–	36 734	23 400
Tax losses	1 644	–	6 284	–
Acquisition of subsidiaries and businesses	–	–	1 145	–
	6 644	5 000	81 363	69 900
Deferred tax liabilities				
Income and expenses accruals	–	–	(4 568)	(5 095)
Property, plant and equipment	–	–	(6 100)	(1 695)
Capital gains tax	–	–	(4 584)	–
	–	–	(15 252)	(6 790)
	6 644	5 000	66 111	63 110

Notes to the Financial Statements continued

for the year ended 31 August 2003

R'000	Company	
	2003	2002
5 Unlisted investment		
2 600 redeemable cumulative non-participating preference shares at 9.32% in Sechold Finance Services (Pty) Ltd	260 000	–

The directors' valuation of the investment at 31 August 2003 is R260 million.

Unrecognised financial asset

In terms of the group's accounting policy for financial instruments, the group has not recognised the following financial asset: New Clicks Holdings purchased a R260 million preference share investment which carries a 9.32% dividend coupon rate and is redeemable on 22 August 2008. For security of New Clicks Holdings' preference share investment, the finance company referred to in note 26 has pledged its loan receivable from a subsidiary to New Clicks Holdings in the event of default in terms of the preference share arrangement. For security of the subsidiary company's loan, New Clicks Holdings has pledged its preference share investment to the finance company in the event of default of the loan arrangement.

R'000	Notes	2003	2002
6 Loans			
Amount owing by Purchase Milton & Associates (PM&A)	6.1	432 772	354 954
Provision against interest accrued		(104 790)	(45 525)
Impairment		(32 475)	(32 475)
		295 507	276 954
Amount owing by Franchisees	6.2	37 328	–
Amount owing by New Clicks Foundation	6.3	5 000	–
Amount owing by New Clicks Holdings Share Trust	6.3	46 172	54 801
		384 007	331 755

6.1 The amount owing by PM&A is currently secured by notarial bonds totalling R85 million together with the cession of book debts and other securities of approximately R52 million. It bears interest at prime plus one percent and is currently repayable over five years.

The group has obtained approval from the Competition Commission and the Competition Tribunal to acquire the business of PM&A. It is awaiting approval for the transfer of the pharmacy licences, after which point the operations of PM&A will be consolidated.

For the year under review, PM&A traded at an operating loss of R0.2 million and had a shareholders' deficit of R176.1 million as at August 2003. For this reason, the loan from New Clicks Holdings has been subordinated.

However, the directors are confident that the full amount of the loan will be recovered in the future. The group has also agreed to provide PM&A with ongoing financial support.

6.2 The loans to franchisees are in respect of Priceline Pharmacy franchises in Australia. Interest is payable at the Bank Bill rate plus 5.2%. Each loan is secured by the assets of the pharmacy and personal security. The principal outstanding plus interest is required to be repaid at set dates, which differ for each agreement.

6.3 The loans to New Clicks Foundation and New Clicks Holdings Share Trust are interest free, unsecured and no fixed dates for repayment have been determined.

R'000	2003	2002
7 Inventories		
Goods for resale	1 398 321	1 049 022
Goods in transit	2 340	6 061
Consumables	400	54
	1 401 061	1 055 137

aR'000	2003	2002
8 Ordinary share capital and share premium – group and company		
Authorised		
600 million (2002: 400 million) ordinary shares of one cent each	6 000	4 000
Issued ordinary shares and premium		
354.118 million (2002: 305.172 million) ordinary shares of one cent each	3 541	3 052
Share premium – group	874 153	534 455
Share premium – company	876 273	536 575
The unissued shares are under the control of the directors until the next annual general meeting.		
65.157 million (2002: 58.607 million) shares are set aside for the exercise of share options.		
9 Non-distributable reserve		
Deferred taxation on write-off of trademarks	37 200	46 500
Unrealised gain on the translation of assets and liabilities denominated in foreign currencies	36 522	122 619
	73 722	169 119
10 Long-term liabilities		
Secured loans bearing interest		
<u>Interest rate</u>	<u>Date repayable</u>	
16.15%	February 2006	27 569
16.92%	February 2006	5 094
18.45%	October 2006	21 004
15.41%	August 2010	75 452
Total secured loans		129 119
These loans are secured by a pledge of shares in certain property-owning subsidiaries.		
Loan-bearing interest at prime less 1% repayable by August 2010		19 507
This loan is secured by mortgage over certain property.		
Non-current portion of finance leases, repayable over the next five years		9 859
Unsecured loan-bearing interest at JIBAR plus 2.2% repayable by August 2006		52 447
Unsecured loan-bearing interest at 11.65% repayable by August 2008		201 600
		412 532
<u>Unrecognised financial liability</u>		
In terms of the group's accounting policy for financial instruments, the group has not recognised the following financial liability:		
A subsidiary has entered into a loan arrangement with a finance company in terms of which the subsidiary borrowed R260 million. The loan is repayable in August 2008 and interest is payable at 11.65% nominal rate per annum, compounded monthly. This unrecognised financial liability is offset by the unrecognised financial asset reflected in note 5.		
11 Short-term borrowings		
Bank overdrafts	3 524	108 583
Loans	29 481	–
	33 005	108 583
12 Borrowing powers		
In terms of the articles of association, the borrowing powers of the company are unlimited.		

Notes to the Financial Statements continued

for the year ended 31 August 2003

R'000	2003	2002
13 Accounts payable		
The following accruals are included in accounts payable:		
Leave pay provision		
Balance at beginning of the year	32 418	29 286
Income statement movement	7 437	3 132
	39 855	32 418
Post-retirement medical benefit liability		
Balance at beginning of the year	15 457	11 431
Income statement movement	1 443	4 026
	16 900	15 457
Derivative instruments		
Balance at beginning of the year	–	–
Income statement movement	4 272	–
	4 272	–
14 Occupancy costs		
Lease charges		
Operating leases	398 875	358 865
15 Employment costs		
Directors' remuneration	20 301	15 216
Non-executive		
Fees	665	388
Consulting services	500	–
Executive		
Salary and bonus	8 486	7 321
Other benefits	10 650	7 507
Other staff remuneration	849 101	740 790
	869 402	756 006
Further details are contained in the Corporate Governance Report on page 41.		
16 Other operating costs		
Auditors' remuneration	2 056	2 730
Audit fees	1 214	1 275
Other services and expenses	842	1 455
Fees paid for outside services		
Technical services	10 355	11 998
Loss on disposal of property, plant and equipment	–	2 780
Net forex losses – realised	2 087	873
Net forex losses – unrealised	3 742	–
Loss on forex options	4 247	–
Other expenses	542 650	431 375
	565 137	449 756
17 Net interest paid – normal operations		
Interest received	4 643	3 464
Interest paid	(88 760)	(70 684)
	(84 117)	(67 220)

a R'000	Company			
	2003	2002	2003	2002
18 Taxation				
South African normal taxation				
Current year	–	14 663	63 383	67 804
Prior year	–	–	(1 661)	–
Secondary taxation on companies				
Current year	3 462	4 717	3 462	4 717
Prior year	(2 128)	–	(2 128)	–
Deferred taxation				
Current year	(1 644)	(5 000)	2 380	(18 519)
Foreign taxation				
Normal taxation				
Current year	–	–	21 591	7 317
Prior year	–	–	(1 155)	–
Withholding taxation				
Current year	2 107	–	2 107	–
Deferred taxation				
Current year	–	–	(5 391)	–
Prior year	–	–	1 155	–
	1 797	14 380	83 743	61 319
Reconciliation of rate of taxation (%)				
Standard rate – South Africa	30.00	30.00	30.00	30.00
Adjusted for:				
Exempt income and allowances	(31.79)	(20.01)	(6.69)	(6.48)
Disallowable expenditure	0.09	0.16	0.63	1.08
Goodwill amortised	–	–	2.39	1.64
Prior year underprovision	–	–	(0.56)	–
Foreign taxation rate variations	–	–	0.09	0.42
Foreign withholding taxation	2.18	–	0.71	–
Secondary taxation on companies	1.38	4.95	0.45	2.27
Capital gains taxation	–	–	1.54	–
Taxation losses (utilised)/carried forward	–	–	(0.46)	0.62
Effective taxation rate	1.86	15.10	28.10	29.55

