NEW CLICKS HOLDINGS LIMITED

annual report 2006

review of the year

Group turnover up

14.8%

exceeds R10 billion for the first time

Inventory turn increases from 6.1 to 6.9 times

Clicks performance improving

Clicks opens 100th in-store dispensary

UPD produces another outstanding performance

Operating profit grows

19.6%

Diluted headline EPS up

23.7%

New group executive team appointed; board restructured and strengthened

retail store locations

Retail store locations	Clicks	Discom	Musica	The Body Shop	Style Studio	Total
Gauteng						
Johannesburg	61	28	23	8	1	121
Pretoria	46	10	10	4	–	70
Other	9	7	6	–	–	22
Mpumalanga	16	11	7	1	–	35
Limpopo	9	13	8	–	–	30
North West	13	6	6	–	–	25
Free State	16	10	7	1	–	34
KwaZulu-Natal						
Durban	21	8	9	3	–	41
Pietermaritzburg	6	2	3	1	–	12
Other	14	19**	5	–	–	38
Eastern Cape						
Port Elizabeth	9	4	5	1	–	19
East London	5	3	3	1	–	12
Other	6	9	6	–	–	21
Western Cape						
Cape Town	45	24	23	7	2	101
Other	22	14	14	2	–	52
Northern Cape	4	7	4	–	–	15
Botswana	–	–	2	–	–	2
Lesotho	–	1	–	–	–	1
Namibia	4	2	4	–	–	10
Swaziland	2	2	–	–	–	4
Zimbabwe	14*	–	–	–	–	14
Total	322	180	145	29	3	679

* Franchise stores

** Includes one franchise store

financial summary

			Group 2006	2005
Income Statement				
Turnover		R'000	10 000 621	8 714 338
Gross profit		R'000	1 953 576	1 778 578
Headline earnings		R'000	251 612	200 530
Balance Sheet				
Ordinary shareholders' interest		R'000	1 593 949	1 416 939
Interest-bearing loans and borrowings		R'000	213 706	260 707
Total assets		R'000	3 684 407	3 331 679
Cash Flow				
Cash inflow from operating activities before distributions		R'000	219 960	99 321
Net interest paid		R'000	60 003	49 086
Capital expenditure		R'000	162 315	170 106
Depreciation and amortisation		R'000	108 602	104 734
Performance				
Turnover growth		%	14.8	8.6
Comparable stores turnover growth		%	9.9	8.9
Gross profit growth		%	9.8	*
Gross profit margin		%	19.5	20.4
Inventory turn		times	6.9	6.1
Return on total assets		%	7.2	6.0
Return on shareholders' interest		%	16.7	14.2
Interest-bearing debt to shareholders' interest at year-end		%	16.4	19.4
Interest-bearing debt, including cash, to shareholders' interest at year-end		%	13.8	15.1
Statistics				
Number of permanent employees			9 058	8 947
Number of stores	– company owned		664	663
	– franchised		15	15
Weighted retail trading area	– company owned	m^2	237 575	249 417
Share statistics				
Headline earnings per share	– undiluted	cents	73.1	59.0
	– diluted	cents	71.0	57.4
Distribution per share	– interim	cents	11.2	11.2
	– final	cents	22.0	18.5
Distribution cover		times	2.2	2.0
Net asset value per share		cents	459	416
Net tangible asset value per share		cents	320	275
Share price	– closing	cents	1 035	810
	– high	cents	1 121	990
	– low	cents	780	690
Number of shares in issue (gross)		'000	355 488	370 260
Number of shares in issue (net of treasury shares)		'000	347 613	340 519
Weighted average number of shares in issue (net of treasury shares)		'000	344 337	339 914
Weighted average diluted number of shares in issue (net of treasury shares)		'000	354 365	349 358
Market capitalisation (gross) at 31 August		R'000	3 679 301	2 999 106
Market capitalisation (net of treasury shares) at 31 August		R'000	3 597 795	2 758 204
Price earnings ratio at 31 August		times	14.2	13.7
Volume of shares traded for the year		'000	226 921	131 882
Percentage of shares traded during the year		%	65.9	38.8
Free float (including treasury shares)		%	97.1	98.3

* Not available as 2004 income statement has not been restated in accordance with IFRS

profile and strategy

Profile

New Clicks Holdings is a specialist retail group which has been listed on the JSE Limited since 1996. The group operates market leading retail brands Clicks, Discom, Musica and The Body Shop, with a footprint of over 660 stores in southern Africa.

