STRATEGIC REVIEW

RESULTS

We have reported positive results for the year to 31 August 2001 against the backdrop of one of the toughest periods experienced by retailers the world over.

Compared to the previous year to 31 August 2000, turnover at R4,37-billion has grown by 9,2%, and operating profit before interest and tax has increased by 11,6%. Headline earnings are up 10,3% and headline earnings per share are up 8,1% (7,6% on a diluted basis). The declaration of a final distribution of 11,2 cents brings the total to 19,8 cents, up 10% over the previous year.

The second half was impacted by the effect of a 53-week year in 2000, distorting the comparative period in the six months to August. Restating the figures to exclude this impact, turnover is up 11%, and operating profit before interest and tax is up 20,1% for the year.

It has been a busy 12 months. Our healthcare strategy has gained significant momentum since the first quarter of 2001; we made the House and Modisons acquisitions; and signed a direct franchise agreement with The Body Shop. We have addressed the positioning of the Discom brand, ramped up the growth in Australia, and have worked hard at improving our margins. The operating margin has increased to 6,15% from 6,02%.

NEW CLICKS HOLDINGS BOARD OF DIRECTORS

- **PETER SWARTZ**
  NON-EXECUTIVE DEPUTY CHAIRMAN
- **TREVOR HONNEYSETT**
  GROUP LEADER
- **RAYMOND GODFREY**
  HEAD – NEW CLICKS SOUTH AFRICA
- **DAVID NUREK**
  NON-EXECUTIVE CHAIRMAN
- **PETER GREEN**
  HEAD – GROUP FINANCE
- **ELIOT OSRIN**
  NON-EXECUTIVE DIRECTOR
- **JEFF SHER**
  HEAD – NEW CLICKS AUSTRALIA

Total company-owned stores have grown to 684 at the end of August 2001 from 628 the previous year, and franchised stores, including the Link franchise, at the end of August 2001 totalled 393. Franchising will represent an important area of our business in the future. We are rapidly building expertise through our involvement with The Link Investment Trust and House, the highly-compliant homeware franchise brand in Australia.

Splitting the performance geographically, turnover in New Clicks' southern African operations is up 9,4% and the Australian operations up 8,4%. The figure for operating profit before interest and tax is up 10,5% for southern Africa and 20,7% for Australia.

A significant rise in net interest paid, up 77,4% to R19,9-million (R11,3-million), reflects the funding of a R90-million distribution centre in Midrand and several acquisitions in line with our multibrand strategy.

Regarding distribution, total merchandise volumes through the distribution centres are now around 45% for Clicks and 65% for Discom. The group has slowed down the conversion to centralised distribution in order to manage working capital, which for the period under review reflects an initial build-up of stocks in the distribution centres necessary for automatic replenishment.

BRAND FOCUS

We compete in a marketplace made up of consumers who, through technology and access to information, are faced with abundant choices. Brand differentiation will become increasingly important in this environment.

Our objective is to ensure our brands continue to surprise and delight consumers. Much energy and planning in the period under review have gone into enhancing our ability to do so. The results of this work are evident in the new Discom stores, the flagship Compact Disc Wherehouse and The Body Shop stores that we have opened in the weeks following the financial year-end.

Our transnational operation requires us to develop the necessary capability to manage across cultures, to trade in multiple markets with varied regulatory environments and to ensure we achieve brand differentiation whilst being effective at integration behind the scenes.

To manage this complexity, we have introduced a networked structure, where people from different disciplines are encouraged to engage in a participative, responsible way.

To enhance regional brand focus and gear up for further growth in southern Africa, Australia and the Asia Pacific region, we have grouped our brands under two geographic entities, New Clicks South Africa (NCSA) and New Clicks Australia (NCA), with effect from 1 August 2001. Both businesses have strong corporate support platforms off which to leverage further expansion. The geographic heads are Raymond Godfrey in South Africa and Jeff Sher in Australia. They are assisted by local management forums.

The role of the local management forums for NCSA and NCA is to maintain a hard-driving brand performance, with separate brand leaders and teams for each of the brands responsible for customer focus and brand strength.

Providing leverage between the two geographies is a Strategic Forum. This forum is responsible for performance at a group level, acquisitions, succession, knowledge transfer, guarding the business culture and global strategic objectives.

WELLNESS

Population trends will affect the way we shape our business into the future. At one end of the spectrum, populations in the world's developed economies are becoming more affluent, and older. They are taking better care of their own health. These populations also have the time and money for indulgences. Distinctions between health, beauty and general fitness are merging in a broader pursuit of 'wellbeing'. Women in particular are spending more disposable income on 'looking good and feeling good.'

At the other end of the spectrum, communities in many countries, South Africa in particular, are suffering as the AIDS tragedy takes its course. Here, there is a dire need for certain drugs as well as a growing emphasis on primary and preventative healthcare. We believe we can play a role in making healthcare accessible and affordable to all.

The growing predominance of healthcare in our existing brands is aimed at helping consumers take control of their health, promoting wellness within the communities we serve.

Our healthcare strategy is discussed in more detail under Strategic Intent. In essence, we acknowledge that the solution to affordable, accessible healthcare is found not just in retail pharmacy, but rather more widely in the healthcare supply chain, in which we have built significant expertise. We plan to assist pharmacists to improve efficiencies in what up until now has been a fractured pharmacy retail environment.

RELATIONSHIPS

Quality stakeholder relationships will be a key differentiating factor in a highly competitive environment. We will tackle the challenges of tomorrow through broadening our understanding of our customers, suppliers and stakeholders and rely on quality relationships as the key to sustaining the competitive edge. We view our relationships with suppliers as key to the future as we work together for the benefit of the end-consumer. We have developed specialised category teams that interact with suppliers at a strategic level, and we are active members of the worldwide retail co-operative movement, Efficient Consumer Response.

Communication with consumers is equally important. We have already set high standards in Customer Relationship Management, communicating directly with our customers through media such as the ClubCard magazine, and we aim to grow customer loyalty yet further by stepping up levels of communication across all our brands.

BOARD

Jeff Sher has been appointed to the main board of New Clicks Holdings with effect from 1 August 2001. Born and brought up in South Africa, Jeff has lived in Australia for a number of years and joined Priceline in 1993.

OUTLOOK

We are cautiously optimistic about the year ahead. Although economic conditions in southern Africa and Australia could be affected by uncertainty stemming from the world political situation, the strategies of expanding the group organically and through acquisitions mean that enhanced levels of sales and profits are expected in the year ahead.

Our view has been to invest ahead of the growth curves, and take benefit of the opportunities that present themselves in difficult trading conditions.

New Clicks' primary opportunity lies in developing a presence in the southern hemisphere. We are confident our vision for 2005 will become a reality in terms of our expectations for our operations in southern Africa and Australasia.

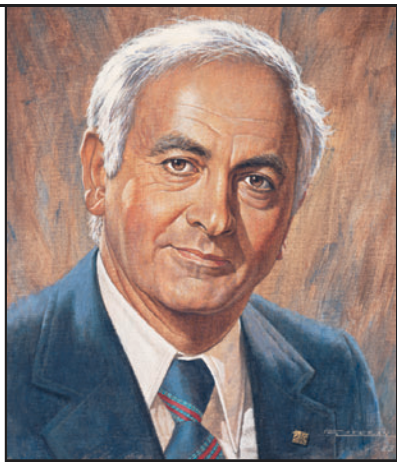
We sincerely thank all those who contribute to the success of our organisation, including our suppliers, consultants, associates, business friends and, not least, our customers. We are grateful for the energy, creativity and hard work that our people display in continuing to grow the success of New Clicks into the future.

JACK GOLDIN

Jack Goldin, the founder of Clicks, passed away in Australia earlier this year at the age of 75. His absence is felt deeply by our organisation, particularly as many of our careers were shaped under his guidance.

Jack's contribution to our organisation has been enduring and significant. He had the vision to start the Clicks brand in South Africa in the late sixties, based on what he had seen of the drugstore concept in the United States. Although Clicks was prevented by pharmacy legislation from becoming a fully-fledged drugstore, it filled an important market niche in South Africa and grew rapidly on account of its unique mix of health, home and beauty products. Jack had incredibly high standards, and we pay tribute to his pioneering vision and determination which helped lay the foundations of what we are today.

In the mid-eighties, Jack emigrated to Australia where he co-founded the Priceline brand along the same principles as Clicks, with the same unique mix of health, home and beauty products. Priceline is today one of the fastest-growing brands in Australia. In 1998, the story came full circle when Jack retired from Priceline and sold his share of the business to New Clicks Holdings.



Jack was a remarkable, self-made man who has left an indelible mark on our organisation. His death is a loss to the retailing industry, and we remember him with sincerity and warmth. Our thoughts are with his family.

DAVID NUREK
Chairman

TREVOR HONNEYSETT
Group Leader

STRATEGIC INTENT

MARKET POSITIONING

The diagram below is a graphic depiction of our multibrand strategy and market positioning. The three pillars of health, beauty and lifestyle are our core competencies.

Providing a consolidated retail offer across the three pillars are Clicks, Discom and Priceline.

Pharmacy, represented through our association with the Link brand, extends across health and beauty, adding depth to these pillars.

We have further identified the opportunity to work in singular, specialised categories. The specialist retail offers currently comprise the House, Musica and Compact Disc Wherehouse brands under Lifestyle, and The Body Shop under Beauty.

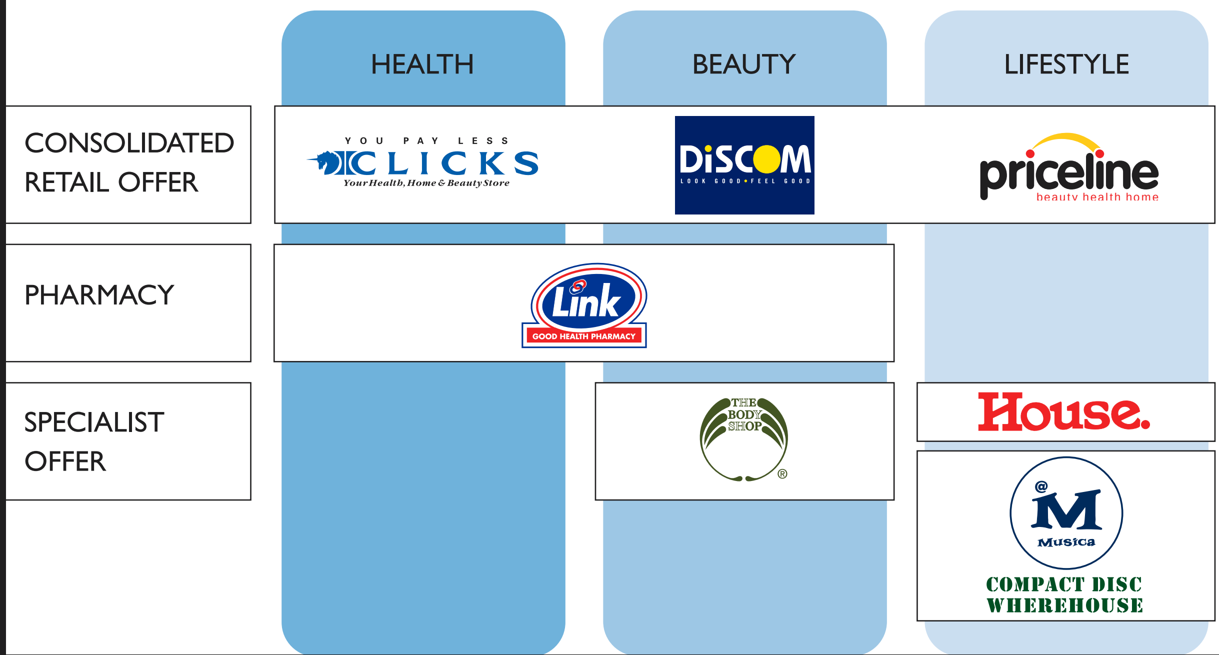
We intend to specialise further within our core competencies of Health, Beauty and Lifestyle, through acquisitions or specialist brand development.