Notes to the Financial Statements continued

for the year ended 31 August 2003

2003	Headline earnings per share		Attributable earnings per share	
	Basic	Diluted	Basic	Diluted
19 Earnings per share				
Earnings (R'000)				
Net profit for the year	214 268	214 268	214 268	214 268
Adjusted for exceptional items	7 028	7 028	–	–
	221 296	221 296	214 268	214 268
Shares ('000)				
Weighted average number of ordinary shares	337 587	337 587	337 587	337 587
Adjusted for value of share options	–	5 319	–	5 319
	337 587	342 906	337 587	342 906
Earnings per share (cents)	65.6	64.5	63.5	62.5
2002	Headline earnings per share		Attributable earnings per share	
	Basic	Diluted	Basic	Diluted
Earnings (R'000)				
Net profit for the year	146 200	146 200	146 200	146 200
Adjusted for goodwill amortised	11 346	11 346	–	–
	157 546	157 546	146 200	146 200
Shares ('000)				
Weighted average number of ordinary shares	301 772	301 772	301 772	301 772
Adjusted for value of share options	–	15 500	–	15 500
	301 772	317 272	301 772	317 272
Earnings per share (cents)	52.2	49.7	48.4	46.1
R'000			2003	2002
20 Distributions to ordinary shareholders				
Final capitalisation of 2.313281 shares for every 100 shares held, with cash dividend alternative. (2002: 1.543179 shares for every 100 shares held)			43 073	33 486
Cash dividend elected – 14.1 cents per share paid 9 December 2002 (2002: 11.2 cents per share paid 10 December 2001)			8 596	16 135
Capitalisation shares elected – allotted 9 December 2002 (2002: 10 December 2001)			34 477	17 351
Interim capitalisation of 1.920302 shares for every 100 shares held, with cash dividend alternative. (2002: 1.357050 shares for every 100 shares held)			38 532	30 053
Cash dividend elected – 10.9 cents per share paid 7 July 2003 (2002: 9.9 cents per share paid 8 July 2002)			35 647	21 601
Capitalisation shares elected – allotted 7 July 2003 (2002: 8 July 2002)			2 885	8 452
Total distributions to ordinary shareholders			81 605	63 539

With effect from the final 2003 distribution, capitalisation shares with a cash alternative will no longer be offered. Instead the company will pay a cash dividend only.

R'000	2003	2002
21 Changes in accounting policies and restatement of comparatives		
21.1 <u>Accounting circular on headline earnings</u> In line with the new definition of headline earnings, any impairment in respect of the loan to Purchase Milton & Associates must be taken into account in headline earnings. The comparative figures for the year to August 2002 have been restated in line with this. The effect of this change for the year to August 2002 is to reduce headline earnings by R54.6 million and to reduce diluted headline earnings per share by 17.2 cents.		
21.2 <u>AC133 – Financial instruments: recognition and measurement</u> The group has adopted this statement with effect from 1 September 2002. There has been no need to adjust opening reserves, and there is no significant impact on profit in the current year.		
22 Lease commitments The group leases all its retail premises under operating leases. The lease agreements for the group provide for minimum annual payments together with further annual payments determined on the basis of turnover. Future minimum lease payments under non-cancellable operating leases		
– Not later than 1 year	405 748	398 643
– Later than 1 year, not later than 5 years	1 052 721	1 086 070
– Later than 5 years	286 434	286 391
	1 744 903	1 771 104
23 Contingent liabilities		
23.1 The company and a subsidiary company have furnished guarantees to bankers for normal business commitments of subsidiary companies and companies in the Purchase Milton & Associates group.		
23.2 During 1999, New Clicks Holdings Limited (NCH) entered into agreements with certain executives and a consultant (the participants) in relation to the establishment of a scheme in terms whereof the participants were to be incentivised for their contributions to the growth of New Clicks Australia (Proprietary) Limited (NCA). In terms of the scheme, the participants were given the right to subscribe for shares in the capital of NCA on a preferential basis in the event that NCA was listed prior to 30 October 2003. In the event that no such listing occurred, the executives concerned would be paid a cash alternative based on the value of NCA shares as at 30 October 2003, subject to certain conditions. No listing of NCA has occurred and accordingly, in terms of the scheme, NCH has appointed an auditor to establish the value of the NCA shares for the purposes of determining the quantum of the cash alternative payment. The results of the valuation are currently outstanding. However, the board of directors of NCH believes that it is unlikely that a material amount will be payable to participants as a cash alternative under the scheme.		
24 Capital commitments Capital expenditure approved by the directors		
Contracted	7 302	66 726
Not contracted	278 881	158 285
	286 183	225 011
To be financed from borrowings and internally generated funds.		

Notes to the Financial Statements continued

for the year ended 31 August 2003

25 Retirement benefits

Pension and provident funds

South Africa

Four funds, which are registered and governed in terms of the Pension Funds Act, 24 of 1956, are operated by the South African group.

These funds are

- the Clicks Group Retirement Fund;
- the Clicks Group Negotiated Pension Fund;
- the Clicks Group Negotiated Provident Fund; and
- the New UPD Corporate Selection Pension Fund.

All permanent full-time staff members are obliged to join, at their choice, one of the funds.

The funds are defined contribution funds and are actuarially valued each year.

The most recent valuations confirmed that all four funds were in a sound financial position.

Australia

Superannuation benefits are provided for various categories of employees in Australia via three funds. These funds are all administered externally and provide benefits for death, permanent disability, retirement and resignation.

All benefits are provided on an accumulation basis and contributions can vary from employee to employee. Superannuation guarantee charge legislation provides mandatory obligations for minimum employer contributions to be maintained.

Total group contributions are charged to income as incurred and amount to R51.1 million for the year.

Medical benefits

The South African group subsidises a portion of the medical aid contributions of retired employees. Actuarial valuations have determined that the unfunded liability in respect of pensioner post-retirement medical benefits amounts to R16.9 million (2002: R15.5 million).

26 Related party transactions

Transactions between group subsidiaries

During the year, in the ordinary course of business, certain companies within the group entered into arm's length transactions. These intra-group transactions have been eliminated on consolidation.