The group's healthcare interests span the entire pharmaceutical supply chain, from wholesale distribution through subsidiary New United Pharmaceutical Distributors ("UPD") to retail pharmacy. Clicks is the country's pre-eminent drugstore chain with over 110 in-store dispensaries, giving it the broadest national coverage in retail pharmacy.

New Clicks traces its roots back to 1968 when entrepreneurial retailer Jack Goldin opened the first Clicks store in central Cape Town. After Goldin sold his interests 20 years later, the group went through several changes of ownership before listing in March 1996.

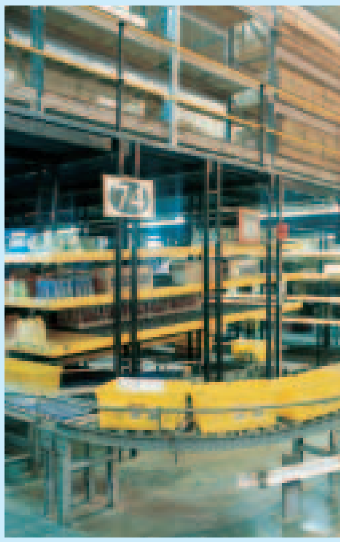
Clicks was conceived as a drugstore, but prevailing legislation precluded corporate ownership of retail pharmacies in South Africa. However, long-awaited regulatory reforms were introduced in 2003, enabling Clicks to finally fulfill its vision, and the first Clicks pharmacy was opened in March 2004. In just over two years more than one hundred dispensaries have been opened.

Strategy

- **New Clicks is a specialist retail group,**
  our customers will view us as expert; this means they regard us as best for value, best for range and they trust us
- **Focused on health, beauty, entertainment and homeware,**
  these are the merchandise categories in which we aspire to be viewed as expert by our customers. This does not exclude other categories which will be sold to attract customer footfall and increase customer basket value
- **Operating through multiple formats**
  to better target different customer groups
- **Organised to be cost-effective and efficient**
  with a particular focus on supply chain management, information technology, property, procurement and finance.

Clicks opened its 100th in-store dispensary in the Vangate Mall, Cape Town, in July this year

One of the new stores opened by The Body Shop – OR Tambo International Airport, Johannesburg



group at a glance

New Clicks Holdings
David Kneale
Chief executive officer

Group turnover R10 001 million
Group operating profit R393 million
Group headline earnings R252 million
Total employees 9 058
Total stores 679

Group executive committee

Michael Harvey
Managing director, Clicks

Keith Warburton
Chief financial officer

- Finance and administration
- IT and logistics
- Co secretarial, legal and tax
- Property and procurement
- Internal audit and forensics

Bertina Engelbrecht
Group HR director

- Compensation and benefits
- Talent development
- Employee wellness
- Internal communications
- Skills development

Clicks

- Turnover R4 865 million
- Operating profit R207 million
- Employees 5 230
- Stores 322

Discom
Fabion Bennett
Acting managing director

- Turnover R1 078 million
- Operating profit R34 million
- Employees 1 820
- Stores 180

Musica
Colin Robb
Managing director

- Turnover R779 million
- Operating profit R26 million
- Employees 699
- Stores 145

The Body Shop
Carol Poolton
General manager

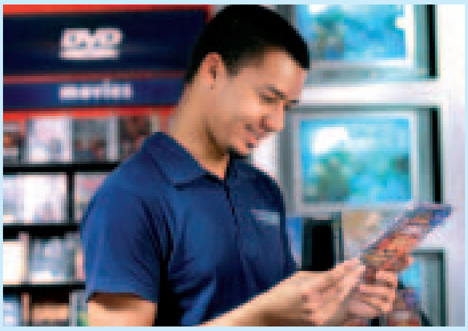
- Turnover R65 million
- Operating profit R11 million
- Employees 80
- Stores 29

UPD
Lynda van Niekerk
Managing director

- Turnover R3 863 million
- Operating profit R115 million
- Employees 507

UPD is investing R45 million in automating its ethical pharmaceutical warehouse in Lea Glen, Gauteng

Discom's highest turnover store in the country is Westguard in central Durban



Musica continues to transform from a music business to a truly entertainment-focused retailer

chairman's statement

A consistent theme in my reports to shareholders over the past three years has been that New Clicks is a business in transition. The transition has continued in the 2006 financial year. Overall, the group has continued to make steady progress in its turnaround towards sustainable performance. Headline earnings increased by 25.5% to R251.6 million, with diluted headline earnings per share growing by 23.7% to 71 cents per share.