We have invested in a substantial corporate support platform off which we can now leverage additional brands at no great cost and improve the income stream. Furthermore, our people have developed the necessary expertise in category management and merchandising to allow us to explore greater efficiencies of scale.

HEALTHCARE STRATEGY

Economic pressures are driving the trend towards consolidation in healthcare and pharmacy – between healthcare providers, retailers and other service providers. This is not a trend unique to South Africa. The local and overseas experience is to "leverage off" the know-how, expertise and facilities of others in mutually beneficial alliances and to ride in the slipstream of economies of scale. This does not impact on the rule that the professional aspects must remain the exclusive domain of the trained and registered professionals – there can be no exceptions to this.

The current restrictions in the legislation regarding ownership of and



participation in pharmacy by non-pharmacists have resulted in a fragmented pharmacy profession, inefficiencies and a dearth of pharmacies and pharmaceutical services in poorer areas. We expect that government will stick to its published legislative path and deregulate ownership and participation by non-pharmacists subject to licensing criteria which are consistent with national health and drug policies.

We believe that it is incumbent on us to pursue a healthcare strategy, given our core competencies in health and beauty, as well as our skill in supply chain management. The challenge for us was to implement a strategy that would work within the confines of the existing legislation whilst at the same time place us in an optimal position to benefit from any deregulation.

In April 2001 we issued an important statement on our strategy, the full text of which is on our website at www.newclicks.co.za. We take this opportunity to update this announcement.

Consolidation in the healthcare and pharmacy sector in South Africa is about pharmacists leveraging off best retail practices and collective buying. The imperatives are an efficient supply chain, distribution and access to information through common platforms. In addition to uplifting business and professional standards in pharmacy and reducing costs, such consolidation will break the log jam on empowerment and transformation and improve access to pharmacies across the spectrum.

Critical to our consolidation strategy has been the establishment of the right base of best practice pharmacies and pharmacists. We believe that through our funding of Purchase Milton & Associates and our investment in The Link Investment Trust which are owned and operated by the finest entrepreneurial

"CRITICAL TO OUR CONSOLIDATION STRATEGY HAS BEEN THE ESTABLISHMENT OF THE RIGHT BASE OF BEST PRACTICE PHARMACIES AND PHARMACISTS."

pharmacists with proven track records, this objective has been achieved.

Purchase Milton & Associates

Purchase Milton & Associates owns some 67 of the most sought after pharmacies countrywide with a combined annualised turnover in excess of R1billion. Trevor Milton and his team are at the cutting edge of business and professional developments in pharmacy. With our funding support they have been able to establish a leading pharmacy chain. In a relatively short period of time they will be able to substantially improve the profitability of these pharmacies through the application of simple economy of scale strategies and efficiencies including collective buying.

We earn an interest margin on the loans to Purchase Milton & Associates. The loan repayments are subject to appropriate securities which have been disclosed to, approved and endorsed by the South African Pharmacy Council.

The Link Investment Trust

With over 300 members, "Link" is unquestionably the leading retail pharmacy brand in South Africa. Lead by CEO Elize van der Berg, Link has announced plans for a business format franchise which will set new standards for pharmacy in South Africa and enhance the role of the pharmacist as a healthcare practitioner. By December 2001 a pioneer group of 100 Link pharmacies around the country will be operating off a common IT platform. We anticipate that ultimately these arrangements will extend throughout the Link franchise resulting in savings, increased turnover, productivity and improved professional standards to the benefit of consumers and all stakeholders in the Link chain.

Link is furthermore finalising arrangements with certain banks and financial institutions to unlock substantial funds to pave the way for ownership of pharmacies and membership of Link by black pharmacists.

Various training courses for pharmacists and pharmacist assistants have been registered with the South Africa Pharmacy Council. Negotiations are also underway with various regional departments of health to extend the utilisation of this course material to the public sector.

Understandably, the move for change meets with resistance. A company called Van Staden & Stoltz (Proprietary) Limited, which owns a pharmacy in Centurion, Pretoria has launched an application to Court to challenge the decision of the South African Pharmacy Council to register Purchase Milton & Associates and to oppose the acquisition of pharmacies by that entity. It is obviously inappropriate to go into the merits of the matter in any detail as the matter is pending. We are confident that the considerations and decisions of the South African Pharmacy Council will be sustained by the Courts. We regret that the party in question has opted for litigation but we will not be dissuaded from our healthcare consolidation strategy.

Our funding of Purchase Milton & Associates and our investment in Link, with a combined annualised turnover of R3 billion, presents the ideal platform for future consolidation. With our retail know-how, expertise, experience and facilities as well as access to capital we believe that the stage is set for a new paradigm in pharmacy and healthcare in South Africa which will mean:

- sustained lower prices of pharmaceuticals and "front shop" products in line with Clicks' proven pricing track record;
- an expansion of pharmacies and pharmaceutical services into under serviced areas;
- an improvement in professional standards and a reinstatement of the pharmacist as community healthcare provider;
- commensurate earnings potential for the Clicks Organisation arising out of procurement, distribution and other value adding services.

"THE CHALLENGE FOR US WAS TO IMPLEMENT A STRATEGY THAT WOULD WORK WITHIN THE CONFINES OF THE EXISTING LEGISLATION WHILST AT THE SAME TIME PLACE US IN AN OPTIMAL POSITION TO BENEFIT FROM ANY DEREGULATION."

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility at New Clicks covers a broad area of activity, aimed at the general upliftment of the communities that we serve. We work constantly to enhance our reputation as a well-managed, ethical and socially-responsible company.

The New Clicks Foundation forms the basis of our corporate social responsibility work, and is responsible for identifying and co-ordinating projects. This foundation has been funded by R5-million from the company and is managed as a registered trust with trustee representatives which include two non-executive directors. The trustees allocate the income generated by the funds, based on the motivation of specific projects by the trading brands in their respective target markets.

FRIENDS OF ALEXANDRA HOME IN MOWBRAY

FOUNDATION PROJECTS

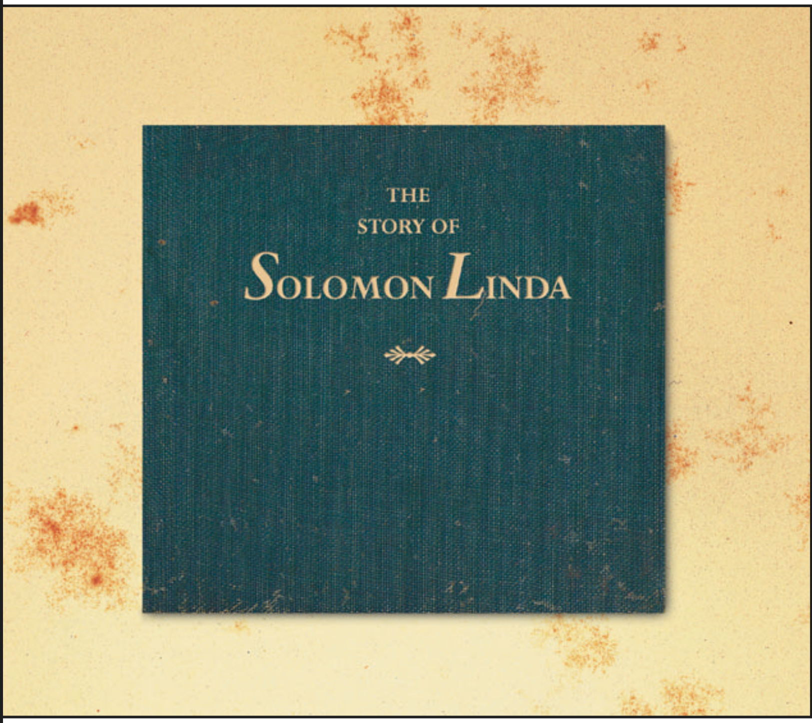
The Big Issue

Over the past year, we have provided funding for The Big Issue, the magazine for homeless people, to expand its presence nationally. New Clicks' involvement will help secure The Big Issue's position as a national, independently viable publication, and in the process create employment for hundreds of destitute people throughout South Africa. The Big Issue was founded in the United Kingdom by Gordon Roddick, co-founder of The Body Shop.

Friends of Alexandra Hospital's group home project

New Clicks is a sponsor of the group home project run by the Alexandra and Lentegeur Hospitals in Cape Town.

A group home offers the mentally disabled the opportunity to live in a family environment that is safe and stimulating. The project came about when hospitals faced major budget cuts in 1997, and psychiatric hospitals such as Valkenberg and Alexandra had to reduce their number of beds drastically. Residents are encouraged to be self-sufficient, regain their independence and re-integrate into society.



"TOGETHER WITH THE GALLO MUSIC GROUP, MUSICA EMBARKED ON A PROJECT TO PAY HOMAGE TO SOLOMON LINDA, THE LATE SOUTH AFRICAN MUSICIAN AND COMPOSER OF THE WORLD-FAMOUS TUNE 'THE LIONS SLEEPS TONIGHT'."

Other projects

National Business Initiative

New Clicks Holdings is also a donor member of the National Business Initiative (NBI) which was launched in 1995 to enhance the contribution made by the private sector to post-apartheid development of South Africa. The NBI is a business initiative, with companies as members, involvement by community leaders and acceptance by government.

Our people

We believe that corporate social responsibility starts at home and, in line with our ongoing focus on people development, we have for many years run a successful education scheme that allows employees to apply for loans and bursaries to further their education.

Solomon Linda

Together with the Gallo Music Group, Musica embarked on a project to pay homage to Solomon Linda, the late South African musician and composer of the world-famous tune "The Lion Sleeps Tonight". Some $15 million in songwriter royalties and associated revenues were lost to Linda, who died penniless in 1962.

Musica and Gallo have re-released a CD containing the original recording, with all profits from CD sales to go to Linda's family through the Solomon Linda Trust Fund.

THE GROUP AT A GLANCE

New Clicks Holdings Limited, an investment holding company, was listed in March 1996 on the JSE Securities Exchange South Africa, subsequent to acquiring the businesses of the Clicks Group Limited in November 1995.

New Clicks is a transnational organisation, with operations currently in southern Africa and Australia. Its core competencies lie in the retailing of Health, Beauty and Lifestyle products and services. As a large retail organisation with skill and infrastructure in supply chain management and centralised distribution, the organisation is able to supply goods, funding and support services to stores, be these wholly-owned, operated as joint ventures, or franchised.

Trading brands for New Clicks South Africa currently comprise Clicks, Discom, Musica, Compact Disc Wherehouse, and The Body Shop. Trading brands for New Clicks Australia currently comprise Priceline and House.

New Clicks also has a 56% interest in The Link Investment Trust, which comprises pharmacists and other members who co-operate in the operation and development of 307 Link-branded pharmacies in South Africa.

COMPANY-OWNED OUTLETS

SOUTHERN AFRICA	CLICKS	DISCOM	MUSIC DIVISION	TOTAL
NAMIBIA	3	3	3	9
SOUTH AFRICA	224	198	131	553
SWAZILAND	2	1	–	3
	229	202	134	565

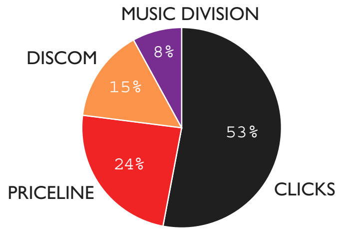
AUSTRALIA	PRICELINE	HOUSE	TOTAL
	117	2	119

FRANCHISED OUTLETS

SOUTHERN AFRICA	CLICKS	DISCOM	LINK	TOTAL
SOUTH AFRICA	–	3	307	310
ZIMBABWE	11	4	–	15
	11	7	307	325

AUSTRALIA	HOUSE	TOTAL
	68	68

DIVISIONAL SALES SPLIT



PROFILE
NEW CLICKS SOUTH AFRICA

YOU PAY LESS CLICKS Your Health, Home & Beauty Store	Clicks Stores, South Africa's leading specialist retailer of health, home and beauty products, operates from 240 outlets, including eleven franchised stores, in southern Africa. Clicks caters for the middle to upper income market. It is a leader in Customer Relationship Marketing, and was the first South African mass retailer to establish successfully a non-credit customer loyalty card.
DISCOM LOOK GOOD • FEEL GOOD	The Discom brand has been aggressively re-launched targetting the beauty, health and lifestyle market under the banner "Discom – Look Good Feel Good", with ethnic beauty as the core business. The new brand portrays a modern and progressive image and operates from 209 outlets including seven franchise stores..
Musica / COMPACT DISC WHEREHOUSE	The Music Division comprises Musica and the Compact Disc Wherehouse. With 134 outlets, Musica is southern Africa's largest retail distributor of compact discs, tapes and allied products. The brand appeals to a diverse customer base in the mainly young, middle to upper income market. Compact Disc Wherehouse is a specialised destination store offering unsurpassed choice and service to music lovers.
Link GOOD HEALTH PHARMACY	The Link Investment Trust operates a franchise comprising 307 Link pharmacies in southern Africa. A business format franchise which will set new standards for pharmacy in South Africa and enhance the role of the pharmacist as a healthcare provider is currently being rolled out.
SUPPORT SERVICES	Through specialised support services high levels of skills and expertise are provided to the trading brands. This allows the trading brands to focus strongly on their core functions and the leverage created brings about efficiencies to the group. These specialised support services include finance and administration, information technology, logistics and replenishment, marketing, organisational development, advertising, property and store design.