Directors

A number of directors of the company hold positions in other entities, where they may have significant influence over the financial or operating policies of these entities. Accordingly, the following is considered to be such an entity:

<i>Director</i>	<i>Entity</i>
DM Nurek	Investec Bank Limited

Transactions between the group and this entity have occurred under terms and conditions that are no more favourable than those entered into with third parties in arm's length transactions.

These transactions include:

- (i) Investec Bank Limited manages cash on call on behalf of group companies.
- (ii) Investec Bank Limited has provided funding to group companies.
- (iii) A group company has invested in an Investec Bank Limited group company. Refer to note 5.

Certain non-executive directors of the group are also non-executive directors of other public companies which transact with the group. Except as disclosed above, the relevant directors do not believe they have significant influence over the financial or operating policies of those companies. Those entities are not disclosed above.

Directors are not bound by service contracts extending beyond 12 months.

Shares held by directors and their related entities

The percentage of shares held by directors of the company and their related entities at the balance sheet date are disclosed in the Corporate Governance section of this annual report.

27 Financial instruments

27.1 Treasury risk management

Executive management meet on a regular basis to analyse currency and interest rate exposures and re-evaluate treasury management strategies.

27.2 Foreign exchange risk management

The group is exposed to foreign currency risk through the importation of merchandise. This risk is covered by entering into forward foreign exchange contracts. These contracts are matched with anticipated future cash inflows in foreign currencies. The group does not use forward foreign exchange contracts for speculative purposes.

At 31 August 2003, US\$7 million was outstanding to be paid within three months under option contracts at rates varying between R8.12 and R8.54 to the US dollar.

The fair value of option contracts represents the estimated amounts that the group would receive or pay to terminate the contracts at year end, thereby taking account of unrealised gains and losses on open contracts. A fair value adjustment of R4.2 million has been made to current year income.

27.3 Credit risk management

Potential concentration of credit risk consist principally of short-term cash investments and amounts owing by unlisted companies. The amounts owing by unlisted companies were advanced after comprehensive risk assessments were performed and appropriate security has been obtained. Certain amounts owing have been impaired (refer to detail in note 6).

The group only deposits short-term cash surpluses with major banks of high credit standing.

2003 R'000	Maturity of interest-bearing asset/liability			Non- interest bearing	Total
	1 year or less	1 to 5 years	Over 5 years		
27.4 Interest rate risk					
Assets					
Trade and other receivables	–	–	–	417 305	417 305
Loans	–	337 835	–	46 172	384 007
Cash on hand	–	–	–	179 209	179 209
Total financial assets	–	337 835	–	642 686	980 521
Liabilities					
Trade and other payables	–	–	–	1 373 743	1 373 743
Short-term borrowings	33 005	–	–	–	33 005
Long-term liabilities	67 773	314 733	30 026	–	412 532
Total financial liabilities	100 778	314 733	30 026	1 373 743	1 819 280
Net financial assets/(liabilities)	(100 778)	23 102	(30 026)	(731 057)	(838 759)

27.5 Fair values of financial instruments

At 31 August 2003, the carrying amounts of cash on hand, trade and other receivables, approximate their fair values due to their short-term maturities. The fair value of the amounts owing by the unlisted companies as calculated on the 'value-in-use' basis are considered to approximate their carrying amounts as disclosed on the balance sheet.

The carrying amounts of long-term liabilities, accounts payable and short-term borrowings approximate their fair amounts.

Notes to the Financial Statements continued

for the year ended 31 August 2003

	2003	2002				
	'000	'000				
28 Share incentive scheme						
<u>New Clicks Holdings Share Trust (number of shares)</u>						
The aggregate number of shares and share options that may be utilised for the purposes of the New Clicks Holdings Share Trust is 20% of the aggregate of the company's issued share capital and the number of share options in issue.						
<u>Shares and share options available for allocation to employees</u>						
Balance at the beginning of the year	72 756	71 207				
Increase as a result of capitalisation issues during the year	1 233	710				
Increase as a result of net number of share options granted during the year	1 697	839				
Increase as a result of net number of shares issued as consideration for the UPD acquisition	8 170	–				
Balance at the end of the year	83 856	72 756				
<u>Shares allocated and options granted to employees</u>						
<i>Shares</i>						
Balance at the beginning of the year	6 769	7 753				
Shares forfeited by participants	(468)	–				
Released to participants	(1 380)	(984)				
Balance at the end of the year	4 921	6 769				
<i>Options</i>						
Balance at the beginning of the year	58 607	57 496				
Granted to participants	9 709	6 060				
Delivered to participants	(1 933)	(3 082)				
Options forfeited by participants	(1 226)	(1 867)				
Balance at the end of the year	65 157	58 607				
Total shares allocated and options granted	70 078	65 376				
<u>Details of share option allocations:</u>						
	Balance at	Granted	Delivered	Forfeited	Balance at	
	beginning	during	during	during	end of	
Issue date	Price	of the year	the year	the year	the year	
October 1998	R3.50	5 015 003		(309 000)	(135 250)	4 570 753
January 1999	R5.35	25 712 100		(1 624 400)	(625 250)	23 462 450
July 1999	R7.80	5 290 000		–	(70 000)	5 220 000
September 2000	R9.30	8 215 000		–	(55 000)	8 160 000
April 2001	R7.40	8 315 000		–	(340 000)	7 975 000
July 2002	R6.70	6 060 000		–	–	6 060 000
October 2002	R5.70		250 000	–	–	250 000
January 2003	R6.50		3 300 000	–	–	3 300 000
June 2003	R5.90		20 000	–	–	20 000
August 2003	R6.30		6 139 000	–	–	6 139 000
Total		58 607 103	9 709 000	(1 933 400)	(1 225 500)	65 157 203

The share option scheme operates on a deferred delivery basis, with participants being able to take delivery of 50% after 3 years and the balance after 5 years, up to a maximum of 10 years.

	2003	2002
29 Employee statistics		
Number of permanent employees	7 973	6 364
Headline earnings per employee (R)	27 756	24 756
Staff turnover:		
Total employees at the beginning of the year	6 364	
Add: Recruitments	2 208	
Acquisitions of new businesses	576	
	9 148	
Less: Resignations	(820)	
Deaths	(47)	
Dismissals	(226)	
Retirements	(3)	
Retrenchments	(79)	
Total employees at the end of the year	7 973	
30 Events subsequent to balance sheet date		
Subsequent to the balance sheet date, the company issued a cautionary announcement stating that negotiations were underway, which if successful, would result in the sale of the group interests in Australia. At the date of this report, negotiations had not been concluded.		
R'000	2003	2002
31 Cash flow information		
31.1 Operating profit before working capital changes		
Operating profit	382 003	318 560
Adjustment for:		
Profit on sale of stores	26 454	–
Depreciation	103 076	96 425
Amortisation of trademarks	650	650
Loss on disposal of property and equipment	2 610	2 780
Exchange rate adjustment	(973)	419
	513 820	418 834
31.2 Working capital changes		
Increase in inventories	(204 926)	(93 082)
Decrease/(increase) in accounts receivable	97 770	(81 409)
Increase in accounts payable	146 049	163 786
	38 893	(10 705)
31.3 Net interest paid		
Interest paid	(88 760)	(70 684)
Interest received	4 643	3 464
	(84 117)	(67 220)
31.4 Taxation paid		
Taxation prepaid/(liability) at beginning of the year	1 533	(8 874)
Current taxation provided	(85 599)	(79 838)
Exchange rate adjustment	(1 965)	737
Tax liability acquired	(8 148)	–
Taxation liability/(prepaid) at end of the year	7 034	(1 533)
	(87 145)	(89 508)