The decisive action taken by the new management team in Clicks over the past 12 months has seen the business turn the corner and produce improved turnover growth and profitability. In the other businesses, Discom posted a strong growth in operating profit, Musica delivered good sales growth but disappointed at the profit level, The Body Shop made a strong comeback in the second half and UPD once again produced outstanding results.

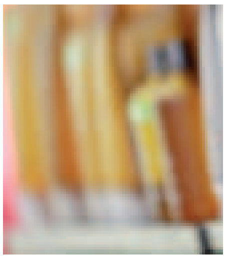
A major part of the transition in Clicks has been its evolution into a health and beauty-focused drugstore. Clicks has grown into the largest retail pharmacy network in the country in little over two years, with more in-store dispensaries than all other retail corporates combined. We now have empirical evidence that our business model is working, evidenced by the strong front shop performance from stores where we have introduced dispensaries.

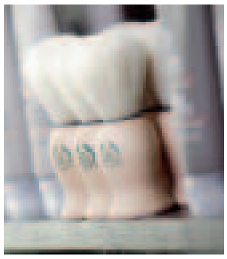
The legislative uncertainty around medicine pricing has now been resolved. We believe the new four-tiered pricing structure introduced by the Department of Health meets the accessibility and affordability objectives of the National Drug Policy.

Clicks has developed a positive and constructive relationship with the health authorities this year and we look forward to our continued engagement.

Discom is beginning to realise its potential as a health, beauty and lifestyle retailer for the lower to middle-income groups. The positioning and offering of this business are now clear, and we need to adopt a low-cost operating model which will enable us to strengthen the value proposition to our price-conscious target market.

Musica's transition from a pure music business into a broader entertainment retailer continues to gain momentum. Non-music merchandise such as DVD, gaming and lifestyle products now account for over one-third of total sales.





Increased focus has now been brought to the Musica brand with the introduction of the Musica Megastore concept and the conversion of our four CD Wherehouse stores to this new format.

The Body Shop recovered after a slow start to the year, boosted by improved operational management and the introduction of the loyalty programme from The Body Shop International.

UPD has successfully adapted to a high volume, lower margin business model in the single exit pricing environment by attracting increased sales, including two large private hospital supply contracts in the past year. Sales to Clicks have also increased strongly and now account for 15% of UPD's turnover, reflecting the benefit of operating an end-to-end distribution supply chain within the group.

The transition to the new enterprise-wide systems platform at the start of the financial year has been challenging as the business adapted to the new processes. The systems implementation is covered in detail in other reports but we are encouraged by the initial benefits that have started flowing from these systems and look forward to realising the full benefits over the next two to three years.

A detailed analysis of the financial performance is contained in the Chief Financial Officer's Report.

Board and management

Chief executive officer, Trevor Honneysett, elected to take early retirement in January this year and

David Nurek
Independent non-executive chairman

"Thanks largely to the efforts of the new management team, New Clicks enters the 2007 financial year in a much improved financial and operational state."

stepped down after 18 years at the helm. Trevor dedicated his entire career to the group and we wish him continued good health in retirement.

David Kneale, an accomplished international retailer who joined the group at the beginning of 2006 from Boots Group, was promoted to chief executive officer. David and his group executive team have brought increased focus, clarity and, most importantly, a renewed sense of energy to the business.

During the year the board of directors was restructured and strengthened to enhance the board's expertise in professional pharmacy and retailing, as well as recognising the role of the senior executives in leading the group.

Professor Peter Eagles and Martin Rosen were appointed as non-executive directors, while David Kneale, Keith Warburton (chief financial officer) and Michael Harvey (managing director of Clicks) were appointed as executive directors. Professor Eagles is one of the country's leading academic pharmacists and is the president of the South African Pharmacy Council and chairperson of the Medicines Control Council. Martin is an experienced retailer and marketer and served the Pick 'n Pay group with distinction for 33 years. The new non-executive directors are engaging well with management and adding value to the debate at board level.

Non-executive directors Dr Allen Zimbler and Peter Swartz resigned during the year. Subsequent to the year-end, Roy Smither was appointed as an independent non-executive director.

The board now consists of seven non-executive directors and three executive directors, with eight of the directors having been appointed in the last three years.

We believe the group has a well-balanced board with a range of complementary skills, together with an appropriate balance between executive and non-executive directors. Regrettably, our longest-serving director, Eliot Osrin, has decided not to make himself available for re-election at the forthcoming annual general meeting. Eliot has been involved with Clicks since 1968 when the "group" consisted of two stores. Over the years, the business has benefited enormously from his guidance, insights and uncanny intuition. We will certainly miss him and wish him well in his retirement.