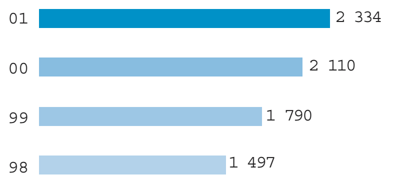
KEY FACTS

Sales (R'000)	2 333 644
Sales growth (%)	10.6
Stores' trading profit before the allocation of net costs of support structures (R'000)	244 399
Allocation of net costs of support structures (R'000)	(28 335)
Operating profit before interest and after allocation of net costs of support structures (R'000)	216 064

Number of stores at year end:	
Owned	229
Franchised	11
Net increase in stores during the year:	
Owned	20
Franchised	3
Number of full-time permanent employees at year end	2 785
Trading area (m^2) at year end	130 774
Net increase in trading area during the year (%)	6.4
Weighted annual sales per m^2 (R)	18 203

SALES

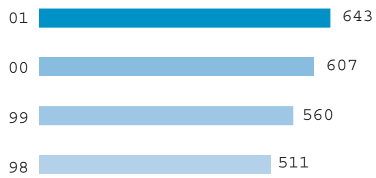
SALES IN MILLIONS (RM)



Sales (R'000)	642 848
Sales growth (%)	5.8
Stores' trading profit before the allocation of net costs of support structures (R'000)	26 451
Allocation of net costs of support structures (R'000)	(17 186)
Operating profit before interest and after allocation of net costs of support structures (R'000)	9 265

Number of stores at year end:	
Owned	202
Franchised	7
Net increase in stores during the year:	
Owned	10
Franchised	3
Number of full-time permanent employees at year end	1 568
Trading area (m^2) at year end	54 068
Net increase in trading area during the year (%)	7.9
Weighted annual sales per m^2 (R)	12 296

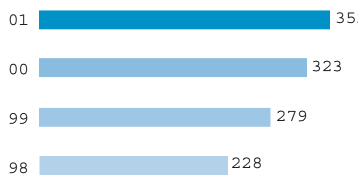
SALES IN MILLIONS (RM)



Sales (R'000)	351 840
Sales growth (%)	8.8
Stores' trading profit before the allocation of net costs of support structures (R'000)	41 222
Allocation of net costs of support structures (R'000)	(29 479)
Operating profit before interest and after allocation of net costs of support structures (R'000)	11 743

Number of stores at year end	134
Net increase in stores during the year	8
Number of full-time permanent employees at year end	466
Trading area (m^2) at year end	14 789
Net increase in trading area during the year (%)	10.5
Weighted annual sales per m^2 (R)	24 282

SALES IN MILLIONS (RM)



NEW CLICKS SOUTH AFRICA

New Clicks South Africa has operated within a challenging retail environment over the past 12 months. The benefits of reduced interest rates on disposable income were outweighed by rising fuel prices, increased unemployment and structural changes in spending patterns, particularly at the lower end of the market. Retail spending as a proportion of national consumer spending in South Africa declined from 29,1% in 1999 to 27,4% in 2000 and is expected to be only 25% in the current year.

We are therefore satisfied with the performance of New Clicks South Africa, in which total turnover growth across all brands on a comparable basis is 11.3% and reported growth is 9.4% compared to the previous year to August 2000. A breakdown of sales and profit per brand is given on the preceding pages.

Strategy

Our strategy is to continue improving our brands in southern Africa by enhancing the focus on our customers in the health, home/lifestyle and beauty markets. We will use our skill in data management to interpret and anticipate these needs, and we will further develop the communication channels we have established to talk to our customers.

The progress we have made in centralised distribution will improve the way in which we work behind the scenes in order to improve the customer's shopping experience.

Highlights

The past year has seen new activity on several fronts. In January 2001, we acquired Modisons and subsequently undertook a careful process of research and preparation to reposition the Discom brand, combining the best of both formats to enhance merchandising and leverage off the corporate infrastructure of NCSA.

The power of the brand was once again brought home strongly to us when we announced the signing of a direct

YOU PAY LESS CLICKS Your Health, Home & Beauty Store

"WE ARE CONFIDENT THAT THE REJUVENATED DISCOM, LAUNCHED ON 6 SEPTEMBER 2001, WILL IMPROVE THE PERFORMANCE OF THIS BRAND . . ."

franchise agreement with The Body Shop in June. The local market reacted very favourably to this development which, although small for us in terms of volumes and sales, associates our organisation with one of the world's most trusted and well-known brands. By the time of this report going to press, we will have opened the first few stores.

Our in-house advertising agency was relaunched under a new name, Beyond the Blue, and we developed our own radio broadcasting stations for Clicks and Musica.

Supply chain management

A natural progression of the group's supply chain strategy is the integration of category management and procurement functions for products that overlap across the health and beauty categories within NCSA. From a competitive point of view, we need to build expertise in category management as the market grows in complexity and sophistication.

We have therefore moulded our structures to keep pace with centralised distribution, and category management teams now span the health and beauty merchandise functions for both Clicks and Discom.

Brand differentiation vs integration

Integration happens behind the scenes to create an efficient platform from which to serve our markets better.

But consumers are not concerned with how the product arrives at the store. They need to know that they can shop conveniently, find the products they need in-stock, and get preferential service. They will choose to shop at the destination that provides all this and more, and they will be attracted to the destination that differentiates itself from the rest.

Brand focus is therefore more important than ever, and we will continue to conduct strong and innovative marketing to differentiate our brands.

DiSCOM
LOOK GOOD • FEEL GOOD

The brand teams are the custodians of differentiation. They are responsible for driving their particular business, implementing the business plan, and growing market share.

CLICKS

Brand leader: Trevor Vroom

As part of the group's healthcare initiatives, Clicks has moved significantly in the direction of wellness and preventative healthcare through its merchandise and customer communication.

Another area of growth is communications, for which we offer ClubCard points on all purchases, including cellphone recharge cards. The ClubCard continues to be a leader in Customer Relationship Management in South Africa, with a total of 3-million members at the end of August 2001. Our custom-published ClubCard magazine has the fourth-highest circulation of magazines in the country. Private label is doing well, representing over 12% of sales. We continue with the roll-out of the Clicks Essentials sub-brand, and we have piloted new large-format stores in Bloemfontein and Canal Walk. Making good use of colour, light, and merchandise display, these new-look stores will be rolled out as we renovate and open new stores.

DISCOM

Brand leader: Trevor Edwards

Discom is South Africa's premier retailer in the ethnic haircare category, yet it has in the past typically been perceived as a general dealer. We are closing this perception gap through a complete make-over of the brand and aggressively targeting the R8,9-billion beauty market, with a particular focus on the high-growth area of ethnic hair- and skincare.

We are confident that the rejuvenated Discom, launched on 6 September 2001, will improve the performance of this brand that in recent years has been affected by structural changes in spending patterns.

Our research revealed that the consumer profile has changed. The typical Discom customer has urbanised, she is a woman between 18 and 36, aspirational, trendy, discerning, and proud to be South African. She wants to look good and she wants to feel good.

A new-store and store-conversion programme is underway, which will see Discom open 19 new stores around the country, including the conversion of nine Modisons stores to the Discom brand, and rebadge a large number of the existing Discom stores by the end of December 2001. The remaining stores will be rebadged during the first half of next year.

MUSIC DIVISION

Brand leader: Lara Bryant

The local music market has been under severe pressure during the year under review. The Musica and Compact Disc Wherehouse (CDW) brands have however outperformed the market and continued to grow their share of the market to an estimated 37%.

The CDW brand continues to draw music lovers in their droves to the two Johannesburg stores. During the year, the original CDW store was relocated to The Zone in Rosebank. A few weeks after our financial year-end, the Music Division opened its flagship CDW store in Cape Town, at a premier location in the V&A Waterfront. Trading has been very encouraging in what is proving to be a destination venue with a difference.

During the year under review, Musica opened flagship stores at the V&A Waterfront, Canal Walk and Menlyn Park.

THE BODY SHOP

In its initial phase, The Body Shop will be operated as a stand-alone brand, with support from the Clicks brand team.

The first stores opened in October at Cavendish Square in Cape Town and Tyger Valley in Bellville. A further three stores will be opened before Christmas in Sandton, Menlyn Park and Rosebank, Johannesburg. These are wholly-owned, stand-alone stores, for which the group holds the direct franchise. We held a highly successful The Body Shop product launch to the media in August, and there is palpable excitement in the market about this prestigious brand finally arriving in South Africa. Although the product is directly imported, we have endeavoured to keep prices below those that South Africans would have to pay were they to buy the product in the United Kingdom.

OUTLOOK

We plan to open 50 new stores across the South African trading brands in the year to August 2002.

Although the initial performance of the rebranded Discom brand has been very encouraging, the full benefits will only be realised in the 2002/2003 year following the completion of rebranding and the technology roll-out.

The country has much in its favour compared to many other emerging markets. The fundamentals remain sound, and there is a strong will to get things right, on the part of both the public and private sectors.

I would like to thank all the people in New Clicks South Africa for their hard work and dedication. Our culture is one of learn and adjust, and I am proud of the way our people have strived to achieve this in what has been a difficult trading environment.

We are an energetic, innovative team and we are looking forward to enhancing our brands in this part of the world.

RAYMOND GODFREY
Head – New Clicks South Africa

"THE COUNTRY HAS MUCH IN ITS FAVOUR COMPARED TO MANY OTHER EMERGING MARKETS. THE FUNDAMENTALS REMAIN SOUND, AND THERE IS A STRONG WILL TO GET THINGS RIGHT, ON THE PART OF BOTH THE PUBLIC AND PRIVATE SECTORS."

COMPACT DISC WHEREHOUSE

PROFILE NEW CLICKS AUSTRALIA

priceline
beauty health home

Priceline, founded in 1982, is Australia's leading specialist retailer of beauty, health and home products. Acquired from 1 July 1998, Priceline is on a rapid new-store drive and operates from a current total of 117 stores. Priceline trades along similar lines to the Clicks chain, catering for a similar market segment.

House.

House is Australia's foremost franchised homeware brand and was acquired effective from December 2000. It operates through 2 company-owned and 68 franchised stores.

SUPPORT SERVICES

The acquisition of House has led to the separation of the specialist support services from the trading brands. The leverage created leads to enhanced efficiencies. The infrastructure created will support further expansion.

Through specialised support services, high levels of skills and expertise are provided to the trading brands. This allows the trading brands to focus strongly on their core functions and the leverage created brings about efficiencies to the group.

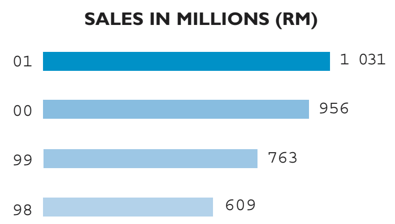
These specialised support services, include finance and administration, information technology, logistics and replenishment, marketing, organisational development, advertising, property and store design.

