NEW CLICKS HOLDINGS LIMITED

Unaudited Preliminary Group Results for the year ended 31 August 2006

Turnover up	Operating profit up	Diluted headline EPS up	Return on equity
14.8%	19.6%	23.7%	16.7%

Commentary

Overview

The group continues to make steady progress in its turnaround towards sustainable performance, with encouraging turnover growth over the past year and improvements in several key performance measures.

The operational performance of Clicks is reflected in improved turnover growth and profitability, while the group's wholesale pharmaceutical distributor, UPD, continued to perform well.

During the year under review a new group executive was formed and the board of directors was extensively restructured and strengthened.

The implementation of the enterprise-wide systems platform has proved challenging. After addressing systems stability issues in the early months of the financial year, business processes have had to be adapted to the requirements of the new systems. Operational compliance with these processes has taken longer than expected. As compliance improves, we anticipate further benefits in the quality of reporting and analysis.

As a consequence of the above, the year-end financial reporting and audit process has taken longer to complete than anticipated. KPMG Inc.'s modified review report on the preliminary results presented is available for inspection at the company's registered office. The board and management have decided to publish unaudited results and are confident that the audited results will not materially differ.

Financial performance

Group turnover increased 14.8% to reach the R10 billion mark for the first time. Retail turnover grew 10.0% in a period when both Clicks and Discom experienced price deflation. UPD lifted turnover by 26.8%.

Gross profit margin declined by 90 basis points as a result of the increased contribution of UPD's sales within the group. By the nature of its business, UPD operates at much lower gross margins and its decline in margin from 4.0% to 2.9% reflects the higher volume of ethical product distributed. Retail gross margin increased by 30 basis points to 27.1%.

Operating expense growth was contained at 9.5%, resulting in an increase in operating profit before capital items of 19.6%. Operating profit margin increased to 3.9% from 3.8% in 2005.

Headline earnings grew by 25.5% with diluted headline earnings per share increasing by 23.7% to 71 cents per share.

Return on equity improved from 14.2% in 2005 to 16.7%.

R220 million in cash was generated by operating activities during the year. This was driven by a significant improvement in the second half of the year, where the group generated R563 million compared to R295 million last year. This improvement in cash flow management is largely attributable to better working capital management.

The efficient management of stock is reflected in inventory levels only increasing by 0.2% despite the 14.8% increase in turnover. Inventory turn increased from 6.1 times in 2005 to 6.9 times.

Trading performance

Clicks increased turnover by 8.8%, with the core categories of healthcare growing by 11.7% and beauty rising 9.4%. Comparable store turnover increased by 10.8%, reflecting the impact of the closure or conversion of the remaining non-integrated pharmacies. Operating profit improved by 13.3% to R207 million.

The drugstore model adopted by Clicks is proving effective, evidenced by a 19% increase in turnover in stores with dispensaries. Clicks opened 45 dispensaries during the year and now has 110 in-store dispensaries.

Discom continues to realise its potential as a health, beauty and lifestyle retailer for the lower to middle income groups. Turnover increased by 10.5%, with comparable stores growing by 5.7%. Discom's operating profit grew by 37.8% to R34 million.

Musica's turnover growth of 17.6% was driven mainly by a strong increase in DVD and gaming sales. Comparable stores grew 10.8%. Entertainment-related merchandise categories now account for 34.5% of total sales. Operating profit increased 11.0% to R26 million.

The Body Shop increased turnover by 11.8% as sales in the second half of the year grew by 20%. Comparable store sales rose 3.1%. Operating profit increased 19.3% to R11 million.

UPD's turnover growth of 26.8% is mainly attributable to two major hospital supply contracts received during the year and to increasing sales to Clicks. Continued tight expense management contributed to a 28.0% increase in operating profit.

Prospects

Trading in the first two months of the new financial year has been satisfactory. However, the trading environment for 2007 is likely to be affected by increasing interest rates, although it is too early to determine the impact on spending patterns and consumer confidence levels. Modest levels of price inflation are expected in the year ahead.