Corporate governance

The group's governance structures and processes are regularly reviewed to take account of changes within the group and best practices in the corporate governance arena.

During the year we formed a board Transformation committee which has been mandated to accelerate the pace of internal transformation and develop an all-encompassing empowerment strategy.

Outlook

Thanks largely to the efforts of the new management team, New Clicks enters the 2007 financial year in a much improved financial and operational state, although we acknowledge that the task of restoring the group to its former heights has only just begun. Operational challenges have been identified and are being addressed, employee reward systems are now more closely aligned with performance and the creation of shareholder value, and there is greater certainty around pharmacy pricing regulations.

Consumers are coming under increasing pressure following the 150 basis points increase in interest rates between June and October this year, and economists are predicting that this upward trend is likely to continue. However, the retail brands in our stable are not particularly interest rate sensitive and our product offering is mostly non-cyclical. While the rate of growth may slow down in the year ahead, we do not anticipate that this issue will have a major impact on any of our businesses.

Thanks

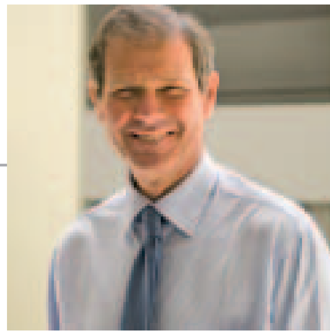
Our customers are the very lifeblood of our business and we thank them for supporting us in increasing numbers. Thank you to our shareholders – and welcome to those who invested in New Clicks for the first time this year – as well as suppliers, industry regulators, media, business associates and advisers.

In closing, thank you to my board colleagues, chief executive officer David Kneale and the senior management team for the leadership of the group over the past year. After a few challenging years, the staff of New Clicks are starting to reap the benefits of their hard work and commitment, and I thank you all for a job well done.

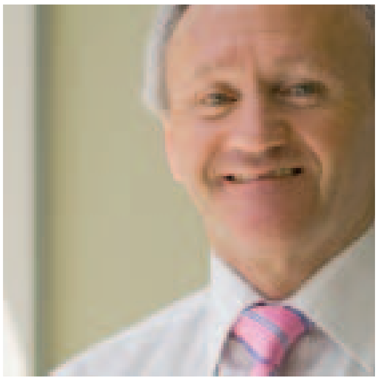
David Nurek
Independent non-executive chairman

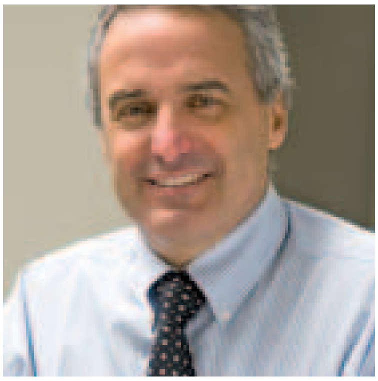
board of directors


Eliot Osrin


Robert Lumb


Peter Eagles


David Nurek


Martin Rosen

Non-executive directors

David Nurek (56)
Dip Law, Grad Dip Company Law

Independent non-executive chairman

Chairman of the Governance, Nominations, Remuneration and Transformation committees

Appointed June 1997

David practised as an attorney with Sonnenberg Hoffmann Galombik for 32 years, including 23 years as a partner. He joined Investec Bank in 2000 and is regional chairman of the bank's Western Cape businesses and global head of legal risk for the Investec Group.

He also serves as non-executive chairman of Distell Group, Lewis Group, JCI and Randgold & Exploration, non-executive deputy chairman of Foschini and Business Connexion, and non-executive director of Allan Gray Property Trust, Aspen Pharmacare, Pick 'n Pay Stores, Sun International, Trencor and Western Areas.

Peter Eagles (58)
B Sc (Pharm), M Sc, Ph D

Non-executive director

Appointed April 2006

An experienced academic and registered pharmacist, Professor Eagles has been a member of the South African Pharmacy Council for 12 years and was appointed president in 1998. He was appointed chairperson of the Medicines Control Council of South Africa in 2003. He has served as professor of pharmaceutical chemistry at the University of the Western Cape since 1992.

Eliot Osrin (74)

Independent non-executive director

Appointed March 1996

Eliot practised as an attorney with Sonnenberg Hoffmann Galombik for 27 years, including 22 years as a partner. He is non-executive chairman of Foschini and Atlas Properties.