KEY FACTS

Sales (R'000)	1 030 894
Sales growth (%)	7.8
Stores' trading profit before the allocation of net costs of support structures (R'000)	88 153
Allocation of net costs of support structures (R'000)	(61 111)
Operating profit before interest and after allocation of net costs of support structures (R'000)	27 042

Number of stores at year end	117
Net increase in stores during the year	16
Number of full-time permanent employees at year end	673
Trading area (m^2) at year end	56 258
Net increase in trading area during the year (%)	12.1
Weighted annual sales per m^2 (R)	19 332

SALES



Sales (R'000)	5 977
Stores' trading profit before the allocation of net costs of support structures (R'000)	560
Income and allocation of net costs of support structures (R'000)	3 798
Operating profit before interest and after allocation of net costs of support structures (R'000)	4 358

Number of stores at year end:	
Owned	2
Franchised	68
Number of full-time permanent employees at year end	24
Trading area (m^2) at year end	391

NEW CLICKS AUSTRALIA

The past financial year was a period of difficulty, intensity and complexity. The most significant impact on the retail landscape came from the introduction of the General Sales Tax (GST) in July 2000, which has affected margins and consumer confidence.

In October 2000, it became apparent that the economy was slowing, mainly in response to the effects of interest rate increases, escalating fuel costs, a downturn in the building industry post-GST, the introduction of the GST itself, the after-effects of the Olympics, and a declining Australian dollar.

The GST brought about a classic margin squeeze. The product cost reductions that were projected by the government to emerge through the supply chain did not materialise. Instead, most suppliers sought to increase prices, given the costs associated with the introduction of the tax. Furthermore, the Australian Competition and Consumer Commission restricted price movements by ensuring that in all cases net dollar margins were maintained through the transition. Input costs boosted by higher oil prices and the weaker Australian dollar rose two to three times as fast as output prices. The result was that retailers were left to carry part of the cost of the GST.

Uncertainty, arising from the introduction of the GST, led to a dramatic collapse in consumer confidence and a compression of discretionary spend. Unfortunately the response by many of our competitors, particularly in the post-Christmas period, was to sacrifice price to clear excess stock. It was very difficult to build sales in such a price-driven environment.

The combination of these issues caused us to review our business model and focus on managing our expense base more tightly, whilst ensuring that our service delivery was maintained in a growth phase.

We are therefore satisfied with the Priceline sales which reflected a 7.8% growth, in an inflation environment of around 2.5%. If adjusted to a like-against-like comparison, to exclude the GST impact on reported sales, the overall sales growth was 15.9%.

Prior to the introduction of the GST, we were tracking at rates of 7.4% comparable and 21% overall growth. From a House perspective, moving annual turnover sales increased across the brand by 21.3%.

Despite the business model changes, we have remained focused on the long term and continued to invest ahead of the growth curves. Our culture requires us to take a long-term view rather than react to the short term.

Merchandise positioning

Part of our response to the current climate has been a strategic focus on product and market differentiation. Given the market concentration in Australia where success depends on growth of market share, we have sought to ensure that speed to market and flexibility remain central to our merchandise positioning. To augment this strategy, we have started redefining our relationship with key stakeholders and suppliers using our data capability to become more strategic.

priceline
beauty health home

"HOUSE . . .
THE NEW-STORE FORMAT HAS BEEN WIDELY ACCLAIMED AS THE BEST HOMEWARE OFFER IN THE COUNTRY."

A key focus during the year has been the adjustment to our merchandise strategy.

For both our brands we have determined that product differentiation is important to our growth strategies, and we therefore intend further developing our import and private-label programmes to ensure we maintain our comparative and competitive advantage.

HOUSE

Brand leader: Alan Wein

The most significant highlight of the year was the acquisition of the 66-store House business in December 2000. House is the foremost national franchised homeware brand in Australia, targeted at the middle to upper income market. It comes to the New Clicks stable with high brand equity, and unique competencies and capability in the lifestyle category.

Founders Alan and Bradley Wein have remained in the business, bringing a strong working synergy and an inherent knowledge of franchising that will be beneficial to the group generally. During the nine months since the acquisition, we opened 4 new stores and refurbished another 11, bringing to life the new-store format that has been widely acclaimed as the best homeware offer in the country.

We have spent time developing defined criteria for product selection in relation to brands carried, price points and product categories that can offer differentiation. This has been necessary due to the erosion of the value of some of the top homeware brands available, and the discounting promotional activity that our competitors have conducted in order to maintain sales levels and market share.

Feedback from franchisees confirms that they are experiencing the support from NCA positively, and working more systematically as a result of successful integration particularly in the areas of accounting, marketing and logistics. House is further benefiting from NCA's import programme, and we are looking to implement a loyalty programme in the near future.

PRICELINE

Brand leader: Amanda Brook

Highlights for the period under review include the opening of 17 stores, and the initial launch of a ClubCard programme

House.

in the state of Victoria, which in the first three months attracted some 200 000 members.

We will know the purchase history of our ClubCard customers and, through our sophisticated technology platform, tailor promotional campaigns to their preferences. The next phase of our strategy is to roll out the ClubCard programme to other states. We are confident that this will enhance our relationship with our customers.

Regarding merchandise, we have sought to move our home category from a more functional to a non-grudge, 'for me' gift positioning. The new ranges have started to emerge on the shelves and will be fully apparent this Christmas. Furthermore, the cosmetics category has been reviewed, resulting in a repositioning of brands that move us further from the discount variety stores and provide compelling reasons for beauty customers to shop at Priceline first. Finally, the Health category has started to take shape and our intention is to have this category correctly aligned by the end of the year.

Supply chain and support services

We have made several gains in this area over the past year. We will commission a 25 000 m^2 distribution centre in Melbourne in March 2002. This facility will be leased, not funded.

We have continued our investment in technology, rolling out a new point-of-sale solution, which will enable us to understand customer behaviour better, and enhance communication to stores. Furthermore, we have installed a derivative of the Clicks data warehouse to manage the ClubCard programme and installed a performance tracking system which will enable us to measure our merchandise performance.

To enable the expansion of both businesses to be effective and managed within economic considerations, we have continued leveraging off New Clicks Holdings, and sought synergies and efficiencies through our integrated corporate support platform which now provides service to both brands. One example of this has been the establishment of an ISDN link to our internal advertising agency in Cape Town. This agency generates all the creative work for our catalogues and point-of-sale material and downloads the outcome to our store support centre in Melbourne. The consequence of this networked structure has led to significant cost savings and provided opportunity for transnational learning.

People

We have continued to invest in our people. Reflecting on the year, it has been one in which learning was the key outcome. Our culture is enriched around a set of values, which at their core enable each person the opportunity to explore his or her potential. By seeking to create a participative and inclusive environment, our desire is to work in a non-hierarchical way systematically influencing the overall result of the business.

The culture we are aspiring to is starting to take hold and I am confident that we are putting foundations in place for the long term. New Clicks Australia is starting to be viewed as an employer of choice. The key differentiating factor lies in how we do things, and I believe we now have the right platform off which we can ramp up our growth.

Prospects

In looking ahead, we are adopting a cautiously optimistic view, particularly as a result of the worldwide events that have impacted on us all. Furthermore, the election in November created some uncertainty, but we have the right strategies in place to increase our market share.

Our forward strategy is to continue organic growth in our brands in Australia, with a view to expanding in both New Zealand and the Pacific Rim. We have the corporate support platform in place from which to leverage this growth, and bolt on appropriate acquisitions as they present themselves.

I am particularly proud to be working with such a hard-working, committed group of people, who have proven that with a dedicated focus and a rich culture we are capable of outperforming our own expectations. The collective efforts of our people have ensured that New Clicks Australia will remain at the forefront of retailing in this country, and for this I thank them all sincerely.

JEFF SHER
Head – New Clicks Australia

31 AUGUST 2001

GROUP FINANCIAL RESULTS

FIVE-YEAR FINANCIAL REVIEW

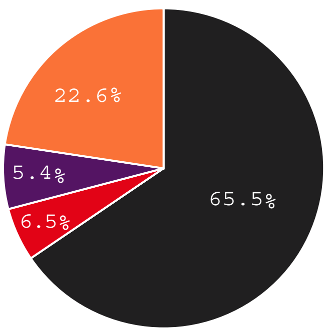
	Unit	2001	2000	1999	1998	1997
Operations						
Turnover	R'000	4 365 203	3 997 525	3 394 426	2 342 177	1 854 893
Operating profit	R'000	268 472	240 541	178 082	132 042	100 468
Profit before tax	R'000	224 923	229 270	170 621	120 241	88 817
Profit after tax	R'000	153 165	160 221	118 110	77 033	57 130
Headline earnings	R'000	176 717	160 221	118 110	77 033	57 130
Increase on the previous year						
Turnover	%	9.2	17.8	44.9	26.3	n/a
Operating profit	%	11.6	35.1	34.9	31.4	n/a
Headline earnings	%	10.3	35.7	53.3	34.8	n/a
Operating profit margin	%	6.2	6.0	5.2	5.6	5.4
Return on ordinary shareholders' interest	%	19.2	20.3	17.3	14.2	13.2
Net cash inflow from operating activities	R'000	121 585	75 521	253 830	86 388	96 751
Number of permanent employees at year end		6 338	6 279	6 388	5 763	5 065
Number of stores at year end						
– Company-owned		684	628	584	524	409
– Franchised		393	12	12	12	9
Financial structure						
Shares in issue	'000	298 541	288 399	285 572	281 717	251 770
Ordinary shareholders' interest	R'000	1 016 837	827 555	730 659	617 070	450 564
Fixed assets	R'000	544 248	491 581	336 485	304 782	230 054
Total assets	R'000	1 982 237	1 727 182	1 524 056	1 221 437	931 410
Share performance						
Headline earnings per share – undiluted	cents	60.3	55.8	41.6	29.7	22.9
Headline earnings per share – diluted	cents	56.5	52.5	40.4	29.7	22.9
Distribution per share	cents	19.8	18.0	14.2	11.4	9.0
Distribution cover	times	3.0	3.1	2.9	2.6	2.5
Share price – closing	cents	909	1 200	855	420	570
Share price – high	cents	1 230	1 275	950	925	598
Share price – low	cents	650	780	350	420	296
Net asset value per share	cents	341	287	256	219	179
Market capitalisation	R'000	2 713 734	3 460 788	2 441 641	1 183 211	1 435 089

Note: The calculation of return on ordinary shareholders' interests is based on the average of the opening and closing shareholders' interest for the year and profits before the amortisation of goodwill.
The 2000 year consisted of 53 trading weeks.

VALUE-ADDED STATEMENT

	2001		2000	
	R 000	%	R 000	%
Turnover	4 365 203		3 997 525	
Paid to suppliers for goods and services	3 453 954		3 168 005	
Value added	911 249	100.0	829 520	100.0
Applied as follows:				
Employees				
salaries, wages and other benefits	596 472	65.5	531 383	64.0
Providers of capital				
dividends and interest	49 711	5.4	28 266	3.4
Tax	59 501	6.5	59 320	7.2
Reinvested in the group for growth and asset replacement				
depreciation	72 814	8.0	58 025	7.0
scrip distributions	29 260	3.2	34 809	4.2
retained income	103 491	11.4	117 717	14.2
Employment of value added	911 249	100.0	829 520	100.0

EMPLOYMENT OF VALUE ADDED



Employees; salaries, wages and other benefits	65.5%
Providers of capital; dividends and interest	5.4%
Tax	6.5%
Reinvested in the group for growth and asset replacement	22.6%

CORPORATE GOVERNANCE

"THE DIRECTORS ACKNOWLEDGE AND RECOGNISE THAT THEY ARE RESPONSIBLE FOR THE COMPANY'S SYSTEM OF FINANCIAL CONTROL."

New Clicks Holdings is fully committed to effective corporate governance which it believes is fundamental to the achievement of business objectives and the fulfillment of corporate responsibilities.

The group supports the Code of Conduct Practices and Conduct as set out in the King Report and the directors endorse its aim of conducting the affairs of the company with integrity and in accordance with the highest standards of corporate practice.

