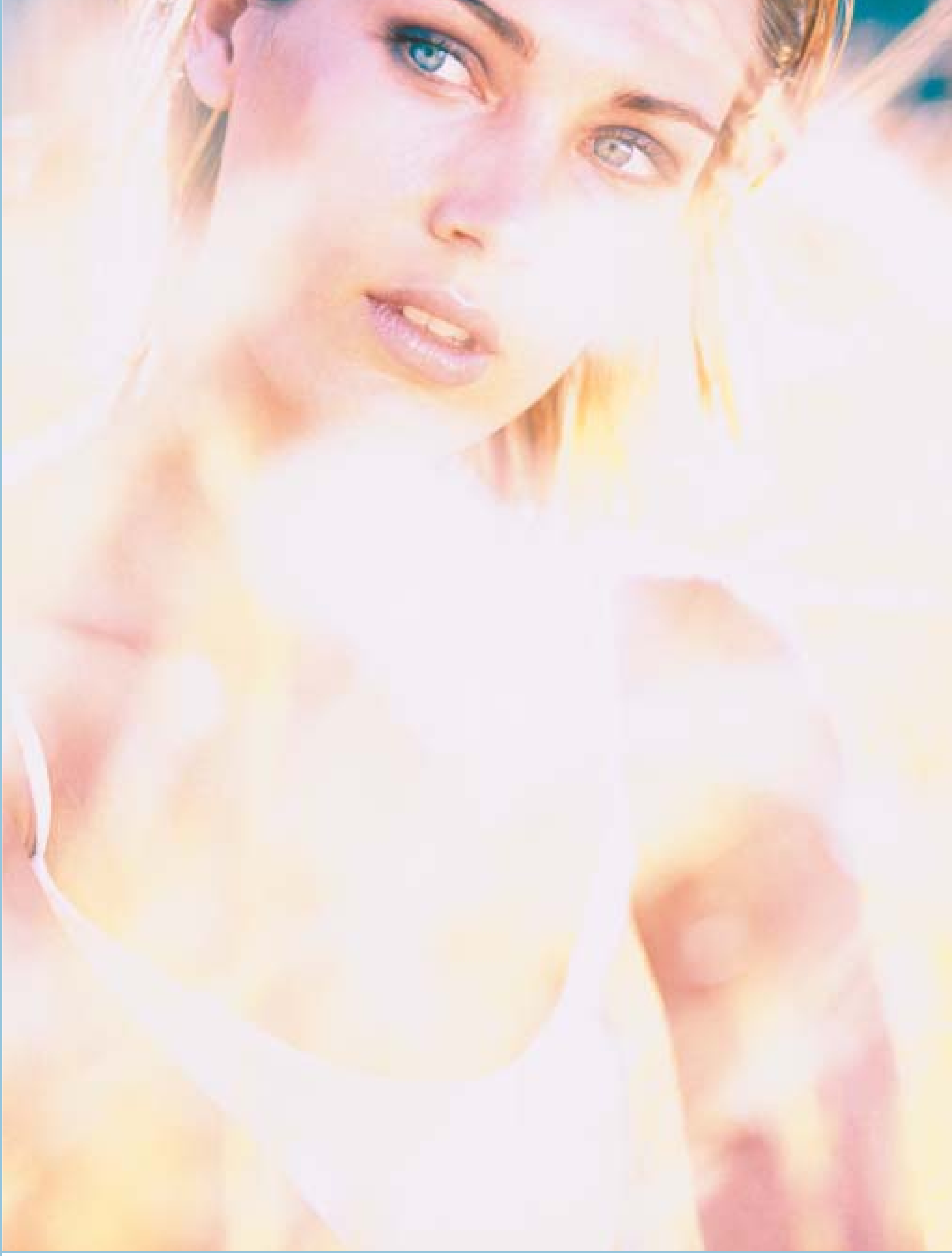


"Our market positioning...what really drives it – and fires our imagination – is the worldwide trend to wellness and wellbeing."