Robert Lumb (63)
Adv Dip Tax Law, CA (SA)

Independent non-executive director

Chairman of the Audit and Risk management committees

Appointed April 2004

Rob is a former partner of Ernst & Young. He served as managing partner of the firm's Western Cape practice from 1989 to 2002 and was a member of the national executive committee for 18 years. He is a non-executive director of Distell Group, HomeChoice Holdings and non-executive chairman of Metje & Ziegler.

Martin Rosen (56)

Independent non-executive director

Appointed April 2006

Martin is a highly-accomplished retailer and marketer, having spent 33 years with Pick 'n Pay before starting his own marketing consultancy in 2004. After 17 years in the retail operations of Pick 'n Pay, Martin was appointed group marketing director in 1998 and managing director of Pick 'n Pay Group Enterprises in 2001.

David Kneale

Roy Smither

Michael Harvey

Lucia Swartz

Keith Warburton

Executive directors

Roy Smither (61)
B Com, CA (SA)

Independent non-executive director

Appointed September 2006

Roy recently retired from Tiger Brands where he was an executive director for the past eight years. He has a wealth of corporate experience, having served as a director and chief executive officer of Imperial Cold Storage between 1987 and 1998 and prior to this held senior positions in the Barloworld and Hunt Leuchars & Hepburn groups. Roy is a non-executive director of Nampak.

Lucia Swartz (49)
BA

Independent non-executive director

Appointed January 2004

An experienced human resources practitioner, Lucia is group head of human resources at Sappi. She was previously human resources director of Seagrams Spirits and Wine Group. Lucia served as a non-executive director of New Clicks Holdings between 1997 and 2000 before relocating to New York for three years.

David Kneale (52)
BA

Chief executive officer

Appointed as a director in April 2006

David joined the group in January 2006 and was promoted to chief executive officer shortly thereafter. He was previously chief commercial officer of health and beauty retailer, Boots Group plc, in the United Kingdom. During his career at Boots David held positions in finance, buying and marketing before being appointed director of merchandise and marketing in 1995 and managing director of international retail development in 1997. After a three-year spell as a director of HMV Group and managing director of Waterstone's Booksellers, he returned to Boots in 2002 as director of trading and was appointed chief commercial officer in January 2003.

Michael Harvey (37)

Managing director, Clicks

Appointed as a director in April 2006

Michael joined Clicks as a management trainee in 1989. After gaining experience in store management he assumed responsibility for regional operations in the Gauteng area and later in the Eastern and Western Cape. He was appointed marketing director of Clicks in 2000 and the following year moved to Discom where he was appointed managing director in 2002. Michael was appointed head of retail for the New Clicks group in June 2004 and managing director of Clicks in February 2005.

Keith Warburton (48)
B Com, CA (SA)

Chief financial officer

Appointed as a director in April 2006

Keith has extensive experience in senior financial management in the retail sector. He was appointed financial director of Metro Cash and Carry in 1990 and later financial director and deputy managing director of Score Supermarkets. Keith was appointed financial director of Truworths in 1997 and two years later joined HomeChoice Holdings as chief operating officer. He left the company in 2001 to establish a business consultancy and joined New Clicks as chief financial officer in September 2005.

chief executive's report

2006 has indeed been a year of challenge and change, but one in which real progress has been made towards achieving our medium-term goals as we build a more sustainable performance base. It is a pleasure for me to report to shareholders for the first time on performance and developments within the group.

Group executive

Following my appointment as chief executive officer in January this year, the group executive team was restructured to comprise Keith Warburton (chief financial officer), Michael Harvey (managing director of Clicks) and myself. Bertina Engelbrecht was appointed to the newly-created position of group human resources director in July and also joined the executive team. Her appointment strengthens our human resources capability and elevates the status of this discipline in our business. We now have a blend of complementary skills and experience, while a strong team dynamic is evolving as we focus on delivering the strategy and goals we have set for the business.

Strategy

A priority for the new executive team was to review the strategy. We concluded that in broad terms the strategy was appropriate. In summary, our strategy (which is outlined on page 4) is to be a specialist retail group, focused on health, beauty, entertainment and homeware, operating through multiple formats and organised to be cost-effective and efficient.

Globally, in both developing and developed economies, there are thriving specialist retailers operating in similar markets to New Clicks, providing evidence that the business model is robust. The issue facing New Clicks was therefore not so much one of changing the strategy, but rather the execution of the strategy and delivery against targets.

Short-term priorities

In order to address the barriers to success we identified four short-term priorities:

- set clear targets;
- outline clear accountabilities;
- make the business simpler; and
- get the basics right.