Board of Directors

The board meets at least four times a year. The positions of chairman and chief executive officer are held by separate individuals. All directors have access to the advice and services of the company secretary and are entitled, at the company's expense, to seek independent professional advice about the affairs of the group or to call a meeting of the board.

Remuneration committee

A remuneration committee, comprising non-executive directors, is responsible for approving the remuneration and the terms and conditions of employment of the executive directors and senior executives.

Financial control

The directors acknowledge and recognise that they are responsible for the company's system of financial control. The board 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. The system encompasses a wide range of checks and balances as well as interactive controls which include:

- an approval framework with clearly defined authority limits which sets levels of materiality on the full range of activities affecting the group;
- a comprehensive budgeting system;
- monthly reporting of income statement and balance sheet;
- regular reporting on treasury, legal, pension, medical aid and insurance matters.

The controls provide reasonable assurance that assets are safeguarded from loss or unauthorised use and that the financial records may be relied on for preparing the financial statements and maintaining accountability for assets and liabilities. These controls are augmented by accounting policies and organisational structures which provide for the division of responsibilities and the careful selection and training of financial personnel.

Financial statements

The directors are solely responsible for the preparation of the financial statements and related financial information that fairly represent the state of affairs and the results of the company and the group. The external auditors are responsible for independently reviewing and reporting on these financial statements.

The financial statements set out in this report have been prepared by management in accordance with South African Statements of Generally Accepted Accounting Practice. They are based on appropriate accounting policies which are supported by reasonable and prudent judgements and estimates.

Audit committee

The audit committee comprises the non-executive directors of the company. There are written terms of reference which deal adequately with the membership, authority and duties of the committee. The committee under the chairmanship of non-executive director Mr E. Osrin, meets formally twice per year. The Group Leader and Head Group Finance attend these meetings. The internal audit manager and the external auditors attend all the meetings and have unrestricted access to the chairman of the audit committee.

The main function of the audit committee is to report to the board on the effectiveness of the financial controls to safeguard the group's assets and to promote the financial integrity of reporting. To achieve this it is the committee's responsibility:

- to ensure that management imposes no limitation on the scope of the audit and does not put pressure on or interfere with the auditors;
- to review and approve the appropriateness of accounting and disclosure policies in the annual financial statements;
- to assess the effectiveness of internal controls;
- to review action taken on major accounting problems.

Internal audit

The internal audit function is recognised as an important part of corporate governance. Internal audit, which reports to the audit committee, is an independent appraisal function to examine and evaluate the group's activities. Its objective is to assist members of executive management in the effective discharge of their responsibilities. The scope of the internal audit function includes reviews of the reliability and integrity of financial and operating information, the systems of internal control, the means of safeguarding assets, the efficient management of the group's resources and the efficient conduct of its operations.

Internal control

The board of directors is responsible for the group's systems of internal control. The group's systems of internal control are designed to provide reasonable, but not absolute assurance against inaccurate internal financial information and other irregularities. The board, through the audit committee has reviewed the effectiveness of the

"THE INTERNAL AUDIT FUNCTION IS RECOGNISED AS AN IMPORTANT PART OF CORPORATE GOVERNANCE. INTERNAL AUDIT, WHICH REPORTS TO THE AUDIT COMMITTEE, IS AN INDEPENDENT APPRAISAL FUNCTION TO EXAMINE AND EVALUATE THE GROUP'S ACTIVITIES."

systems of internal control for the year under review. This review has revealed nothing which indicates that the systems of internal control were inappropriate or unsatisfactory.

Worker participation

The group has a policy of encouraging employee involvement in a wide range of issues. Various participative structures are designed to achieve good employer/employee relationships through effective sharing of information, consultation and the identification and resolution of conflict.

Employment Equity

The group continues to be committed to Employment Equity at all levels. Training, development and new opportunities are accessible to all employees.

Code of ethics

All employees of the group are required to maintain the highest ethical standards in ensuring that the group's business practices are conducted in a manner which in all reasonable circumstances is above reproach.

A culture involving the individual employee assuming personal responsibility for the actions of the business is encouraged, as is a culture of full disclosure.

Going concern

The annual financial statements and group annual financial statements set out on pages 32 to 52 have been prepared on the going concern basis since the directors have no reason to believe that the company and the group will not continue to function as going concerns in the foreseeable future.

"THE GROUP CONTINUES TO BE COMMITTED TO EMPLOYMENT EQUITY AT ALL LEVELS. TRAINING, DEVELOPMENT AND NEW OPPORTUNITIES ARE ACCESSIBLE TO ALL EMPLOYEES."

ADMINISTRATION

Directors of New Clicks Holdings Limited

D.M. Nurek*†	Non-executive Chairman
P.E.I. Swartz*†	Non-executive Deputy Chairman
T.C. Honneysett	Group Leader
R.B. Godfrey	Head – New Clicks South Africa
P.W.G. Green CA (SA), MBA	Head – Group Finance
J.C. Sher‡ BA, MBA	Head – New Clicks Australia
E. Osrin*†	Non-executive Director
E.D.G. Batts	Non-executive Alternate Director
M.C. Henkel BSc Eng	Non-executive Alternate Director

*Members of the Audit Committee
†Members of the Remuneration Committee
‡Australian

Company secretary
A.A. Scott CA (SA)

Postal address
PO Box 5142
Cape Town 8000

Business address
Cnr Searle and Pontac Streets,
Cape Town 8001

Registered office
Cnr Searle and Pontac Streets
Cape Town 8001

Auditors
Arthur Andersen & Co.

Attorneys
Sonnenberg, Hoffmann & Galombik Inc.

Principal bankers
The Standard Bank of South Africa

Sponsor
Investec Securities Limited

DIRECTORS' APPROVAL

The audited annual financial statements and group annual financial statements which appear on pages 32 to 52 were approved by the Board of Directors on 15 October 2001 and are signed on its behalf by:

T.C. HONNEYSETT
Group Leader

P.W.G. GREEN
Head – Group Finance

CERTIFICATE BY THE COMPANY SECRETARY

In terms of section 268 G (d) of the Companies Act 1973, as amended, I confirm that to the best of my knowledge the company has lodged with the Registrar all such returns as are required by the Companies Act and such returns are true, correct and up to date.

A.A. SCOTT
Company Secretary

REPORT OF THE INDEPENDENT AUDITORS

We have audited the annual financial statements and Group annual financial statements of New Clicks Holdings Limited and subsidiaries as at 31 August 2001 and for the year then ended, set out on pages 32 to 52. 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 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 annual financial statements fairly present, in all material aspects, the financial position of the Company and of the Group at 31 August 2001 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 South African Companies Act.

Arthur Andersen & Co

Registered Accountants and Auditors
Chartered Accountants (SA)

Cape Town
15 October 2001

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 2001.

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. In addition the company is the sole shareholder in property-owning subsidiaries.

Acquisitions

During the year under review, two acquisitions were made:

In Australia, House, a homewares franchise chain comprising 66 stores, was acquired effective from 5 December 2000. The cost of this acquisition, which was funded in cash, mainly from South Africa, was R68 million.

In South Africa, the Durban-based Modisons group, comprising 11 company-owned and franchised stores, was acquired effective from 1 March 2001, for R20 million.

During the year, the investment in The Link Investment Trust, which operates the Link pharmacy franchise, was increased from 30% to 56% at a cost of R12,6 million.

Share capital

During the year under review the following changes to the issued share capital took place:

1. On 14 December 2000 the issued share capital was increased by the issue of 2 038 996 ordinary shares of 1 cent each at a premium of 942 cents per share awarded as capitalisation shares in lieu of the 2000 final cash dividend.

2. On 18 March 2001 the issued share capital was increased by the issue of 6 500 000 ordinary shares of 1 cent each at a premium of 319 cents per share on conversion of the compulsorily convertible debentures.

3. On 21 June 2001 the issued share capital was increased by the issue of 1 602 648 ordinary shares of 1 cent each at a premium of 782 cents per share awarded as capitalisation shares in lieu of the interim cash dividend.

Group financial results

The financial results of the group for the year ended 31 August 2001 were as follows:

	2001 R'000	2000 R'000
Turnover	4 365 203	3 997 525
Net profit	248 475	229 270
Goodwill amortised	23 552	–
Profit before tax	224 923	229 270
Tax	71 758	69 049
Profit after tax	153 165	160 221
Adjustment for goodwill amortised	23 552	–
Headline earnings	176 717	160 221

Geographical segment analysis

	Turnover	
	2001 %	2000 %
Southern Africa	76.2	76.1
Australia	23.8	23.9
	100.0	100.0

	Operating profit before tax	
	2001 %	2000 %
Southern Africa	88.1	89.6
Australia	11.9	10.4
	100.0	100.0

STRATE

The company, as part of the JSE Securities Exchange South Africa initiative to move to an electronic settlement environment for share transactions went onto the STRATE system on 27 August 2001.

Distribution to shareholders

A final capitalisation award, with a cash dividend alternative of 11,2 cents per share, has been declared in lieu of a final cash dividend.

The award of the capitalisation shares will be determined by the ratio that 11,2 cents multiplied by 1,05 bears to the weighted average trading price of the ordinary shares on the JSE Securities Exchange ("JSE") for the four business days ending on 22 November 2001.

Directors and secretary

The names of the directors and secretary in office at the date of this report are set out on page 29.

Mr J.C. Sher was appointed to the board with effect from 1 August 2001.

In terms of the company's articles of association Messrs. R.B. Godfrey, T.C. Honneysett, J.C. Sher and P.E.I. Swartz retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

Directors' interests

As at 31 August 2001 the interest of the directors in the issued share capital of the company was as follows:

	2001	2000
	%	%
Beneficially held	2.3	0.6

Trusts controlled by the executive directors acquired shares resulting from the conversion, on a one-to-one basis, of 6,5 million compulsorily convertible debentures on 18 March 2001.

There were no material changes between 31 August 2001 and the date of this report.

Subsidiary companies

The names of the company's main subsidiaries and financial information relating thereto appear on page 52. The interest of the company in the aggregate income after tax before goodwill amortised of its subsidiaries is R168,193 million. (2000 – R160,207 million).

INCOME STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2001

NEW CLICKS HOLDINGS LTD

		GROUP		COMPANY	
	Notes	2001 R'000	2000 R'000	2001 R'000	2000 R'000
Revenue		4 688 414	4 257 404	72 394	55 172
Turnover		4 365 203	3 997 525	–	–
Other income		323 211	259 879	72 394	55 172
Expenditure		4 419 942	4 016 863	–	5
Cost of merchandise		3 146 199	2 894 034	–	–
Depreciation		72 814	58 025	–	–
Occupancy costs		269 299	221 425	–	–
Employment costs		596 472	531 383	–	–
Other operating costs		335 158	311 996	–	5
Operating profit		268 472	240 541	72 394	55 167
Net interest (paid)/received		(19 997)	(11 271)	970	–
Net profit before goodwill amortised		248 475	229 270	73 364	55 167
Goodwill amortised	11	23 552	–	–	–
Profit before tax	1	224 923	229 270	73 364	55 167
Tax	2	71 758	69 049	5 866	3 349
Profit attributable to ordinary shareholders		153 165	160 221	67 498	51 818
Adjustment for goodwill amortised		23 552	–	–	–
Headline earnings		176 717	160 221	67 498	51 818
Headline earnings per share (cents)					
Undiluted	3	60.3	55.8		
Diluted	3	56.5	52.5		
Earnings per share (cents)					
Undiluted	3	52.2	55.8		
Diluted	3	48.9	52.5		
Distributions per share (cents)					
Interim	4	8.6	7.6		
Final	4	11.2	10.4		
		19.8	18.0		