Chairman & Group Leader's Report

David Nurek, Non-Executive Chairman
Trevor Honneysett, Group Leader

Results

We are pleased to report strong results for the year to 31 August 2002, a period in which the group has grown its operations aggressively and made progress with key long-term strategies. Group operating profit before interest and tax at R318.6 million is up 21.3% on group sales of R5.49 billion, which are up 25.7% on the comparative period. Headline earnings show a 23.6% improvement, with diluted headline earnings per share up by 21.9%. A final dividend of 14.1 cents has been declared, bringing the total for the year to 24 cents, an improvement of 21.2% on the previous year.

The group operating margin at 5.8% is down slightly on the comparative period (6%), reflecting primarily the impact of one-off costs associated with repositioning the Discom brand. Excluding Discom, which we expect to return to profitability in the year ahead, the group operating margin is 7%. Our long-term operating margin goal remains 8%.

The group has grown organically and through acquisitions. We opened 57 owned stores, and we acquired 94 franchised stores through the purchase of Price Attack in Australia. This brings the total number of stores in the group to 1 214, of which 700 are owned and 514 franchised. Franchising is one of the elements of our forward strategy as we position ourselves increasingly 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.**

Acquisitions over the past year have been made in line with the above positioning statement. The purchase of the Australian franchise haircare business, Price Attack, reflects our multibrand strategy of specialising within the core categories of health, beauty and lifestyle by acquiring brands with high-growth potential. The acquisition of United Pharmaceutical Distributors, still subject to approval from the competition authorities, will significantly enhance our distribution capability within healthcare and will be earnings-enhancing for the group.

Our market positioning is explained elsewhere in this report, but suffice it here to say that what really drives it – and fires our imagination – is the worldwide trend to wellness and wellbeing. We believe that within the next 10 years we will witness huge growth in an industry which is as yet still in its infancy. This 'wellness revolution', as some call it, embraces our organisation's core categories of health, beauty and lifestyle. Regardless of where they are, people want to be healthy; they want to look good; and they want to live well.

In Australia, an affluent ageing population is spending more time and money on products and services relating to health, beauty and lifestyle. The 'baby boomers' are reluctant to grow old. In southern Africa, there is a vast emerging middle class that is highly aspirational in its outlook. There is also the tragedy of AIDS, which is forcing people to adopt a more proactive and holistic approach to their health.

It is against the backdrop of this wellness revolution that we have over the past few years been developing the health category of our business. We believe that as a retailer with world-class information, distribution facilities, and buying systems, we are optimally placed to play a pivotal role in addressing the ever-increasing needs of healthcare delivery in the geographies in which we operate. Our vision is to elevate our role to help with the affordable delivery of healthcare to consumers.

Our stakeholders know that we have for years been building pharmacy front-shops. The pharmacy back-shop is a logical next step. Clicks and Priceline were conceived as drugstores, but pharmacy regulations in South Africa and Australia currently prohibit us from directly owning pharmacies. This does not affect our strategy, which works in the current environment in both geographies. Deregulation would be an added bonus, but it does not impact on our model. In Australia, we have gone the franchise route with the launch of Priceline Pharmacy. We see potential to grow this to a participating network of around 500 franchised drugstores. In South Africa, we have adopted a multi-pronged strategy, the long-term vision for which is a participating network of some 800 drugstores.

Pharmacy Loan

It is within this strategic context that we have funded Purchase Milton & Associates (PM&A) to acquire a number of the best pharmacies throughout South Africa, which will be acquired by the group in the event that the pharmacy laws change to allow for this. The group also renders certain services to PM&A and its pharmacies in return for fees, which services are destined to enhance and improve the efficiency and profitability of those pharmacies over the long term.

During the year under review, interest amounting to R45.5 million (2001 – R10.1 million) was charged to PM&A in respect of funding provided by New Clicks in an amount of R355 million. The group also recovered R11.4 million (2001 – R4 million) in respect of costs incurred on behalf of PM&A.