Progress has been reassuring. Targets are now clearer since the introduction of return on assets managed ("ROAM") as

the key measurement indicator for the trading businesses. ROAM, while still being refined, ensures we have financial metrics for all the key drivers of the business. Accountabilities are also clearer as we have adopted scorecards to measure delivery against internal targets.

We have simplified the group structure by adopting a less complex business unit structure. By allocating central costs we are getting a more accurate measure of each business's profitability, which is further driving accountability.

Getting the basics right has meant focusing on reducing inventory levels (where inventory turns improved from 6.1 times in 2005 to 6.9 times), improving product availability to customers (in-store availability for Clicks has increased from around 80% to over 90%) and achieving compliance with the new systems processes. The implementation of the new systems has proved challenging and business processes have had to be adapted to the requirements of this sophisticated and demanding system. While compliance has taken longer than anticipated the systems are already having a positive impact on our business, with better quality information facilitating improvements in inventory and working capital management.

Medium-term goals

We have identified three goals to enable the business to deliver the strategy:

- **delighting our customers,** as specialist retailers should do, by providing better products, better service and better availability;
- ensuring that the group has **motivated and competent people** who are appropriately trained, motivated and rewarded; and

David Kneale
Chief executive officer

> "The results for the year are most encouraging, considering that the business is still in turnaround mode."

- **improving return on equity** ("ROE") for shareholders which we plan to do through increased profitability and more efficient utilisation of assets and capital.

While these targets have two to three-year time horizons, the group has made encouraging progress.

Trading performance

The results for the year are most encouraging, considering that the business is still in turnaround mode.

Group turnover increased 14.8% to reach R10 billion for the first time. This was a pleasing performance, particularly against the backdrop of price deflation in Clicks and Discom.

Operating profit before capital items grew by 19.6%.

The performance of the retail trading brands and distribution business are covered in more detail in the Chief Financial Officer's Report (pages 12 to 13) and the Operational Review from pages 14 to 23.

Legislation

New Clicks has always supported the government's move to make medicine more affordable and accessible to consumers, and improve the efficiency and quality of healthcare delivery. We therefore welcomed the new pharmacy dispensing fee regulations announced by the Department of Health ("DoH") in late October.

The collaborative process followed by the DoH has resulted in a workable and transparent pricing model that provides a fair return to pharmacists and certainly benefits consumers.

It is now critical that we have stability in the pharmacy sector which has been operating in an environment of uncertainty for far too long. This has negatively affected the profession which is a key component of healthcare delivery in this country.

A potential piece of legislation under consideration in the year ahead relates to the regulation of logistics fees within the single exit pricing framework. These regulations could impact on UPD and there are two key issues we are addressing in our submissions to the DoH:

- firstly, the regulations should distinguish between fine and bulk distribution as we believe this split is the most effective way to make medicines accessible throughout South Africa; and
- secondly, New Clicks is also urging the authorities to provide a strict definition of the services required for a company to be registered as a wholesaler. There has been a proliferation of quasi-wholesalers in this country in recent times who do not offer a full-line service and this only inflates the cost of medicines to consumers.

We continue to engage openly and constructively with the DoH on this legislation.

Prospects

The trading environment for 2007 is likely to be affected by recent and forecast increases in interest rates, although it is still too early to determine the exact impact on consumer spending patterns and confidence levels. Modest price inflation is expected in the year ahead in Clicks and Discom.

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

Against this background, the directors and management are confident of delivering real earnings growth in 2007.

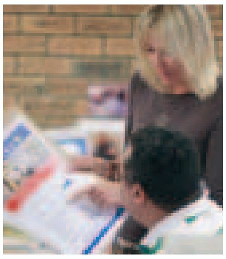
Thanks

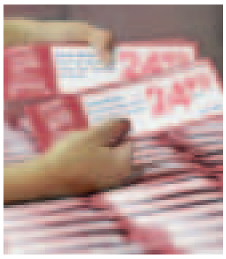
My personal thanks go to the board of directors for the confidence they have shown in appointing me as chief executive officer. At the same time I should like to thank our chairman, David Nurek, my fellow directors and the executive team for their wholehearted support and guidance. Thanks also to my predecessor, Trevor Honneysett, for facilitating such a smooth transition.

Since January this year I have had the opportunity of visiting close on 200 stores around the country. My key observations are that our people are totally focused on delivery to customers and have a strong desire to be part of a winning team. To all our people, thank you for being so welcoming. Your commitment and drive to make the business succeed has been most heartening and augurs well for the future of New Clicks.