Notes to the Financial Statements continued

for the year ended 31 August 2003

R'000	2003	2002
31.5 Acquisition of subsidiaries and businesses		
During the year, the group acquired New United Pharmaceutical Distributors and acquired a Price Attack franchise holder (2002: Price Attack). The fair value of assets acquired and liabilities assumed were as follows:		
Property, plant and equipment	(69 177)	(123)
Investments	(9)	–
Trademarks	–	(30)
Goodwill	(106 685)	(89 570)
Deferred taxation	(2 748)	–
Inventories	(200 297)	–
Accounts receivable	(333 343)	–
Cash	(6 670)	–
Outside shareholders' interest	2 182	–
Long-term liabilities	22 582	–
Accounts payable	381 100	–
Taxation	8 148	–
Total purchase price	(304 917)	(89 723)
Paid for by the issue of share capital	294 106	–
Cash acquired on acquisition	6 670	–
Net cash flow of acquisitions	(4 141)	(89 723)
31.6 Shareholders' funds raised		
Shares issued	9 772	14 149
Share issue expenses	(1 053)	–
	8 719	14 149
31.7 Cash and cash equivalents		
Cash on hand and at bank	179 209	–
Short-term borrowings	(33 005)	(108 583)
	146 204	(108 583)

Company Balance Sheet

at 31 August 2003

R'000	Notes	2003	2002
Assets			
Non-current assets			
Deferred taxation	4	6 644	5 000
Interest in subsidiary companies	See page 86	756 675	668 611
Investments	5	260 000	–
Current assets			
Taxation prepaid		2 845	–
Total assets		1 026 164	673 611
Equity and liabilities			
Capital and reserves			
Ordinary share capital	8	3 541	3 052
Share premium	8	876 273	536 575
Non-distributable reserve		124 364	124 429
Distributable reserve		21 986	8 493
Current liabilities			
Taxation payable		–	1 062
Total equity and liabilities		1 026 164	673 611

Company Income Statement

for the year ended 31 August 2003

R'000	Notes	2003	2002
Dividends received from subsidiaries		102 677	63 539
Operating costs		(6 669)	(2 177)
Operating profit		96 008	61 362
Net interest received		887	33 887
Profit before taxation		96 895	95 249
Taxation	18	1 797	14 380
Profit attributable to ordinary shareholders		95 098	80 869

Company Changes in Equity Statement

for the year ended 31 August 2003

R'000	Number of shares (('000)	Share capital (Note 8)	Share premium (Note 8)	Non- distributable reserve	Distributable reserve	Total
Balance at 31 August 2001	298 541	2 985	496 690	50 216	(8 837)	541 054
Capitalisation awards	3 549	36	25 767	–	–	25 803
Shares issued in respect of options	3 082	31	14 118	–	–	14 149
Foreign currency translation reserve		–	–	74 213	–	74 213
Profit for the year		–	–	–	80 869	80 869
Distributions		–	–	–	(63 539)	(63 539)
Balance at 31 August 2002	305 172	3 052	536 575	124 429	8 493	672 549
Capitalisation awards	6 165	62	37 300	–	–	37 362
Shares issued in respect of options	1 933	19	9 753	–	–	9 772
Share issue expenses	–	–	(1 053)	–	–	(1 053)
Acquisition of New United Pharmaceutical Distributors	40 848	408	293 698	–	–	294 106
Foreign currency translation reserve		–	–	(65)	–	(65)
Profit for the year		–	–	–	95 098	95 098
Distributions		–	–	–	(81 605)	(81 605)
Balance at 31 August 2003	354 118	3 541	876 273	124 364	21 986	1 026 164

The non-distributable reserve comprises the unrealised gain on the translation of assets and liabilities denominated in foreign currencies.

Company Cash Flow Statement

for the year ended 31 August 2003

R'000	2003	2002
Cash effects of operating activities		
Operating profit before working capital changes	96 008	61 362
Interest received	887	33 887
Taxation paid	(7 348)	(10 998)
Cash inflow from operating activities	89 547	84 251
Distributions to ordinary shareholders	(44 244)	(37 736)
Net cash effects of operating activities	45 303	46 515
Cash effects of investing activities		
Increase in loans	(54 022)	(60 664)
Cash effects of financing activities		
Shares issued	9 772	14 149
Share issue expenses	(1 053)	–
	8 719	14 149
Net decrease in cash and cash equivalents	–	–
Cash and cash equivalents at beginning of the year	–	–
Cash and cash equivalents at end of the year	–	–

Notes to the Company Cash Flow Statement

for the year ended 31 August 2003

R'000	2003	2002
Taxation paid		
Taxation (liability)/prepaid at beginning of the year	(1 062)	7 320
Current taxation provided	(3 441)	(19 380)
Taxation (prepaid)/liability at end of the year	(2 845)	1 062
	(7 348)	(10 998)

Interest in Subsidiary Companies

Name of company and nature of business	Country of incorporation	Ordinary issued share capital	Shares at cost less amounts written off		Amounts owing (to)/by subsidiaries	
			2003 R'000	2002 R'000	2003 R'000	2002 R'000
Directly held						
(i) Trading						
New Clicks South Africa (Pty) Ltd	South Africa	R500	272 439	272 439	(29 443)	(44 511)
The Link Investment Trust	South Africa		14 790	14 790	15 000	15 000
(ii) Property owning						
Elsdon Investments (Proprietary) Limited	South Africa	R1	3 911	3 911	–	–
Crantock Investments (Proprietary) Limited	South Africa	R1	44	44	–	–
Optimprops 93 (Proprietary) Limited	South Africa	R100	13	13	–	–
Flamborough Investments (Proprietary) Limited	South Africa	R1	–	–	–	–
Clicks Centurion (Proprietary) Limited	South Africa	R10	–	–	9 000	9 000
(iii) Holding						
New Clicks International Holdings NV	Belgium	BEF607.7 million	4 331	4 331	–	–
New Clicks Australia (Proprietary) Limited	Australia	*A\$67.2 million	393 039	393 039	–	–
Indirectly held						
(i) Trading						
Clicks Stores (Western Cape) (Proprietary) Limited	South Africa	R1 000	–	–	–	–
Safeway (Swaziland) (Proprietary) Limited	Swaziland	E2	–	–	–	–
Clicks Stores (Lesotho) (Proprietary) Limited	Lesotho	M1 000	–	–	–	–
Safeway (Namibia) (Proprietary) Limited	Namibia	N\$100	–	–	–	–
Price Attack Franchising (Proprietary) Limited	Australia	A\$103	–	–	–	–
New Clicks Australia Services (Proprietary) Limited	Australia	A\$1	–	–	–	–
The Priceline Unit Trust and The Second Priceline Unit Trust	Australia		–	–	–	–
The House Unit Trust	Australia		–	–	–	–
The Clicks Group Finance Company (Proprietary) Limited	South Africa	R1	–	–	–	–
New United Pharmaceutical Distributors (Proprietary) Limited	South Africa	R10	–	–	37 199	–
Multicare Pharmaceutical Benefits Management (Proprietary) Limited	South Africa	R4 000	–	–	–	–
Multicare Western Cape (Proprietary) Limited	South Africa	R100	–	–	–	–
Intercare Managed Healthcare (Proprietary) Limited	South Africa	R100	–	–	–	–
(ii) Name protection and dormant						
22 companies (2002: 22 companies)			–	–	–	–
(iii) Holding						
Musica (Africa) Holdings Limited	South Africa	R246 029	–	–	–	–
Clicks Stores Holdings (Proprietary) Limited	South Africa	R68	–	–	–	–
Multicare Health Centres (Proprietary) Limited	South Africa	R1 000	–	–	–	–
New Clicks Australia (Proprietary) Limited	Australia	A\$28.2 million	–	–	36 352	555
			688 567	688 567	68 108	(19 956)
Shares at cost less amounts written off			688 567	688 567		
Amounts owing by/(to) subsidiary companies			68 108	(19 956)		
Net interest in subsidiaries			756 675	668 611		