The group has developed clear plans for each business to improve its offer to its customers. 34 new stores are planned for the year ahead. Operationally the group will have the benefit of its new systems for a full year in 2007 and will focus on improving distribution efficiency and expense control.

The directors and management are confident of delivering real earnings growth in 2007.

Distribution

The board of directors has approved a distribution of 22 cents per share (2005: 18.5 cents per share) comprising a final cash dividend of 6.8 cents per share and a distribution out of share premium of 15.2 cents per share in lieu of a dividend (collectively "the distribution") payable on Monday, 18 December 2006 to shareholders recorded in the register of the company at the close of business on Friday, 8 December 2006.

The last day to trade ("cum" the distribution) in order to participate in the distribution will be Friday, 8 December 2006 and the shares will trade "ex distribution" from the commencement of business on Monday, 11 December 2006. The record date will be Friday, 15 December 2006.

Share certificates may not be dematerialised or rematerialised between Monday, 11 December 2006 and Friday, 15 December 2006, both dates inclusive.

By order of the Board

ALLAN SCOTT
Company Secretary

1 November 2006

Condensed Consolidated Income Statement

R'000	Year to 31 August 2006 (unaudited)	Year to 31 August 2005 (restated audited)	% change
Revenue	10 461 712	9 108 141	14.9
Turnover	10 000 621	8 714 338	14.8
Cost of merchandise	8 047 045	6 935 760	16.0
Gross profit	1 953 576	1 778 578	9.8
Other income	449 721	385 925	16.5
Expenses	2 015 950	1 859 156	8.4
Operating expenses	2 010 328	1 835 929	9.5
Impairment of property, plant and equipment	3 159	6 143	
Loss on disposal of property, plant and equipment	1 209	270	
Goodwill impairment	1 254	16 814	
Operating profit before financing costs	387 347	305 347	26.9
Net financing costs	(57 219)	(49 086)	16.6
Financial income	11 370	7 878	44.3
Financial expenses	(68 589)	(56 964)	20.4
Profit before tax	330 128	256 261	28.8
Income tax expense	84 138	77 098	9.1
Profit for the year	245 990	179 163	37.3
Undiluted earnings per share (cents)	71.4	52.7	35.5
Diluted earnings per share (cents)	69.4	51.3	35.3
Distributions per share (cents)			
– interim paid	11.2	11.2	
– final declared/paid	22.0	18.5	
	33.2	29.7	11.8

Headline Earnings Reconciliation

R'000	Year to 31 August 2006 (unaudited)	Year to 31 August 2005 (restated audited)	% change
Profit for the year	245 990	179 163	
Adjustments for			
Impairment of property, plant and equipment	3 159	4 362	
Loss on disposal of property, plant and equipment	1 209	191	
Goodwill impairment	1 254	16 814	
Headline earnings	251 612	200 530	25.5
Undiluted headline earnings per share (cents)	73.1	59.0	23.9
Diluted headline earnings per share (cents)	71.0	57.4	23.7

Condensed Consolidated Balance Sheet

R'000	As at 31 August 2006 (unaudited)	As at 31 August 2005 (restated audited)
Assets		
Non-current assets	1 284 722	1 298 271
Property, plant and equipment	696 736	668 926
Investment property	6 900	6 900
Intangible assets	397 450	396 603
Goodwill	83 950	83 950
Deferred tax assets	24 363	73 750
Loans receivable	75 323	68 142
Current assets	2 399 685	2 033 408
Inventories	1 443 161	1 440 090
Trade and other receivables	792 557	480 355
Income tax receivable	86 474	37 903
Loans receivable	1 481	–
Cash and cash equivalents	40 111	60 311
Derivative financial assets	35 901	14 749
Total assets	3 684 407	3 331 679
Equity and liabilities		
Equity		
Ordinary shareholders' interest	1 593 949	1 416 939
Non-current liabilities	325 785	308 466
Interest-bearing loans and borrowings	150 855	167 683
Employee benefits	28 116	17 457
Deferred tax liabilities	45 669	37 820
Operating lease liability	101 145	85 506
Current liabilities	1 764 673	1 606 274
Bank overdraft	47 000	13 903
Trade and other payables	1 490 386	1 370 099
Employee benefits	105 475	71 285
Provisions	41 416	42 090
Interest-bearing loans and borrowings	62 851	93 024
Derivative financial liabilities	–	2 500
Income tax payable	17 545	13 373
Total equity and liabilities	3 684 407	3 331 679