David Kneale
Chief executive officer

chief financial officer's report





The financial performance of New Clicks has continued to improve, with encouraging turnover growth over the past year and sound progress against several key performance measures.

- Group turnover increased by 14.8% to reach R10 billion for the first time. Retail turnover grew by 10.0% in a period when both Clicks and Discom experienced price deflation. UPD lifted turnover by 26.8%.
- Gross profit margin declined by 90 basis points as a result of the increased contribution of UPD to total group turnover. UPD's business model by its nature is based on significantly lower gross margins than the retail businesses.
- Operating profit before capital items increased by 19.6% to R393 million. The group's operating profit margin increased to 3.9% from 3.8% in 2005.
- Headline earnings grew by 25.5% with diluted headline earnings per share increasing by 23.7% to 71 cents per share.
- Inventory levels increased marginally by 0.2% over the previous year, despite a 14.8% increase in turnover. Inventory turn increased from 6.1 times to 6.9 times.
- Return on equity ("ROE") improved from 14.2% in 2005 to 16.7%. The group has set a target to achieve a ROE of 30% in the medium term.

The group has adopted International Financial Reporting Standards ("IFRS") for the year ending 31 August 2006 and all comparative figures have been restated. Readers should note that these standards are the subject of ongoing review and possible amendment by interpretive guidance from time to time from the International Financial Reporting Interpretations Committee.

Financial results – Income statement

The group's trading performance is covered in more detail in the Operational Review on pages 14 to 23.

Turnover

Clicks increased turnover by 8.8% while the same store turnover growth of 10.8% reflects the impact of the closure of a number of former PM&A stores during the year.

Discom recorded turnover growth of 10.5% and same store growth of 5.7%. This was a satisfactory performance given a deflationary climate, although a 19.1% increase from the inland division was neutralised by the under-performance of the Western Cape division in the review period.

Musica benefited from a net six new stores opened during the year, with turnover growing 17.6% and 10.8% on a same store basis.

After a slow start to the year, The Body Shop increased turnover in excess of 20% in the second half to deliver turnover growth of 11.8% for the year. Same store growth was 3.1%.

UPD repeated its buoyant growth of recent years, with a 26.8% increase in turnover reflecting the benefits of supply contracts to two private hospital groups and increased sales to Clicks.

Gross profit margin

Retail gross profit margins increased by 30 basis points to 27.1%, despite the increasing influence of dispensary which operates at a lower margin.

The UPD gross margin, which was impacted by the higher component of ethical sales resulting from the hospital contracts, declined from 4.0% to 2.9%. As a result of the implementation of IFRS, the logistics fees for UPD are also no longer reflected in gross profit.

Keith Warburton
Chief financial officer

Return on equity improves to

16.7%

from 14.2% in 2005

Inventory levels grow only

0.2%

despite a 14.8% increase in turnover

Operating expenditure

Operating expenses were contained at a 9.5% increase on the prior year, with the major businesses generally maintaining expense growth below their level of turnover growth. UPD once again demonstrated disciplined cost management and showed a modest 1.6% increase in costs year-on-year.

In line with the group's focus on simplifying the business, all group service costs have been allocated to the business units. While the basis of cost allocation will be further refined in the forthcoming year, the group will in future only attribute specific costs to group services that cannot reasonably be allocated to the businesses. These will include the costs, by way of example, of the chief executive's office, the company secretariat and expenses associated with being listed on the JSE Limited.

This revised method of cost allocation will enable business units to assume full accountability for all cost management and further enhance the measurement of return on assets managed ("ROAM").

Operating profit

R'm	2006	2005	% change
Clicks	207	183	13.3
Discom	34	25	37.8
Musica	26	23	11.0
The Body Shop	11	9	19.3
Style Studio	1	–	
UPD	114	89	28.0
Total operating profit	393	329	19.6

Operating profit before capital items increased by 19.6%. Clicks showed a 13.3% increase. Discom continued its strong performance from the first half in recording a 37.8% increase in profit.

While Musica showed strong turnover growth, operating profit was negatively impacted by a R5 million inventory shortfall. This relates to prior year inventory valuation issues, a syndicated fraud uncovered earlier in the year and inventory control issues which have been addressed. Management has taken decisive action to tighten processes and minimise future inventory risk.

Interest

The increased interest charge reflects the higher level of average borrowings experienced by the group during the greater proportion of the review period.

Financial results – Balance sheet

Inventory

An intense focus on inventory management has resulted in inventory levels remaining flat over 2005. Discom reduced inventory by 13.8%, resulting in an increase in inventory turn from 4.4 to 5.6 times. Clicks, Musica and UPD all showed increased inventory turns.