BALANCE SHEETS AS AT 31 AUGUST 2001

NEW CLICKS HOLDINGS LTD

	Notes	GROUP 2001 R'000	GROUP 2000 R'000	COMPANY 2001 R'000	COMPANY 2000 R'000
Assets					
Non-current assets					
Fixed assets	10	544 248	491 581	–	–
Goodwill	11	78 773	–	–	–
Deferred tax	12	40 515	48 353	–	–
Interest in subsidiary companies	13	–	–	567 170	492 658
Loans and investments	14	295 256	142 232	–	17 000
		958 792	682 166	567 170	509 658
Current assets					
Inventories		897 348	742 010	–	–
Accounts receivable		107 270	96 676	–	–
Tax		–	–	7 320	–
Cash on hand and at bank		18 827	206 330	–	–
		1 023 445	1 045 016	7 320	–
Total assets		1 982 237	1 727 182	574 490	509 658
Equity and liabilities					
Capital and reserves					
Ordinary share capital	5	2 985	2 884	2 985	2 884
Share premium account	5	494 570	442 092	496 690	444 212
Share distribution reserve	6	16 718	20 995	16 718	20 995
Non-distributable reserve	7	94 808	79 819	50 216	26 896
Distributable reserve/(deficit)		407 756	281 765	(8 837)	(17 361)
		1 016 837	827 555	557 772	477 626
Compulsorily convertible debentures	8	–	20 800	–	20 800
Non-current liabilities					
Long-term liabilities	9	242 398	178 386	–	–
		242 398	178 386	–	–
Current liabilities					
Accounts payable	18	663 077	594 845	–	–
Short-term borrowings		34 333	49 125	–	–
Tax payable		8 874	47 473	–	2 234
Shareholders for dividend	4	16 718	8 998	16 718	8 998
		723 002	700 441	16 718	11 232
Total equity and liabilities		1 982 237	1 727 182	574 490	509 658

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 AUGUST 2001

GROUP	Notes	Share capital note 5 R 000	Share premium note 5 R 000	Share distribution reserve note 6 R 000	Non-distributable reserve note 7 R 000	Distributable reserve R 000	Total R 000
At 31 August 1999		2 856	413 103	16 192	91 395	207 113	730 659
Capitalisation awards		28	28 989	(16 192)	–	–	12 825
Write-off of goodwill		–	–	–	–	(20 565)	(20 565)
Write-off of trademarks		–	–	–	–	(22 500)	(22 500)
Currency translation reserve		–	–	–	(2 276)	–	(2 276)
Deferred tax on write-off of intangible assets		–	–	–	(9 300)	9 300	–
Profit for year		–	–	–	–	160 221	160 221
Distributions declared	4	–	–	20 995	–	(51 804)	(30 809)
At 31 August 2000		2 884	442 092	20 995	79 819	281 765	827 555
Capitalisation awards		36	31 743	(20 995)	–	–	10 784
Conversion of debentures		65	20 735	–	–	–	20 800
Currency translation reserve		–	–	–	24 289	–	24 289
Sale of trademarks previously written off		–	–	–	–	22 500	22 500
Deferred tax on write-off of intangible assets		–	–	–	(9 300)	9 300	–
Profit for year		–	–	–	–	153 165	153 165
Distributions declared	4	–	–	16 718	–	(58 974)	(42 256)
At 31 August 2001		2 985	494 570	16 718	94 808	407 756	1 016 837

COMPANY	Notes	Share capital note 5 R 000	Share premium note 5 R 000	Share distribution reserve note 6 R 000	Non-distributable reserve note 7 R 000	Distributable reserve R 000	Total R 000
At 31 August 1999		2 856	415 223	16 192	28 500	625	463 396
Capitalisation awards		28	28 989	(16 192)	–	–	12 825
Currency translation reserve		–	–	–	(1 604)	–	(1 604)
Write-off of intangible assets		–	–	–	–	(18 000)	(18 000)
Profit for year		–	–	–	–	51 818	51 818
Distributions declared	4	–	–	20 995	–	(51 804)	(30 809)
At 31 August 2000		2 884	444 212	20 995	26 896	(17 361)	477 626
Capitalisation awards		36	31 743	(20 995)	–	–	10 784
Conversion of debentures		65	20 735	–	–	–	20 800
Currency translation reserve		–	–	–	23 320	–	23 320
Profit for year		–	–	–	–	67 498	67 498
Distributions declared	4	–	–	16 718	–	(58 974)	(42 256)
At 31 August 2001		2 985	496 690	16 718	50 216	(8 837)	557 772

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2001

NEW CLICKS HOLDINGS LTD	Notes	GROUP 2001 R'000	GROUP 2000 R'000	COMPANY 2001 R'000	COMPANY 2000 R'000
Cash flows from operating activities					
Operating profit before working capital changes	24.1	343 878	302 132	72 394	55 167
Working capital changes	24.2	(79 962)	(152 152)	–	–
Cash generated by operating activities		263 916	149 980	72 394	55 167
Net interest (paid)/received		(19 997)	(11 271)	970	–
Tax paid	24.3	(98 582)	(47 263)	(15 420)	(2 110)
Cash inflow from operating activities		145 337	91 446	57 944	53 057
Distributions to ordinary shareholders	24.4	(23 752)	(15 925)	(23 752)	(15 925)
Net cash inflow from operating activities		121 585	75 521	34 192	37 132
Cash flows from investing activities					
Investment in fixed assets to expand operations		(109 669)	(232 933)	–	–
Acquisition of subsidiaries and businesses	24.5	(119 036)	–	–	–
Proceeds on disposal of fixed assets		4 205	3 750	–	–
Increase in loans and investments		(130 523)	(22 150)	(57 512)	(35 528)
Net cash outflow from investing activities		(355 023)	(251 333)	(57 512)	(35 528)
Cash flows from financing activities					
Shareholders' funds raised	24.6	20 800	–	20 800	–
Conversion of debentures		(20 800)	–	(20 800)	
Foreign exchange translation (loss)/profit		–	(2 276)	23 320	(1 604)
Long-term borrowings – raised		76 000	90 250	–	-
– repaid		(12 715)	(6 533)	–	-
Net cash inflow/(outflow) from financing activities		63 285	81 441	23 320	(1 604)
Net decrease in cash and cash equivalents		(170 153)	(94 371)	–	-
Adjustment for foreign exchange fluctuation		(2 558)	–	–	-
Cash and cash equivalents at the beginning of the year		157 205	251 576	–	-
Cash and cash equivalents at the end of the year	24.7	(15 506)	157 205	–	-

ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with the requirements of South African Statements of Generally Accepted Accounting Practice. The measurement basis used is the historic cost basis modified by the revaluation of land and buildings as explained in the accounting policies set out below. The financial statements are prepared on a going concern basis. The financial statements incorporate the following significant accounting policies which are consistent with those applied in the previous year, with the exception of goodwill and intangible assets.

Basis of consolidation

The group financial statements include the financial statements of the company and its subsidiaries. Any excess of the fair value of the consideration paid over the fair value of the net assets at the date of acquisition of subsidiary companies and businesses, is charged or credited to goodwill on consolidation.

Financial instruments

Financial instruments carried on the balance sheet include cash on hand and in bank, loans and investments, receivables, payables, short-term borrowings and interest-bearing liabilities. These instruments are reflected at their carrying value unless otherwise stated. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Derivative financial instruments principally include forward exchange contracts. These contracts are recognised as foreign currency transactions.

Translation of foreign currencies

Transactions in foreign currencies are translated at rates of exchange ruling at the transaction date.

Assets and liabilities denominated in foreign currencies are translated into South African currency at the ruling rates of exchange at the balance sheet date.

Unrealised net gains and losses arising on the translation on 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.

Realised net gains and losses arising on the translation on foreign denominated assets and liabilities are reflected in income for the year.

Foreign subsidiaries

Assets and liabilities of foreign subsidiaries are translated into South African currency at the ruling rates of exchange at the balance sheet date. Income statement and cash flow statement items are translated at average rates for the year. Gains and losses arising from translation are taken directly to non-distributable reserves.

Fixed assets

Land and buildings are regarded as investment properties, are not depreciated and are carried at cost or valuation.

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

The expected useful lives are as follows:

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

Assets subject to finance lease agreements are capitalised.

Investments

Investments which are not consolidated or equity accounted are stated at cost and dividends are recorded in the accounting year to which they relate.

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.

Turnover

Turnover comprises net sales to customers, excluding sales tax.

Bank

Outstanding cheques are included in accounts payable.

Intangible assets

Goodwill is amortised on the straight-line basis so as to write it off over its economic life, depending on the nature of the acquisition for a period not exceeding twenty years.

Trademarks and brand names acquired are capitalised and amortised over their anticipated useful lives, not exceeding twenty 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.

The unamortised balance is reviewed on a regular basis and, if an impairment in value has occurred it is written off in the period in which the circumstances have been determined.

Tax

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.

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 is provided in respect of expected dividend payments, net of dividends received or receivable, and is recognised as a tax charge for the year.

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 basis.

Capitalisation share awards/cash distributions

The full value of a capitalisation share award, including the cash portion, is recorded as a distribution in the income statement. The estimated value of the capitalisation share award is transferred to a share election reserve, pending the outcome of the award. Dividends payable represent the amount estimated to be payable in cash.

Comparatives

Where necessary, comparative figures have been adjusted to take effect of changes in presentation in the current year.

Leases

The group recognises finance leases as assets and liabilities in its balance sheet at amounts equal at the inception of the lease to the fair value of the leased equipment and vehicles.

Finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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 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.

Associate companies

Associate companies are non-subsidiary companies in which the group has long-term interests in the equity capital and has the power to exercise significant influence over their financial and operating policies.

Associate companies are accounted for using the equity method on consolidation and according to the cost method in the company's financial statements. In terms of the equity method the investment is initially recorded at cost and compared to the fair value of acquisition to determine the goodwill or negative goodwill to investment. The group's share of profits less losses of associate companies is included in the consolidated income statement, and the group's share of post-acquisition accumulated profits and reserves is added to the cost of the investments in the consolidated balance sheet. Adjustments are made on consolidation to bring the associate companies' financial statements into line with the group's accounting policies where the effect of differing accounting policies is material.

Accumulated profits and movements on reserves are generally determined from the most recent audited financial statements of the associates and unaudited information to latest date available.

Retirement benefits

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.

The group's contributions to the scheme are charged to income as incurred.

Provisions

A provision is recognised when, and only 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.

Impairment of assets

Property, equipment and vehicles 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 in income. 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.

NOTES TO THE FINANCIAL STATEMENTS

NEW CLICKS HOLDINGS LTD	GROUP		COMPANY	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
1 **Profit before tax**				
Profit before tax is arrived at after taking into account the following items:				
Income				
Income from subsidiary companies				
Dividends received	–	–	58 974	51 804
Other income				
Administration fee	–	–	7 181	4 865
Interest received	24 188	9 685	2 350	2 760
Expenses				
Auditors' remuneration				
Audit fees	1 154	961	–	5
Underprovision in prior year	3	–	–	–
Expenses and other services	2 002	104	–	–
	3 159	1 065	–	5
Directors' remuneration - paid to directors of the company by its subsidiaries				
Non-executive directors				
Fees	310	287	–	–
Executive directors				
Salaries	4 007	6 612	–	–
Benefits	1 219	1 002	–	–
Bonuses	1 281	1 737	–	–
	6 507	9 351	–	–
	6 817	9 638	–	–
Fees paid for outside services				
Technical services	6 862	6 580	–	–
Interest paid	44 185	20 956	1 380	2 760
Lease charges				
Operating leases	269 299	221 425	–	–
Loss on disposal of fixed assets	3 435	3 562	–	–

NEW CLICKS HOLDINGS LTD	GROUP		COMPANY	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
2 Tax				
South African normal tax				
Current year	42 972	46 230	1 895	1 110
Prior year	669	–	–	–
Secondary tax on companies				
Current year	3 751	2 124	3 751	2 124
Prior year	220	115	220	115
Deferred tax				
Current year	13 020	9 729	–	–
Prior year	(763)	–	–	–
Foreign tax				
Current year	11 889	10 851	–	–
	71 758	69 049	5 866	3 349
Reconciliation of rate of tax (%)				
Standard rate - South Africa	30.00	30.00	30.00	30.00
Adjusted for				
Reduction in tax charge due to exempt income and allowances	(5.06)	(1.84)	(27.60)	(28.17)
Disallowable expenditure	1.03	0.05	0.18	0.18
Goodwill amortisation	3.17	–	–	–
Prior year underprovision	0.09	–	–	–
Foreign tax rate variations	1.14	0.98	–	–
Secondary tax on companies	1.77	0.98	5.42	4.06
Tax losses utilised/carried forward	(0.24)	(0.06)	–	–
Effective tax rate	31.90	30.11	8.00	6.07

3 **Earnings per share**

The calculation of earnings per share is based on the after-tax earnings attributable to ordinary shareholders of R153,2 million (2000 – R160,2 million) and the weighted number of shares in issue of 293,2 million. (2000 – 286,9 million).