Condensed Consolidated Cash Flow Statement

R'000	Year to 31 August 2006 (unaudited)	Year to 31 August 2005 (restated audited)
Operating profit before working capital changes	505 930	454 150
Working capital changes	(154 666)	(196 485)
Net interest paid	(60 003)	(49 086)
Taxation paid	(71 301)	(109 258)
Cash effects of operating activities	219 960	99 321
Distributions to shareholders	(102 323)	(112 465)
Net cash effects of operating activities	117 637	(13 144)
Net cash effects of investing activities	(101 543)	(182 660)
Net cash effects of financing activities	(69 391)	(149 478)
Net decrease in cash and cash equivalents	(53 297)	(345 282)

Segmental Analysis

The split per business unit of turnover and profit is as follows:

R'000	Year to 31 August 2006	Year to 31 August 2005	% change
Turnover			
Clicks	4 864 521	4 469 078	8.8
Discom	1 077 682	975 223	10.5
Musica	778 798	662 293	17.6
The Body Shop	65 342	58 442	11.8
Style Studio	7 120	5 337	33.4
United Pharmaceutical Distributors	3 863 143	3 045 934	26.8
Group Services	286	3 138	
Intragroup elimination	(656 271)	(505 107)	
Total	10 000 621	8 714 338	14.8
Operating profit before financing costs			
Clicks	206 906	182 635	13.3
Discom	33 905	24 608	37.8
Musica	25 635	23 094	11.0
The Body Shop	11 067	9 274	19.3
Style Studio	1 075	(341)	
United Pharmaceutical Distributors	114 838	89 697	28.0
Capital items	(5 622)	(23 227)	
Intragroup elimination	(457)	(393)	
Total	387 347	305 347	26.9

Supplementary Information

	31 August 2006	31 August 2005
Number of ordinary shares in issue ('000)	355 488	370 260
Number of ordinary shares in issue (net of treasury shares) ('000)	347 613	340 519
Weighted average number of shares in issue ('000)	344 337	339 914
Weighted average diluted number of shares in issue ('000)	354 365	349 358
Net asset value per share (cents)	448	383
Net tangible asset value per share (cents)	313	253
Depreciation and amortisation (R'000)	108 602	104 734
Capital expenditure (R'000)	162 315	170 106
Capital commitments (R'000)	160 600	164 034

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Directors D.M. Nurek* (Chairman), P.F.K. Eagles*, M. Harvey, D.A. Kneale† (Chief Executive Officer), R.L. Lumb*, E. Osrin*, M. Rosen*, R.V. Smither*, L.A. Swartz*, K.D.M. Warburton (Chief Financial Officer) * non-executive † British

Transfer Secretaries Computershare Investor Services 2004 (Proprietary) Limited, 70 Marshall Street, Johannesburg 2001. PO Box 61051, Marshalltown 2107

Sponsor Investec Bank Limited

This information, together with additional detail is available on the New Clicks Holdings website: http://www.newclicks.co.za

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Condensed Consolidated Statement of Changes in Equity