All subsidiary companies are wholly-owned, other than Intercare Managed Healthcare which is 80% owned.

New Clicks Holdings has a 56% interest in The Link Investment Trust.

The loan to The Link Investment Trust is interest free, unsecured and is repayable in annual instalments, not exceeding 10% of the underlying profit of the entity. The loan to New Clicks Australia bears interest at a variable rate, is unsecured and has no fixed date of repayment. All other loans are interest free, unsecured and no fixed dates of repayment have been determined.

* Cumulative redeemable preference shares

Directors' Report

Your directors have pleasure in presenting their report together with the financial statements of the company and of the group for the year ended 31 August 2003.

Nature of business

The company is an investment holding company. Its trading subsidiaries are engaged in the retailing of health, beauty and lifestyle products and services on a cash basis in southern Africa and in Australia. Its wholly-owned subsidiary, New United Pharmaceutical Distributors, is engaged in the buying and distribution of pharmaceutical products.

Certain subsidiaries operate as franchisors. In addition, the company is the sole shareholder of property owning subsidiaries.

Acquisitions

New United Pharmaceutical Distributors (UPD)

In July 2002 the group concluded an agreement to acquire UPD subject to approval from the Competition Commission. The approval was given and the acquisition became effective from 1 January 2003. The purchase consideration was settled by the issue of 40 848 044 ordinary shares in the company at a price of R7.20 per share.

Purchase Milton & Associates, J & G Purchase, Milton & Associates and Leon Katz (PM&A)

Following the change to the legislation in May 2003 which resulted in

corporate ownership of pharmacies being allowed, in early August 2003 the Competition Tribunal granted the unconditional approval for the New Clicks group to acquire four pharmacy companies collectively known as PM&A. These pharmacy companies operate 80 pharmacies and it is anticipated that once the licencing requirements have been complied with, they will be acquired by the New Clicks group.

Group financial results

The results of operations for the year are set out in the group income statement on page 53. The profit attributable to ordinary shareholders for the year is R214 million (2002: R146 million).

Loan to Purchase Milton & Associates (PM&A) and provision against interest accrued

PM&A, the pharmacy chain that the group is in the process of acquiring, has an estimated shareholders' deficit of R176.1 million as at 31 August 2003. The net loan to PM&A from the group amounted to R295 million at the end of August 2003, after the impairment disclosed at August 2002 and the interest provision explained below. After trading at a loss of R8 million in the six months to February 2003, PM&A recorded a trading profit of R8 million in the second half of the year to break even for the year, before the interest charge from the group. The directors are of

the opinion that no further impairment of the loan is required on the basis of a value in use calculation.

As PM&A traded at a breakeven level for the year, the directors have decided to provide in full for the interest accrued on the loan to PM&A.

The comparatives for the year to August 2002 have been restated to achieve consistency, with part of the R78 million impairment being allocated as a provision against interest accrued, and the balance remaining as an impairment. The full amount also has to be taken into account in headline earnings, and the effect of this on headline earnings for 2002 is to reduce headline earnings by R54.6 million and to reduce diluted headline earnings per share by 17.2 cents.

Share capital

During the year, the authorised share capital of the company was increased by the creation of 200 million ordinary shares with a nominal value of 1 cent each, ranking *pari passu* in all respects with the existing ordinary shares in the authorised capital of the company, resulting in the company's authorised share capital being R6 million, divided into 600 million ordinary shares of 1 cent each.

During the year under review the issued share capital of the company was increased by the issue of the following ordinary shares of 1 cent each:

5 656 410	issued on 9 December 2002 at a premium of 609 cents per share awarded as capitalisation shares in lieu of the 2002 final cash dividend
40 848 044	issued on 17 December 2002 at a premium of 719 cents per share in settlement of the purchase consideration of New United Pharmaceutical Distributors
508 422	issued on 7 July 2003 at a premium of 567 cents per share awarded as capitalisation shares in lieu of the 2003 interim cash dividend
309 000	issued at various dates between 12 September 2002 and 29 August 2003 at a premium of 349 cents per share, pursuant to the Company's obligations to deliver ordinary shares to Share Trust participants in respect of share options granted in October 1998
1 624 400	issued at various dates between 12 September 2002 and 29 August 2003 at a premium of 534 cents per share, pursuant to the company's obligations to deliver ordinary shares to Share Trust participants in respect of share options granted in January 1999
<hr/>	
48 946 276	
<hr/>	

inside back cover. On 17 June 2003, Mr PWG Green resigned as a director.

In accordance with the company's articles of association, Messrs PEI Swartz, TC Honneysett and RB Godfrey retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Directors' interests in shares

Details of the directors' interests in the company's issued share capital are given on page 42.

Details of the share options granted are also given on page 42.

Share incentive scheme

Information relating to the share incentive scheme is set out in note 28 on page 80.

Special resolutions

No special resolutions of a material nature have been passed by the company or its subsidiaries since the last annual general meeting of the company.

Holding company

The company has no holding company.

Subsidiary companies

The names of the company's main subsidiaries, their countries of incorporation and financial information appear on page 86. The interest of the company in the aggregate income after taxation before exceptional items of its subsidiaries is R229 million (2002: R140 million).

Distributions to shareholders

Interim

The directors declared an interim distribution of 10.9 cents per share to shareholders registered on 4 July 2003. Shareholders were given the option of declining the capitalisation share award and to elect to receive a cash dividend. The new shares were issued and the cash dividend was paid on 7 July 2003.

Final

The directors have declared a final cash dividend of 15.1 cents per share to shareholders registered on 5 December 2003. Shareholders were not given the option of receiving a capitalisation share award.

The cash dividend will be paid on 8 December 2003.

Events subsequent to balance sheet date

Subsequent to the balance sheet date, the company issued a cautionary announcement stating that negotiations were underway, which if successful, would result in the sale of the group's interests in Australia.

At the date of this report, negotiations had not been concluded.