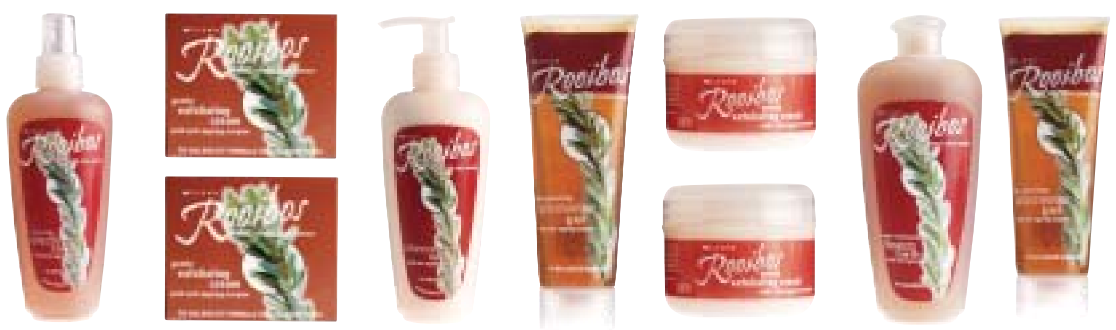
PM&A has incurred losses in its first full year representing the integration and consolidation phase of its business. As a result, the Board decided to subordinate and impair an amount of R78 million of the loan. Despite this conservative accounting approach, having reviewed PM&A's strategies and business plans, we are confident the full amount of the loan will be recovered.

Court Case

We are pleased to report the out-of-court settlement of the action instituted by Van Staden & Stolz (Pty) Limited against the South African Pharmacy Council, aimed at reviewing the Council's decision to register PM&A. Our loan and future sale agreements, as approved by the SA Pharmacy Council, remain in force. Arising out of this, a consultative forum will be established to promote dialogue between corporate non-pharmacists and independent retail pharmacists and to assist government in implementing its National Drug and Health Policy. We are hopeful this will herald a new era of co-operation among key stakeholders in the South African healthcare industry.

The Structure for Growth

A year ago, we grouped our brands under two geographic entities, New Clicks Australia and New Clicks South Africa. Local management forums in



each geography are responsible for hard-driving brand performance off a shared services structure, as illustrated on page 10. The shared services model provides economies of scale that deliver better margins, and thus improved profitability and sustainability. The evolving success of this structure is evident from the brand performance reviews elsewhere in this report.

Providing leverage between the two geographies is a group strategic forum, which is responsible for acquisitions, succession, knowledge transfer, guarding the business culture, global strategic objectives, and the overall performance of the group.

A number of leadership moves have been made in the year under review. These moves are all strategic – they have been made to ensure geographic focus, brand performance, and succession, and to create the necessary capacity for continued high growth.

In particular, we have appointed chief financial officers for New Clicks Australia and New Clicks South Africa, in order to focus on efficiency improvements and ensure a stricter financial regime. They are Trevor Harris in Australia and André Vermeulen in South Africa, who will assist in the group-wide project to move from cost centres to profit centres, driven by the journey into franchising.

Within the group strategic forum, Raymond Godfrey has moved to a merchandising role to focus on relationships with our transnational suppliers. In this, we stand to benefit from his flair with products. Errol Gray heads up New Clicks South Africa and George Meiliunas has joined the forum to take over the function of organisational development.

We take this opportunity to thank our leaders and their teams for their incredible efforts, loyalty and determination in continuing to move the business forward.

New Clicks Australia

The results for the period under review were boosted by a strong performance from New Clicks Australia, which is fast making a mark on the Australian retail landscape. In SA rand terms, turnover and operating profit for New Clicks Australia were up 53.5% and 65.5% respectively; stripping out the exchange rate factor, they were up 13.9% and 22.9%. Given inflation of around 2% over the period, this represents impressive real growth.

In July the group acquired Price Attack, a 94-store Australian franchise business of speciality haircare stores with salons. The cost of this acquisition was R89 million, R65 million of which was paid on the acquisition date in cash from South Africa and the balance is payable, based on performance, at set future dates.

Outside the period under review, in September 2002, Priceline Pharmacy was launched, bringing our healthcare activity to the transnational level.