R'000	Year to 31 August 2006 (unaudited)	Year to 31 August 2005 (restated audited)
Increase in share capital and premium	74 394	57 061
Increase in treasury shares held	(46 784)	(126 697)
Increase/(decrease) in non-distributable reserve	110	(534)
Tax rate adjustment	–	(930)
Profit for the year restated	245 990	179 163
Profit for the year reported	238 020	204 633
Adjustments	7 970	(25 470)
Share option reserve	5 623	5 379
Distributions to shareholders	(102 323)	(112 465)
Net increase in shareholders' interest	177 010	977
Opening shareholders' interest restated	1 416 939	1 415 962
Opening shareholders' interest reported	1 340 223	1 319 155
Adjustments	76 716	96 807
Closing shareholders' interest	1 593 949	1 416 939
Percentage increase in closing shareholders' interest	12.5	

Adjustments Impact on profit for the period R'000	Year to 31 August 2006	Year to 31 August 2005	Cumulative prior to 31 August 2004
Re-recognition of trademarks previously written off	–	3 720	260 400
Change in estimate relating to useful lives of assets	4 434	–	–
Inventory adjustments	6 868	(15 668)	(113 407)
Irrecoverable debtors' balances written off	–	–	(25 080)
Leave pay and bonus accruals	(6 865)	(295)	(13 006)
Onerous leases	3 240	(3 007)	(10 697)
Other	5 916	(4 841)	(1 403)
Total adjustment to equity	13 593	(20 091)	96 807
Share options expense	(5 623)	(5 379)	(9 035)
Total adjustment to profit for the year	7 970	(25 470)	87 772

The effects disclosed are net of deferred tax at the rates prevailing during the relevant year. The 2005 impact includes the impact of the change in tax rate on the cumulative 31 August 2004 adjustment.

The group is reporting for the first time in accordance with International Financial Reporting Standards (IFRS) for the year ended 31 August 2006 and accordingly, comparative figures have been restated. The unaudited results for the year ended 31 August 2006 have been prepared in accordance with the group's accounting policies, which comply with IFRS. These standards are subject to ongoing review and possible amendment by interpretive guidance from the International Financial Reporting Interpretations Committee. The results may therefore be subject to change at future reporting dates. A full set of the group's accounting policies are available on request from the company's registered office. The disclosures required in terms of IFRS 1 – First time adoption of IFRS concerning the transition from South African Statements of Generally Accepted Accounting Practice and the requisite changes in accounting policies are set out below and as part of the Statement of Changes in Equity above.

The group has applied IFRS 2 – Share-based payments to all options granted after 7 November 2002 which had not vested at 31 August 2004. The fair value of these options were determined at the grant date using the Binomial option pricing model. The fair value of the options that are expected to vest have been amortised over the vesting period. The cumulative value amortised at 31 August 2006 amounts to R20.0 million.

The provisions of IFRS1 have required the group to re-recognise trademarks to the value of R372 million which were written off against share premium in 1996. These trademarks are treated as intangibles with indefinite useful lives in accordance with IAS38 – Intangible assets. Accordingly these trademarks are not amortised, but are subject to an annual impairment test.

The group has revised its assessment of the residual values and remaining useful lives of its assets in accordance with IAS16 – Property, plant and equipment. The historic impact was not considered material and has accordingly been adjusted for prospectively. The change relates to land and buildings and motor vehicles.

Rebates, settlement discounts and distribution costs have been included as part of the cost of merchandise which has had the effect of reducing the value of inventories. In addition, the group has historically used the Retail Inventory Method to estimate the first-in-first-out (FIFO) cost of inventory. The assumptions and methodology applied by the group in using the Retail Inventory Method were reviewed and refined during the year in the context of more reliable information becoming available, to more accurately reflect the FIFO cost of inventory.

Irrecoverable debtors' balances represent amounts that should have been impaired in previous years.

Leave pay and bonus accruals related to known over and underprovisions in the years indicated.

Onerous leases relate to onerous contract costs which had previously not been accrued for.

In addition to the reallocation of rebates and settlement discounts from other income to gross profit and the reallocation of distribution costs from operating expenses to gross profit as described above, the group has also reallocated distribution and logistic fee income in its pharmaceutical distribution business from gross profit to other income.