Directors and secretary

The names of the directors in office at the date of this report are set out on page 9, and the company secretary's details are given on the

Analysis of Shareholders

at 31 August 2003

	Number of holders	Percentage of holders	Number of shares	Percentage of shares
Public and non-public shareholders				
Public shareholders				
Free float portion	5 050	99.9%	328 426 569	92.7%
New United Pharmaceutical Distributors sellers' consortium – locked portion	1	0.0%	15 609 750	4.4%
Total public shareholders	5 051	99.9%	344 036 319	97.1%
Non-public shareholders				
Shares held by directors	5	0.1%	4 174 204	1.2%
The New Clicks Holdings Share Trust (excluding directors)	1	0.0%	5 907 909	1.7%
Total non-public shareholders	6	0.1%	10 082 113	2.9%
Total shareholders	5 057	100.0%	354 118 432	100.0%

According to the company's register of shareholders, read in conjunction with the company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following shareholders held in excess of 5% of the issued share capital at 31 August 2003:

	Number of shares	Percentage of shares
Major beneficial shareholders		
New United Pharmaceutical Distributors sellers' consortium	34 174 586	9.7%
Public Investment Commissioner (SA)	27 242 461	7.7%
Trakprops 141 (Pty) Limited	20 836 659	5.9%
Old Mutual Life Assurance Company SA Limited	19 662 912	5.6%
	101 916 618	28.9%

	Number of shares	Percentage of shares
Major institutional managers/direct holders		
Allan Gray Limited	87 385 059	24.7%
New United Pharmaceutical Distributors sellers' consortium	34 174 586	9.7%
Sanlam Investment Managers	32 722 721	9.2%
RMB Asset Management	30 477 920	8.6%
Old Mutual Asset Management	23 255 208	6.6%
Metropolitan Asset Management	21 223 323	6.0%
Oasis Asset Management	17 688 930	5.0%
	246 927 747	69.8%

	Number of holders	Percentage of holders	Number of shares	Percentage of shares
Distribution of registered shareholdings				
1 – 1 000	2 229	44.1%	689 489	0.2%
1 001 – 10 000	2 023	40.0%	6 671 619	1.9%
10 001 – 100 000	513	10.1%	15 939 773	4.5%
100 001 – 1 000 000	227	4.5%	73 429 852	20.7%
1 000 001 shares and over	65	1.3%	257 387 699	72.7%
	5 057	100.0%	354 118 432	100.0%

	Number of holders	Percentage of holders	Number of shares	Percentage of shares
Classification of registered shareholdings				
Pension funds	227	4.5%	104 017 573	29.4%
Mutual funds	149	3.0%	69 201 273	19.5%
Private companies	123	2.4%	56 511 194	16.0%
Insurance companies	42	0.8%	49 262 397	13.9%
Banks	100	2.0%	25 147 692	7.1%
Trusts and nominee companies	699	13.8%	16 693 346	4.7%
Private investors	3 553	70.3%	15 889 466	4.5%
Other	164	3.2%	17 395 491	4.9%
	5 057	100.0%	354 118 432	100.0%

Shareholders' Diary

Dates for 2003/4

2003 Annual General Meeting	26 January 2004
Preliminary profit announcements	
Interim to February 2004	April 2004
Final to August 2004	October 2004
Publication of 2004 annual report	December 2004
Distributions	
<i>2003 Final distribution</i>	
Last day to trade to be eligible	28 November 2003
Date of distribution	8 December 2003
<i>2004 Interim distribution</i>	
Last day to trade to be eligible	May 2004
Date of distribution	June 2004
<i>2004 Final distribution</i>	
Last day to trade to be eligible	November 2004
Date of distribution	December 2004

Directors' Approval

The directors are responsible for the preparation and integrity of the financial statements and related financial information, and ensuring that the financial statements fairly present the state of affairs of the company and of the group.

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice, and incorporate full and responsible disclosure in line with the accounting policies of the group, supported by reasonable and prudent judgements and estimates.

The directors, supported by the audit committee, are of the opinion, based on the information and explanations given by management and the internal auditors and on comment by the independent auditors on the results of their statutory audit, that the group's internal accounting controls are adequate, so that the financial records may be relied upon for preparing the financial statements and maintaining accountability for assets and liabilities. The directors believe that the group's assets are protected and used as intended in all material respects with appropriate authorisation. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year.

The directors believe that the group has adequate resources to continue in operation for the foreseeable future and will therefore continue to prepare the annual financial statements on the going concern basis.

Other than the information given in note 30 of the financial statements, no event, material to the understanding of this report, has occurred between the financial year end and the date of this report.

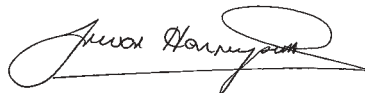
The independent auditors concur with the above statements by the directors.

The audited annual financial statements set out on pages 52 to 55 and 60 to 88 were approved by the board of directors and are signed on its behalf by:



DM NUREK
Chairman

Cape Town
5 December 2003



TC HONEYSETT
Group Leader

Certificate by the Company Secretary

In terms of section 268G(d) of the Companies Act, 61 of 1973, as amended, I hereby certify that, to the best of my knowledge and belief, for the year ended 31 August 2003, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act, and that all such returns are true, correct and up to date.



AA SCOTT
Company Secretary

Cape Town
5 December 2003

Report of the Independent Auditors

To the members of New Clicks Holdings Limited

We have audited the annual financial statements and group annual financial statements of New Clicks Holdings Limited and subsidiaries as at 31 August 2003 and for the year then ended, set out on pages 52 to 55 and 60 to 88. These annual financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements, based on our audit.

Scope

We conducted our audit in accordance with Statements of South African Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit Opinion

In our opinion, the financial statements and group financial statements fairly present, in all material aspects, the financial position of the company and the group at 31 August 2003 and the results of their operations and cash flows for the year then ended, in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa.

KPMG Inc.

KPMG Inc
Registered Accountants and Auditors
Chartered Accountants (SA)

Cape Town
5 December 2003

Notice to Shareholders

Notice is hereby given that the eighth annual general meeting of shareholders of New Clicks Holdings Limited will be held at the registered office of the company at the corner of Searle and Pontac Streets, Cape Town, on Monday, 26 January 2004 at 11:00 at which the resolutions set out below will be considered and, if deemed fit, passed with or without amendment.

1. To consider and adopt the annual financial statements of the company and the group for the year ended 31 August 2003.

2. Election of directors

2.1 To elect PEI Swartz who retires in accordance with the articles of association and being eligible, offers himself for re-election.

Peter Swartz, aged 62, is non-executive deputy chairman and has been a member of the board since he was first appointed in June 1997.

He is a member of the Audit and Remuneration committees and his other directorships include Absa Group Limited, Distell Limited, Ellerrine Holdings Limited and Sanlam Limited.

2.2 To elect TC Honneysett who retires in accordance with the articles of association and being eligible, offers himself for re-election.

Trevor Honneysett, aged 55, is an executive director and is the Group Leader. He has been a director since March 1996. He joined The Clicks Group Limited, the forerunner of New Clicks Holdings Limited in 1971, and was appointed as the then Chief Executive of The Clicks Group Limited in 1988.

2.3 To elect RB Godfrey who retires in accordance with the articles of association and being eligible, offers himself for re-election.

Raymond Godfrey, aged 55, is an executive director and is the Merchandise Leader. He has been a director since March 1996. He joined the group in 1970. In August 1995, he was appointed managing director of Clicks Stores, growing the business to 225 stores. In 2002, he was asked to head up merchandise across the brands.