Headline earnings per share

The calculation of headline earnings per share is based on the after-tax earnings attributable to ordinary shareholders of R176,7 million (2000 – R160,2 million) and the weighted number of shares in issue of 293,2 million. (2000 – 286,9 million).

Diluted earnings per share

The calculation of the diluted earnings per share is based on the earnings of R153,2 million (2000 – R160,2 million) and a weighted average of 312,9 million (2000 – 305,2 million) shares in issue. The dilution arises in respect of options outstanding that have been issued to employees.

NEW CLICKS HOLDINGS LTD	GROUP		COMPANY	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
4 **Distributions to ordinary shareholders**				
Interim capitalisation award of 1,09006 shares for every 100 shares held with cash dividend alternative. (2000 - ,78277 shares for every 100 shares held)	25 538	21 811	25 538	21 811
Cash dividend elected - paid 21 June 2001	12 996	7 997	12 996	7 997
Capitalisation shares elected - allotted 21 June 2001	12 542	13 814	12 542	13 814
Final capitalisation award with cash dividend alternative	33 436	29 993	33 436	29 993
Estimated cash dividend election	16 718	8 998	16 718	8 998
Estimated capitalisation share election	16 718	20 995	16 718	20 995
Total distributions to ordinary shareholders	58 974	51 804	58 974	51 804
5 **Ordinary share capital and share premium**				
Authorised				
400 million (2000 - 400 million) ordinary shares of one cent each	4 000	4 000	4 000	4 000
Issued ordinary shares and premium				
298,541 million (2000 - 288,399 million) ordinary shares of one cent each	2 985	2 884	2 985	2 884
Share premium	494 570	442 092	496 690	444 212
	497 555	444 976	499 675	447 096

The unissued shares are under the control of the directors until the next annual general meeting.

6 **Share distribution reserve**

The scrip dividend amounting to an estimated R16,718 million (2000 - R20,995 million) will be awarded to those shareholders who do not elect to receive cash dividends and will be satisfied out of the capitalisation issue subsequent to the year end as detailed in the directors' report.

NEW CLICKS HOLDINGS LTD	GROUP		COMPANY	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
7 **Non-distributable reserve**				
Deferred tax on write-off of intangible asset	55 800	65 100	–	–
Unrealised gain on the translation of assets and liabilities denominated in foreign currencies	39 008	14 719	50 216	26 896
	94 808	79 819	50 216	26 896
8 **Compulsorily convertible debentures**				
6,5 million compulsorily convertible debentures	–	20 800	–	20 800
They were converted into ordinary shares on a one-to-one basis on 18 March 2001.				
9 **Long-term liabilities**				
Loan-bearing interest at 16,15% repayable by February 2006	37 949	41 660	–	–
Loan-bearing interest at 16,92% repayable by February 2006	7 964	9 089	–	–
Loan-bearing interest at 18,45% repayable by October 2006	29 401	32 610	–	–
Loan-bearing interest at 15,41% repayable by August 2010	86 032	90 250	–	–
These loans are secured by a pledge of shares in certain property owning subsidiaries.				
Unsecured loan bearing interest at Johannesburg inter-bank rate plus 2,2% repayable by August 2006.	76 000	–	–	–
Non-current portion of finance leases. Repayable over the next five years	5 052	4 777	–	–
	242 398	178 386	–	–

NEW CLICKS HOLDINGS LTD

10 Fixed assets - group

2001	Land and buildings owned or leased R'000	Furniture, equipment and vehicles R'000	Trademarks R'000	Total R'000
Cost				
Balance at the beginning of the year	216 247	433 812	–	650 059
Additions	1 546	108 123	–	109 669
Acquisitions	–	5 059	6 500	11 559
Foreign exchange fluctuation	–	19 384	–	19 384
Disposals	–	(16 235)	–	(16 235)
Balance at the end of the year	217 793	550 143	6 500	774 436
Accumulated depreciation				
Balance at the beginning of the year	–	158 478	–	158 478
Depreciation	–	72 164	–	72 164
Amortisation	–	–	650	650
Foreign exchange fluctuation	–	7 491	–	7 491
Disposals	–	(8 595)	–	(8 595)
Balance at the end of the year	–	229 538	650	230 188
Book value at the end of the year	217 793	320 605	5 850	544 248

2000	Land and buildings owned or leased R'000	Furniture, equipment and vehicles R'000	Trademarks R'000	Total R'000
Cost				
Balance at the beginning of the year	104 380	342 230	–	446 610
Additions	111 867	108 566	–	220 433
Disposals	–	(16 984)	–	(16 984)
Balance at the end of the year	216 247	433 812	–	650 059
Accumulated depreciation				
Balance at the beginning of the year	–	110 125	–	110 125
Depreciation	–	58 025	–	58 025
Disposals	–	(9 672)	–	(9 672)
Balance at the end of the year	–	158 478	–	158 478
Book value at the end of the year	216 247	275 334	–	491 581

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

NEW CLICKS HOLDINGS LTD	GROUP		COMPANY	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
11 Goodwill				
Balance at the beginning of the year	–	–	–	–
Arising on acquisitions	102 325	–	–	–
Amortisation	(23 552)	–	–	–
Balance at the end of the year	78 773	–	–	–
12 Deferred tax				
Balance at the beginning of the year	48 353	58 082	–	–
Trademarks	(9 300)	(9 300)	–	–
Equipment	3 542	(165)	–	–
Income and expense accrual	(2 080)	(264)	–	–
Balance at the end of the year	40 515	48 353	–	–
Analysis of balance at the end of the year				
Deferred tax assets				
Trademarks	55 800	65 100	–	–
Deferred tax liabilities				
Income and expenses accrual	(5 370)	(3 290)	–	–
Equipment accrual	(9 915)	(13 457)	–	–
	(15 285)	(16 747)	–	–
Net deferred tax asset	40 515	48 353	–	–
13 Interest in subsidiary companies				
Shares at cost less amounts written off	–	–	295 528	280 738
Amounts owing by subsidiary companies	–	–	271 642	211 920
	–	–	567 170	492 658
14 Loans and investments				
Amount owing by New Clicks Holdings Share Trust	56 239	116 722	–	–
Amounts owing by unlisted companies	239 017	8 510	–	–
Investment in associate	–	17 000	–	17 000
	295 256	142 232	–	17 000

The loan to the New Clicks Holdings Share Trust is interest free, unsecured and no fixed date for repayment has been determined.
The amounts owing by the unlisted companies are partially secured by a variety of mechanisms, bear interest at prime plus one % and are repayable quarterly over 5 years.

NEW CLICKS HOLDINGS LTD	GROUP		COMPANY	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
15 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	250 538	205 861	–	–
– Later than 1 year not later than 5 years	645 492	506 184	–	–
– Later than 5 years	191 841	97 422	–	–
	1 087 871	809 467	–	–
16 Contingent liability				
The company and a subsidiary company have furnished guarantees to bankers for normal business commitments of subsidiary companies.				
17 Capital commitments				
Capital expenditure approved by the directors				
Contracted	43 473	45 236	–	–
Contracted, subject to suspensive conditions	37 344	93 000	–	–
Not contracted	114 164	88 439	–	–
	194 981	226 675	–	–

To be financed from borrowings and internally generated funds.

18 Accounts payable

Included in accounts payable are provisions of R8,1 million (2000: R18,0 million).

19 Post balance sheet event

Subsequent to year-end but prior to the date of this report The Clicks Organisation (Pty) Limited has been cited in an action brought by a pharmacist against the South African Pharmacy Council in respect of the registration of the companies comprising the PM&A group. The company's directors are confident that the decision of the South African Pharmacy Council will be sustained by the court.

20 Retirement benefits

Pension and provident funds

South Africa

Three 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.

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, which were at 28 February 2001 for the Retirement Fund and at 31 December 2000 for the Negotiated Pension and Provident Funds, confirmed that all three funds were in a sound financial position.

NEW CLICKS HOLDINGS LTD

20 **Retirement benefits (continued)**

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 R31,5 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 R8,5 million.

	000's	000's
21 **Share incentive scheme – New Clicks Holdings Share Trust (number of shares)**		
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.		
Shares and share options available for allocation to participants		
Balance at the beginning of the year	67 258	65 085
Increase as a result of conversion of convertible debentures	1 300	–
Increase as a result of capitalisation issues during the year	728	566
Increase as a result of net number of share options granted during the year	1 921	1 607
Balance at the end of the year	71 207	67 258
Shares allocated and options granted to employees		
Shares		
Balance at the beginning of the year	10 476	12 469
Purchased from participants	(1 197)	(1 828)
Shares forfeited by participants	–	(81)
Released to participants	(1 526)	(84)
Balance at the end of the year	7 753	10 476
Options		
Balance at the beginning of the year	47 891	39 854
Granted to participants	10 317	8 565
Options forfeited by participants	(712)	(528)
Balance at the end of the year	57 496	47 891
Total shares allocated and options granted	65 249	58 367

NEW CLICKS HOLDINGS LTD

22 **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 are considered to be such entities:

Director	*Entity*	*Position held in entity during the year*
D M Nurek	Investec Bank Limited	Executive director
E Osrin	BoE Limited	Non-executive director

Transactions between the group and these entities 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) BoE Limited manages cash on call on behalf of group companies.

(ii) Investec Bank Limited manages cash on call on behalf of group companies.

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

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 therefore not disclosed above.

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 Directors' Report on page 33.

NEW CLICKS HOLDINGS LTD

23 **Financial instruments**

23.1 *Treasury risk management*

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

23.2 *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 outflows in foreign currencies. The group does not use forward foreign exchange contracts for speculative purposes.

At 31 August 2001 US$6.1 million was outstanding to be paid within three months under forward foreign exchange contracts at an average exchange rate of R8.25 to the US$.

The fair value of forward foreign exchange contracts represents the estimated amounts that the group would receive to terminate the contracts at year end, thereby taking account of unrealised gains and losses on open contracts. No fair value adjustment has been made as it is not material to current year income.

		Foreign currency	Foreign amount 000 s	Average rate	Rand amount 000 s
Forward exchange contracts at 31 August 2001 not related to specific balance sheet items.	imports	USD	6 083	8.25	50 203
Uncovered foreign currency amounts related to specific balance sheet items at 31 August 2001.	deposits	CHF	2	4.50	9
		GBP	68	12.27	830
		AUD	460	4.43	2 040

23.3 *Credit risk management*

Potential concentration of credit risk consists 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.

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

23.4 *Interest rate risk*

	Maturity of interest-bearing asset /liability				
	I year or less 000 s	I to 5 years 000 s	Over 5 years 000 s	Non-interest bearing 000 s	Total 000 s
Assets					
Cash on hand and in bank	18 827	–	–	–	18 827
Trade and other receivables	–	–	–	107 270	107 270
Loans	47 803	191 214	–	56 239	295 256
Total financial assets	66 630	191 214	–	163 509	421 353
Liabilities					
Trade and other payables	–	–	–	663 077	663 077
Dividends payable	–	–	–	16 718	16 718
Short-term borrowings	34 333	–	–	–	34 333
Interest-bearing debt	–	81 052	161 346	–	242 398
Total financial liabilities	34 333	81 052	161 346	679 795	956 526
Net financial assets (liabilities)	32 297	110 162	(161 346)	(516 286)	(535 173)

Fair values of financial instruments

At 31 August 2001 the carrying amounts of cash on hand and in bank, trade and other receivables, trade and other payables, and dividends payable approximate their fair values due to their short-term maturities.

The fair values of interest-bearing liabilities, loans and investments approximate their carrying value as disclosed on the balance sheet.