The business in Australia has grown rapidly within the past year from a simple structure of two businesses, Priceline and House, to a multi-branded business represented by over 300 stores and underpinned by a shared services infrastructure off which to leverage future growth. By investing ahead of the growth curve over the past few years, we are now in position to leverage acquisitions in a cost-effective manner.

Over the past year consumer spending in Australia has been well above long-term average rates, growing at around 4% and boosted by factors such as employment growth, real disposable income growth, low interest rates, a housing boom, and a positive wealth effect from the increase in housing prices. Consumer spending is expected to soften to 3.5% by mid-2003, with the drivers of growth shifting from housing investment to increased business investment. There will also be a softening in the rural sector as a result of drought.

The Australian economy is forecast to maintain growth of 3% to 4%, making it one of the strongest-growing economies in the developed world. Although Australian retail turnover is expected to grow at a reasonable pace – around 6% to 7% in the year ahead – the environment for retailers will remain highly competitive. We are planning our strategies accordingly, as is reported under the brand reviews.

New Clicks South Africa

In the group's southern African operations, turnover was up 17.1% and operating profit up 15.3% over the comparative period. Excluding Discom, sales were up 18.2% and operating profit up 27.2%. The Discom brand is discussed in detail under the brand reviews in this report. We are very pleased with the performance turnaround in the second half-year.

There has been an improvement in working capital management at the group level, which largely reflects a focus by the South African business on the supply chain. Stocks in New Clicks South Africa were reduced by R70 million in the six months to August. Many new initiatives will ensure that the gains in stock management will be perpetuated and accelerated in the year ahead.

Healthcare in South Africa is a major business focus. Our activity in healthcare will be boosted by the acquisition of United Pharmaceutical Distributors (UPD), a wholesale distributor of pharmaceutical and front-shop products to more than 5200 pharmacies, doctors, and hospitals in southern Africa. The acquisition is subject to approval from the competition authorities which is expected before the end of 2002.

Through UPD we aim to help restore margin to retail pharmacy by enhancing productivity and efficiency in the supply chain. UPD reported turnover of R2 billion and net profit after tax of R43 million for the year to 30 April 2002. The R281 million acquisition will be funded through the issue of 39 million New Clicks shares. It has significant implications for our strategic positioning within the South African healthcare industry.

During the period under review, the South African economic environment was dominated by the onslaught on the rand in December 2001, which led to a strong increase in inflation over the period. The rand has since stabilised and is expected to remain relatively firm, bar unforeseen global events. Inflation will nonetheless remain a problem and government has conceded it will not meet its inflation targets for this year and next. Economic growth (GDP) is expected to reach 2.6% this year and rise to 3.5% next year.

Non-Executive Appointment

Allen Zimbler was appointed as a non-executive member of the board in October 2001. We value his ongoing contribution, especially at the strategic level.

Our People

We are grateful for the energy, creativity and hard work that all our people display in continuing to drive our business forward. We have a values-driven culture that places a premium on relationships. Our values are important to us. We have developed them over years and we consciously incorporate them into our day-to-day interactions with each other and our decision-making processes.

Outlook

While we acknowledge there are many challenges, not least in healthcare, we are optimistic we can achieve strong performance in the year ahead. The benefits of long-term key strategies are being realised and there is ongoing growth in all our brands. Adding to the performance in the coming year will be, we anticipate, the successful conclusion of the UPD transaction, a turnaround in Discom, the roll-out of Priceline Pharmacy, and the inclusion of the Price Attack brand for a full year. A considerable effort is going into converting PM&A into a successful retail pharmacy chain and

"Through UPD we aim to help restore margin to retail pharmacy by enhancing productivity and efficiency in the supply chain."

we remain optimistic that in the year ahead this chain will generate sufficient profits to enable it to service its debt to us.

We sincerely thank all our stakeholders for their ongoing support, including our shareholders, our suppliers, consultants, associates, business friends and, not least, our customers. We look forward to growing our relationships into the future.

David Nurek, Non-Executive Chairman

Trevor Honneysett, Group Leader

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