3. To approve fees paid to directors, as disclosed on page 41, for the year to 31 August 2003.

4. To renew the directors' authority over the unissued share capital of the company who shall be authorised to allot such shares at such prices, on such terms and conditions and at such times as they deem fit, subject to the provisions of the Companies Act, and the rules and requirements of the JSE Securities Exchange South Africa.

5. Special resolution number 1

General authority to repurchase shares

To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

“RESOLVED that the directors be and are hereby authorised to approve and implement the acquisition by the company (or a subsidiary of the company), of shares issued by the company by way of a general authority, which shall only be valid until the company's next annual general meeting, unless it is then renewed, provided it shall not extend beyond 15 (fifteen) months from the date of passing the special resolution, whichever period is the shorter, in terms of the Companies Act, and the rules and requirements of the JSE Securities Exchange South Africa (the “JSE”) which provides, *inter alia*, that the company may only make a general repurchase of its shares subject to:

- the repurchase being implemented through the order book operated by the JSE trading system, without any prior understanding or arrangement between the company and the counterparty;
- the company being authorised thereto by its articles of association;
- repurchases not being made at a price greater than 10% above the weighted average of the market value of the shares for the 5 (five) business days immediately proceeding the date on which the transaction was effected;
- an announcement being published as soon as the company has repurchased ordinary shares constituting, on a cumulative basis, 3% (three per cent) of the initial number of ordinary shares, and for each 3% (three per cent) in aggregate of the initial number of shares repurchased thereafter, containing full details of such repurchases;
- repurchases not exceeding 20% (twenty per cent) in aggregate of the company's issued ordinary share capital in any one financial year;
- the company's sponsor confirming the adequacy of the company's working capital for purposes of undertaking the repurchase of shares in writing to the JSE prior to entering the market to proceed with the repurchase;
- the company remaining in compliance with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread after such repurchase;
- the company and/or its subsidiaries not repurchasing securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements; and

- the company only appointing one agent to effect repurchases on its behalf.”

The directors, having considered the effects of the repurchase of the maximum number of ordinary shares in terms of the foregoing general authority, are of the opinion that for a period of 12 (twelve) months after the date of this annual general meeting:

- the company and the group will be able, in the ordinary course of business, to pay its debts;
- the consolidated assets of the company and the group, fairly valued in accordance with generally accepted accounting practice, will exceed the consolidated liabilities of the company; and
- the company and the group’s ordinary share capital, reserves and working capital will be adequate for ordinary business purposes.

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of this general authority;

- Directors and management – pages 9, 16 and 30;
- Major beneficial shareholders – page 89;
- Directors’ interests in ordinary shares – page 42; and
- Share capital of the company – page 73.

Litigation statement

In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names appear on page 9 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or had in the recent past, being at least the previous 12 (twelve) months, a material effect on the group’s financial position.

Directors’ responsibility statement

The directors, whose names appear on page 9 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information.

Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report and up to date of this notice.

The directors have no specific intention, at present, for the company to repurchase any of its shares but consider that such a general authority should be put in place should an opportunity present itself to do so during the year, which is in the best interests of the company and its shareholders.

The reason for and effect of the special resolution is to grant the directors of the company a general authority in terms of the Companies Act and the JSE Listings Requirements for the repurchase by the company (or by a subsidiary of the company) of the company’s shares.

6. To transact such other business as may be transacted at an annual general meeting.

All registered shareholders of shares in the company are entitled to attend, speak, and vote at the annual general meeting. If you are a dematerialised shareholder and are not an own name dematerialised shareholder:

- If you wish to attend the annual general meeting, you should contact your Central Securities Depository Participant (CSDP) or

broker, as the case may be, and obtain the relevant letter of representation from it; alternatively

- If you are unable to attend the annual general meeting, you must contact your CSDP or broker, as the case may be, and furnish it with your voting instructions in respect of the annual general meeting in accordance with the mandate between yourself and the CSDP or broker, as the case may be. You should not complete the attached form of proxy. If your CSDP or broker does not obtain your voting instructions from you in respect of the annual general meeting, it will be obliged to act in terms of your mandate, or if the mandate is silent in this regard, to abstain from voting. The instruction must be provided within the time period required by your CSDP or broker, as the case may be.

If you hold certificated shares (have not dematerialised your shares in the company) or are an own name dematerialised shareholder:

- You may attend and vote at the annual general meeting; alternatively
- You may appoint a proxy to represent you at the annual general meeting by completing the attached form of proxy and return it to the registered office of the company or to the office of the transfer secretaries by not later than 48 hours prior to the start of the meeting.

By order of the Board



AA SCOTT

Company Secretary
5 December 2003

**NEW
CLICKS HOLDINGS
LIMITED**

Reg No. 1996/000645/06
Share code: NCL ISIN: 000014586

Form of Proxy

For use at the Annual General Meeting of Shareholders to be held on Monday, 26 January 2004 at 11:00 at Cnr Searle and Pontac Streets, Cape Town.

I/We (full names) _____

of (address) _____

being the registered holder of _____ ordinary shares (see note 1) in New Clicks Holdings Limited hereby appoint:

1. _____ or failing him/her
2. _____ or failing him/her
3. Mr TC Honneysett, Group Leader, or in his absence, the Chairman of the meeting, as my/our proxy to attend, speak and vote on my/our behalf, as indicated below, at the Annual General Meeting to be held on Monday, 26 January 2004 at 11:00 and at any adjournment thereof.

	Number of Shares		
	For	Against	Abstain
1. Adoption of the financial statements			
2. Election of directors			
2.1 PEI Swartz			
2.2 TC Honneysett			
2.3 RB Godfrey			
3. Approval of directors' fees			
4. Directors' control over unissued shares			
5. General authority to repurchase shares			

Unless otherwise instructed above, my/our proxy may vote as he/she deems fit.

Signed by me/us this _____ day of _____

Signature(s)

Notes:

1. On a poll, a shareholder is entitled to one vote for each share held.
2. Any alteration or correction made on this form of proxy must be initialled by the signatory/ies.
3. This form of proxy must be lodged with the company secretary, AA Scott, at the registered office of the company, Cnr Searle and Pontac Streets, Cape Town, or PO Box 5142, Cape Town 8000, no later than 48 hours before the commencement of the meeting.
4. A proxy need not also be a shareholder of the company.
5. If this proxy is signed under the power of attorney or on behalf of a company, such power or authority, unless previously registered with the company, must accompany it.
6. If you are a dematerialised shareholder and are not an own name dematerialised shareholder and you are unable to attend the annual general meeting, you must contact your Central Securities Depository Participant (CSDP) or broker, as the case may be, and furnish it with your voting instructions in respect of the annual general meeting in accordance with the mandate between yourself and the CSDP or broker, as the case may be. You should not complete the attached form of proxy. If your CSDP or broker does not obtain your voting instructions from you in respect of the annual general meeting, it will be obliged to act in terms of your mandate, or if the mandate is silent in this regard, to abstain from voting. The instruction must be provided within the time period required by your CSDP or broker, as the case may be.