NEW CLICKS HOLDINGS LTD	GROUP		COMPANY	
	2001 R'000	2000 R'000	2001 R'000	2000 R'000
24 Cash flow information				
24.1 Operating profit before working capital changes				
Operating profit	268 472	240 541	72 394	55 167
Adjusted for:				
Depreciation	72 814	58 025	–	–
Loss on disposal of fixed assets	3 435	3 562	–	–
Minority share of profits	–	4	–	–
Exchange rate adjustment	(843)	–	–	–
	343 878	302 132	72 394	55 167
24.2 Working capital changes				
Increase in inventories	(123 338)	(75 982)	–	–
Decrease/(increase) in accounts receivable	354	(35 502)	–	–
Increase/(decrease) in accounts payable	43 022	(40 668)	–	–
	(79 962)	(152 152)	–	–
24.3 Tax paid				
Tax liability at beginning of year	(47 473)	(35 416)	(2 234)	(995)
Current tax provided	(59 501)	(59 320)	(5 866)	(3 349)
Exchange rate adjustment	(482)	–	–	–
Tax liability at end of year	8 874	47 473	(7 320)	2 234
	(98 582)	(47 263)	(15 420)	(2 110)
24.4 Distributions to shareholders				
Shareholders for distribution at beginning of year	(8 998)	(6 939)	(8 998)	(6 939)
Adjustment in respect of prior year capitalisation issue	(1 758)	(989)	(1 758)	(989)
Distributions to shareholders	(29 714)	(16 995)	(29 714)	(16 995)
Shareholders for distribution at end of year	16 718	8 998	16 718	8 998
	(23 752)	(15 925)	(23 752)	(15 925)
24.5 Acquisition of subsidiaries and businesses				
Fixed assets	5 059	–	–	–
Trademarks	6 500	–	–	–
Inventory	9 893	–	–	–
Accounts receivable	5 550	–	–	–
Accounts payable	(10 291)	–	–	–
Goodwill	102 325	–	–	–
	119 036	–	–	–
24.6 Shareholders' funds raised				
Shares issued on conversion of debentures	20 800	–	20 800	–
	20 800	–	20 800	–
24.7 Cash and cash equivalents				
Cash on hand and at bank	18 827	206 330	–	–
Short-term borrowings	(34 333)	(49 125)	–	–
	(15 506)	157 205	–	–

SEGMENTAL ANALYSIS

	Turnover		Trading profit		Operating profit before interest		Total assets		Total liabilities	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000
Clicks	2 333 644	2 110 339	244 399	211 450	216 064	186 151	517 582	448 927	—	—
Discom	642 848	607 495	26 451	31 316	9 265	15 971	137 286	151 690	—	—
Music division	351 840	323 437	41 222	38 715	11 743	12 394	119 309	119 837	—	—
National support centres and distribution	—	—	—	—	—	—	869 360	711 802	779 553	744 822
Southern Africa	3 328 332	3 041 271	312 072	281 481	237 072	214 516	1 643 537	1 432 256	779 553	744 822
Priceline	1 030 894	956 254	88 153	84 844	27 042	26 025	329 413	294 926	185 847	154 805
House	5 977	—	560	—	4 358	—	9 287	—	—	—
Australia	1 036 871	956 254	88 713	84 844	31 400	26 025	338 700	294 926	185 847	154 805
Total	4 365 203	3 997 525	400 785	366 325	268 472	240 541	1 982 237	1 727 182	965 400	899 627

Note 1: Total assets for the chains includes only inventories and fixed assets that can be directly attributable.
Note 2: Liabilities cannot be allocated to trading divisions.

INTEREST IN SUBSIDIARY COMPANIES

	Issued share capital	Investments 2001	Investments 2000	Amount owing 2001	Amount owing 2000
	Ordinary	R 000	R 000	R 000	R 000
DIRECTLY HELD					
(i) Trading					
The Clicks Organisation (Proprietary) Limited	R500	272 439	272 439	41 531	91 266
The Link Investment Trust		14 790	–	15 000	–
(ii) Property-owning					
Elsdon Investments (Proprietary) Limited	R1	3 911	3 911	–	–
Crantock Investments (Proprietary) Limited	R1	44	44	–	–
Optimprops 93 (Proprietary) Limited	R100	13	13	–	–
Flamborough Investments (Proprietary) Limited	R1	–	–	–	–
Beekay 267 Investments (Proprietary) Limited	R10	–	–	9 000	9 000
(iii) Holding					
New Clicks International Holdings NV	BEF 607.7 million	4 331	4 331	–	–
INDIRECTLY HELD					
(i) Trading					
Clicks Stores (Western Cape) (Proprietary) Limited	R1 000	–	–	–	–
Safeway (Swaziland) (Proprietary) Limited	E2	–	–	–	–
Clicks Stores (Lesotho) (Proprietary) Limited	M1 000	–	–	–	–
Safeway (Namibia) (Proprietary) Limited	N$100	–	–	–	–
The Priceline Unit Trust and The Second Priceline Unit Trust		–	–	–	–
The House Unit Trust		–	–	–	–
J Pintusewitz (Proprietary) Limited	R1	–	–	–	–
(ii) Name protection and dormant					
20 companies (2000 - 20 companies)		–	–	–	–
(iii) Holding					
Musica (Africa) Holdings Limited	R246 029	–	–	–	–
Clicks Stores Holdings (Proprietary) Limited	R68	–	–	–	–
New Clicks Australia (Proprietary) Limited	A$28,2 million	–	–	206 111	111 654
		295 528	280 738	271 642	211 920

New Clicks Holdings has a 56% interest in The Link Investment Trust.
All the other subsidiary companies are wholly-owned.
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. All other loans are interest free, unsecured and no fixed dates of repayment have been determined.

NOTICE TO SHAREHOLDERS

Notice is hereby given that the sixth 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, 21 January 2002 at 11h00 for the following purposes:

1. To consider and adopt the annual financial statements of the company and the group for the year ended 31 August 2001.
2. To elect directors in place of Messrs R.B. Godfrey, T.C. Honneysett, J.C. Sher and P.E.I. Swartz who retire in accordance with the company's articles of association and being eligible, offer themselves for re-election.
3. To renew the directors' authority over the unissued share capital of the company until the next annual general meeting.
4. **Special resolution:**
   General authority to repurchase shares

   "Resolved, as a special resolution, that the company hereby approves, as a general approval contemplated in sections 85(2), 85(3) and 89 of the Companies Act, 1973 (Act 61 of 1973), as amended ("the Act"), the acquisition by the company or any of its subsidiaries from time to time of the issued ordinary shares of the company or its holding company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, but subject to the articles of association of the company, the provisions of the Act and the Listings Requirements of the JSE Securities Exchange South Africa ("JSE") as presently constituted and which may be amended from time to time, and provided that:

   a. any such acquisition of ordinary shares shall be implemented on the open market on the JSE;
   b. this general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
   c. a paid press announcement will be published as soon as the company has acquired ordinary shares constituting, on a cumulative basis, 3% (three percent) of the number of ordinary shares in issue prior to the acquisition pursuant to which the 3% (three percent) threshold is reached, which announcement shall contain full details of such acquisitions by the company and its subsidiaries;
   d. acquisition by a subsidiary of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty percent) (or 10% (ten percent) where in the aggregate such acquisition relates to the acquisition by a subsidiary of the issued shares of its holding company) of the company's issued ordinary share capital from the date of the grant of this general authority;
   e. in determining the price at which the company's ordinary shares are acquired by the company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date of repurchase of such ordinary shares by the company or its subsidiaries."

Reason and effect of special resolution

The **reason** for this special resolution is to grant the company a general authority in terms of the Act for the acquisition by the company or any of its subsidiaries of shares issued by the company or its holding company, which authority shall be valid until the earlier of the next annual general meeting of the company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the company, provided that the general authority shall not extend beyond 15 (fifteen) months from the date of this annual general meeting. The passing and registration of this special resolution will have the **effect** of authorising the company or any of its subsidiaries to acquire shares issued by the company or its holding company.

Statement by the board of directors of the company

Pursuant to and in terms of the Listings Requirements of the JSE, the board of directors of the company hereby states that:

a. the intention of the directors of the company is to utilise the authority if at some future date the cash resources of the company are in excess of its requirements. In this regard the directors will take account of, *inter alia*, an appropriate capitalisation structure for the company, the long-term cash needs of the company, and will ensure that any such utilisation is in the interests of shareholders;

b. in determining the method by which the company intends to repurchase its securities, the maximum number of securities to be repurchased and the date on which such repurchase will take place, the directors of the company will ensure that:

   – the company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business for the next 12 (twelve) months;

   – the consolidated assets of the company and its subsidiaries, fairly valued in accordance with South African Statements of Generally Accepted Accounting Practice, will be in excess of the consolidated liabilities of the company and its subsidiaries for the next 12 (twelve) months;

   – the issued share capital and reserves of the company and its subsidiaries will be adequate for the purposes of the business of the company and its subsidiaries for the next 12 (twelve) months; and

   – the working capital available to the company and its subsidiaries will be sufficient for the group's requirements for the next 12 (twelve) months.

5. **Ordinary resolution: Issue of shares for cash**

   "Resolved that, subject to not less than 75% (seventy five percent) of the votes cast by those shareholders of the company present in person or represented by proxy to vote at this annual general meeting at which this resolution is proposed, voting in favour of this ordinary resolution, the directors of the company be and they are hereby authorised by way of a general authority to issue all or any of the authorised but unissued ordinary shares in the capital of the company for cash, as and when they in their discretion deem fit, subject to the Companies Act, 1973 (Act 61 of 1973), as amended, the articles of association of the company, the Listings Requirements of the JSE Securities Exchange South Africa ("JSE") as presently constituted and which may be amended from time to time and the following limitations:

   a. that this authority is valid until the company's next annual general meeting provided that it shall not extend beyond 15 (fifteen) months from the date that this authority is given;

   b. that a paid press announcement giving full details, including the impact on the net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of shares in issue prior to the issue;

   c. that issues in the aggregate of 1 (one) financial year may not exceed 15% (fifteen percent) of the number of the shares in the company's issued share capital;

   d. that in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors of the company; and

   e. that any such issue will only be made to "public shareholders" as defined by the Listings Requirements of the JSE."

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

   A member entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies to attend and speak and, on a poll, vote in his stead. A proxy need not be a member of the company. Proxy forms in the prescribed form(enclosed) must be lodged at the registered office of the company at least 48 hours before the meeting.

By order of the Board

A.A. SCOTT
Company Secretary
15 October 2001

SHARE OWNERSHIP ANALYSIS

Category	2001 Number of shareholders	2001 Number of shares ('000)	2001 % of total shares	2000 Number of shareholders	2000 Number of shares ('000)	2000 % of total shares
Banks and companies	57	470	0.2	91	717	0.3
Nominee companies and trusts	131	285 592	95.7	163	264 433	91.7
Pension and provident funds	8	6 176	2.1	9	5 313	1.8
Insurance companies	3	454	0.1	3	390	0.1
Other corporate bodies	14	29	–	21	10 637	3.7
Individuals	1 523	5 820	1.9	2 292	6 909	2.4
	1 736	298 541	100.0	2 579	288 399	100.0

According to available information, the following shareholders hold beneficially, directly or indirectly, in excess of 5% of the ordinary share capital of the company.

	Number of shares ('000)	% of total shares
The Sanlam Group	36 076	12.1
Trakprops 141 (Proprietary) Limited	26 476	8.9

SHAREHOLDERS' DIARY

Registration number	1996/000645/06
Annual general meeting	21 January 2002
2001 Final distribution	
Last day to trade to be eligible	30 November 2001
Date of distribution	10 December 2001
2002 Interim distribution	In respect of the period to 28 February 2002
Last day to trade to be eligible	May 2002
Date of distribution	June 2002
2002 Final distribution	In respect of the period to 31 August 2002
Last day to trade to be eligible	November 2002
Date of distribution	December 2002
Profit announcements	
Interim to 28 February 2002	April 2002
Final to 31 August 2002	October 2002
Annual report	November 2002
Transfer secretaries	Mercantile Registrars Limited 11 Diagonal Street Johannesburg 2001 Postal address: PO Box 1053 Johannesburg 2000

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