

# GROUP FINANCIAL RESULTS

# 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 2002.

## Nature of business

The company is an investment holding company. Its trading subsidiaries are engaged in discount retailing of toiletries, cosmetics, gifts, recorded music and other merchandise on a cash basis in southern Africa and in Australia. Certain subsidiaries operate as franchisor. In addition the company is the sole shareholder in property-owning subsidiaries.

## Group financial results

The results of operations for the year are set out in the income statements.

## Impairment of loan to Purchase Milton & Associates (PM & A)

In terms of the group's healthcare strategies the group has formed an association with a pharmacy chain, PM & A providing funding and services to this company. By virtue of the arrangements in place with PM & A, New Clicks is entitled to acquire all or certain of its pharmacies, subject to certain conditions, when the law relating to pharmacy ownership changes to allow for this.

PM & A has incurred losses in this, the integration and consolidation phase of its business.

Although the value in use, based on projections, exceeds the carrying value of the loan, because of the need to subordinate, the directors have elected to impair the loan by R78 million.

Despite this conservative approach, the directors are confident that the full amount of the loan will be recovered in the future.

The loans to PM & A at the year end amounted to R277 million after the impairment referred to above (see note 9).

## Acquisitions

### Price Attack

In July 2002 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 this amount was paid on the acquisition date in cash

from South Africa and the balance is payable, based on performance, at set future dates.

The brand has considerable growth potential both inside and outside of Australia and will leverage off the New Clicks Australia infrastructure.

## New United Pharmaceutical Distributors (UPD)

In July 2002 the group concluded an agreement to acquire UPD for an amount of R281 million subject to approval from the Competition Commission. This approval is expected by December. The acquisition has significant implications in terms of the strategic positioning of New Clicks in the South African healthcare industry. The aim is to help restore margin to retail pharmacy through enhanced productivity and efficiency in the supply chain.

## Share capital

During the year under review the following ordinary shares were issued:

2 390 974 ordinary shares of 1 cent each were issued on 10 December 2001 at a premium of 725 cents per share awarded as capitalisation shares in lieu of the 2001 final cash dividend.

1 158 617 ordinary shares of 1 cent each were issued on 8 July 2002 at a premium of 729 cents per share awarded as capitalisation shares in lieu of the 2002 interim cash dividend.

1 263 797 ordinary shares were issued at various dates between 8 November 2001 and 12 August 2002 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.

1 818 150 ordinary shares were issued at various dates between 2 February 2002 and 8 July 2002 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.

## Distribution to shareholders

### Interim

The directors declared an interim distribution of 9.9 cents per share to shareholders registered on 5 July 2002. 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 paid on 8 July 2002.

### Final

The directors have declared a final distribution of 14.1 cents per share to shareholders registered on 6 December 2002. Shareholders are being given the option of declining the capitalisation share award and electing to receive a cash dividend. The new shares will be issued and the cash dividend paid on 10 December 2002.

### Events subsequent to balance sheet date

Subsequent to the year end but before the date of this report, the group concluded an agreement whereby the proceedings instituted by Van Staden & Stolz (Proprietary) Limited in relation to the registration of PM & A by the South African Pharmacy Council were withdrawn.

Subsequent to the year end but before the date of this report the group has subordinated, in favour of other creditors, an amount of R78 million in respect of the loan to PM & A.

### Directors and secretary

The names of the directors at the date of this report are set out on page 27.

The company secretary is A.A. Scott.

A. Zimbler was appointed to the board with effect from 16 October 2001. In terms of the company's articles of association D.M. Nurek, P.W.G Green, E. Osrin and A. Zimbler retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

### Share incentive schemes

Information relating to the share incentive scheme is set out in note 20 on page 61.

### 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.

### Directors' interests in shares

At 31 August 2002 the directors' beneficial interests in the company's issued share capital and share options were as follows:

| Non-executive    | Shares           | Share options     |
|------------------|------------------|-------------------|
| D.M. Nurek       | 28 465           | 1 500 000         |
| P.E.I. Swartz    | –                | 750 000           |
| E. Osrin         | 129 858          | –                 |
| A. Zimbler       | 75 000           | 981 000           |
| <b>Executive</b> |                  |                   |
| T.C. Honneysett  | 2 921 730        | 5 700 000         |
| R.B. Godfrey     | 1 878 373        | 3 800 000         |
| P.W.G. Green     | 2 134 386        | 3 800 000         |
| J.C. Sher        | –                | 1 500 000         |
|                  | <b>7 167 812</b> | <b>18 031 000</b> |

Percentage of the issued share capital held by directors

|                |      |
|----------------|------|
| 31 August 2002 | 2.3% |
| 31 August 2001 | 2.3% |

There have been no changes to the above since 31 August 2002.

The share options have been exercised at prices ranging from R3.50 to R9.30. They are subject to delivery being deferred to a minimum of three years and a maximum of ten years from the date of the options being granted.

### Holding company

The company has no holding company.

### Subsidiary companies

The names of the company's main subsidiaries and financial information relating thereto appear on page 64. The interest of the company in the aggregate income after taxation before exceptional items of its subsidiaries is R194.816 million (2001 – R163.142 million).