Definitions

CAGR	Compound Annual Growth Rate, the year over year growth rate of a line item over a specified period of time.
Cash flow	
Financing activities	Activities which result in changes to the capital structure of the group.
Investing activities	Activities relating to the acquisition, holding and disposal of property, plant and equipment, and long-term investments.
Operating activities	Activities that are not financing or investing activities that arise from the operations conducted by the group.
Comparable store sales growth	Sales growth expressed as a percentage of growth for stores that have been operating for the full period during the current and previous financial years.
Current ratio	Current assets at year end divided by current liabilities at year end.
Distribution cover	Headline earnings for the year divided by the distributions for the year.
Distribution per share	Distribution per share is the actual interim cash dividend paid and the final cash dividend declared expressed as cents per share.
Earnings per share	
Attributable earnings per share	Net profit divided by the weighted average number of ordinary shares in issue for the year.
Headline earnings per share	Headline earnings divided by the weighted average number of shares in issue for the year.
Diluted headline earnings per share	Headline earnings divided by the diluted weighted average number of shares in issue for the year.
Employee benefits	Employee benefits include all forms of consideration given by the group in exchange for services rendered by employees.
Exceptional items	Comprise the following: <ul style="list-style-type: none"> – Amortisation of goodwill arising on acquisition of subsidiaries, joint ventures and associates; – Surpluses and losses on disposal of long term investments, subsidiaries, joint ventures and associates; – Surpluses and losses on disposal of stores; – Surpluses and losses on disposal of property, plant and equipment; – Litigation settlement; and – Other items of a capital nature.
Gross profit margin	Gross profit expressed as a percentage of turnover.
Headline earnings	Net profit for the year adjusted for the after tax effect of goodwill and other exceptional items.
Headline earnings per employee	Headline earnings divided by the number of permanent employees in service at the year end.
Interest cover	Operating profit for the year divided by the net interest paid.
Inventory turn	Turnover for the year divided by the closing inventory at year end.
JIBAR	Johannesburg Inter-Bank Agreement Rate, which is the rate that South African banks charge each other for wholesale money.
Market capitalisation	The market price per share at year end multiplied by the number of shares in issue at year end.

Net asset value per share	Net assets at year end divided by the number of shares in issue at year end.
Net tangible asset value per share	Net assets at year end, less intangible assets such as goodwill and trademarks, divided by the number of shares in issue at year end.
Operating profit margin	Operating profit expressed as a percentage of turnover
Percentage of shares traded	The number of shares traded as a percentage of the weighted number of shares in issue.
Price earnings ratio	The market price per share at year end divided by headline earnings per share.
Return on shareholders' interest	Headline earnings expressed as a percentage of the average ordinary shareholders' interest for the year.
Return on total assets	Headline earnings expressed as a percentage of the average total assets for the year.
Segmental reporting	
Operational Segment	A distinguishable trading brand or component of the group.
Geographical Segment	A distinguishable component of the group that is engaged in trading within a particular geography.
Shareholders' interest	Ordinary share capital, share premium and reserves.
Taxation	
Deferred taxation assets	Deferred taxation assets are the amounts of income taxes recoverable in future periods in respect of: <ul style="list-style-type: none"> – deductible temporary differences arising due to differences between the tax and accounting treatment of transactions; and – the carry forward of unused tax losses.
Deferred taxation liabilities	Deferred taxation liabilities are the amounts of income taxes payable in future periods due to differences between the tax and accounting treatment of a transaction.
Triple bottom line	Triple bottom line refers to sustainability in three dimensions: the economic, environmental, and social aspects of a company's activities. It is an approach which has been brought to the forefront by the second King Report on Corporate Governance.
Weighted average number of shares	The number of shares in issue, increased by shares issued during the period, weighted on a time basis for the period during which they have participated in the income of the group.
Weighted average diluted number of shares	The weighted average number of shares, adjusted for the effects of all dilutive potential ordinary shares.

Glossary of Terms

Term used in this annual report	International (UK or US) equivalent or brief description
Accounts payable	Creditors
Accounts receivable	Debtors
Depreciation	Amortisation
Financial statements	Accounts
Freehold	Ownership with absolute rights in perpetuity
Gain	Surplus or profit
Income	Profit
Income statement	Profit and loss account
Interest-bearing borrowings	Long-term debt or loan capital
Inventories	Stocks
Issued	Allotted
Net asset value	Book value
Net income	Attributable profit
Ordinary shares, issued and fully paid	Called-up share capital
Property, plant and equipment	Fixed assets
Retained earnings	Profit and loss account reserve
Secondary tax on companies	No direct international equivalent. Tax paid on net difference between dividends received and paid.
Share capital	Ordinary shares, capital stock or common stock, issued and fully paid
Share premium	Additional paid-up capital or paid-in surplus
Shareholders' interest	Shareholders' equity
Shares in issue	Shares outstanding

Index

	Page		Page
Accounting policies		History	4-5
– Changes in policies	77	HIV/AIDS	45
– Policies	66-69	Impairments	67, 72
Accounts payable	52, 74	Income statement	
Accounts receivable	52	– Group	53, 58-59
Accruals	74	– Company	83
Acquisitions	82, 87	Intangible assets	67
Annual general meeting	93-94	Internal audit	42
Auditors' remuneration	74	Internal control	43
Auditors' report	92	Interest	74
Balance sheet		Inventories	68, 72
– Group	52, 56-57	Investments	67, 72
– Company	83	Investor relations	48, inside back cover
Board committees	40	Lease commitments	68, 77
Board of directors	9, 39	Loans	72
Borrowing powers	73	Long-term liabilities	73
Capital commitments	77	Management	11, 16-17, 30-31
Cash flow		Market capitalisation	50-51
– Group	55	Notes to the financial statements	70-82
– Company	85	Operating costs	74
Chairman's statement	6-8	Operating leases	73
Changes in equity statement		Operating profit	53
– Group	54	Post balance sheet events	81
– Company	84	Property, plant and equipment	67, 70
Company secretary	91, inside back cover	Provisions	68, 73
Contingent liabilities	77	Proxy form	95
Corporate citizenship	7, 44-48	Registered office	inside back cover
Corporate governance	7, 39-43	Related party transactions	78
Corporate social investment	47-48	Reserves	54, 73, 84
Deferred taxation	71	Retirement benefits	78
Depreciation	67, 70	Segmental analysis	
Directors' approval	91	– Operational	60-63
Directors' remuneration	74	– Trading	64-65
Directors' report	87-88	Seven year review	50-51
Directors' shareholdings	42	Share capital and premium	54, 73, 84
Directors' share options	42	Shared services	38
Distributions	69, 76	Shareholders' analysis	89
Earnings per share		Shareholders' diary	90
– Attributable	76	Shareholders' interest	52, 98
– Diluted	76	Share incentives	80
– Headline	76	Share statistics	50-51
Employees	44, 45, 69, 81	Short-term borrowings	73
Exceptional items	53, 97	Strategy	2-5, 7
Exchange rates	50-51	Stores	
Financial highlights	1	– Numbers	64-65
Financial instruments	79	– Locations	19, 21, 25, 27, 29
Foreign currency translation reserve	67	Subsidiaries	10, 86
Free float	89	Taxation	68, 75
Going concern	43, 91	Trademarks	70
Goodwill	67, 71	Trading brands	18-29, 32-37
Group leader's report	12-15	Transfer secretaries	inside back cover
Group structure	10	Turnover	69
Headline earnings	53, 76	Value added statement	49
		Weighted average number of shares	76