Cash flow

Cash utilisation increased in the first half of the year, including less funding in respect of accounts payable. Cash generated in the second half of the year increased significantly as a result of improved inventory management outlined above and the refinement of the supplier payments process.

Shareholder distribution

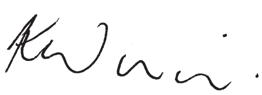
The group has maintained its distribution cover ratio at 2.2 times. A distribution of 33.2 cents per share (2005: 29.7 cents) will be paid to shareholders, partly in the form of a dividend from retained income to utilise available STC credits accumulated by the group and the balance out of share premium.

Financial management priorities

The group has identified the following areas of focus for the year ahead:

- continue enhancing financial management and improving systems compliance;
- expedient expense management;
- cash flow generation; and
- improving ROAM through higher profitability and increased asset turnover, with a continued focus on inventory reduction and effective working capital management.

The improved cash flow generated as a result of these actions will offer the group the opportunity to continue to review the extent of its capital structure in order to improve ROE.



Keith Warburton
Chief financial officer

operational review

Review of the year

Clicks has further entrenched its position as a health and beauty specialist over the past year while continuing to build its authority in retail pharmacy. A further 45 dispensaries were opened and Clicks now has 110 in-store dispensaries.

		2006	2005
Turnover	R'm	4 864.5	4 469.1
Turnover growth	%	8.8	17.9
Comparable stores turnover growth	%	10.8	6.9
Operating profit	R'm	206.9	182.6
Inventory	R'm	816.9	802.2
Number of stores			
Company owned		308	315
Franchised		14	14
Full-time permanent employees		5 230	5 179
Weighted trading area	m^2	164 180	179 330
(Decrease)/increase in weighted trading area	%	(8.4)	10.1
Weighted annual sales per m^2	R	29 629	24 921

61.7 million
customer transactions in the year

Product availability increases from around
80% to 92%

ClubCard customers receive over
R100 million
in cash-back vouchers

The drugstore model adopted by the business highlights that a dispensary within a store drives foot traffic and builds front shop volumes. This is reflected in turnover from stores with dispensaries increasing by 19% compared to the 4.1% growth in stores without dispensaries.

Clicks has extended its ClubCard loyalty programme to enable customers to earn ClubCard *Plus Points* on dispensary sales at all Clicks pharmacies. By year-end ClubCard holders already accounted for 40% of dispensary sales.

An extensive research survey showed that pharmacy in Clicks has a 34% level of awareness among consumers nationally. This is most encouraging as the first dispensaries were only introduced into Clicks two years ago.

During the year Clicks serviced 61.7 million customer transactions, an increase of 6% over 2005. These increased volumes can be attributed to the consistent value offer, strong promotional programme and the increasing number of dispensaries within Clicks stores.

Operational challenges relating to inventory levels, product availability and shrinkage have received high priority and shown pleasing improvements. Inventory levels have been well contained and on-shelf availability has increased from around 80% to 92% at year-end.

Clicks opened 27 new stores during the year, while most of the remaining PM&A stores were either closed or incorporated into Clicks.

Strategic focus

Clicks will continue to build its pharmacy profitability and authority. The new pharmacy dispensing fee regulations will bring much needed stability to the pharmacy profession and clarity to consumers. The four-tier pricing structure should generally enhance margins, while the prescribed maximum

Michael Harvey
Managing director

18 years' service
Previously marketing director of Clicks, managing director of Discom
Appointed managing director of Clicks in February 2005

dispensing fees will enable Clicks to be even more price competitive. In addition, Clicks will continue to offer value-added ClubCard benefits.

The prolonged uncertainty over the dispensing fees has been one of the reasons for moderating the rollout pace of new dispensaries over the past year. A second reason has been the lack of availability of pharmacists. Clicks has developed a staffing model to make increased use of qualified pharmacy assistants to enable pharmacists to focus on customers and patients. Clicks also runs an accredited training academy for pharmacy assistants and provides for continued professional development of pharmacists.

A blueprint for a new store layout has been developed to reflect the health and beauty specialisation of Clicks. The new layout and design will enhance the presence of healthcare and fully integrate the pharmacy offering into stores. The first new-format store will be piloted in the second quarter of 2007. Clicks plans to open 17 new stores and a further 25 dispensaries in 2007.

A key focus will be on increasing differentiation and gross margins. Clicks has introduced a credit card as an extension of the ClubCard loyalty programme. Credit card users accumulate ClubCard points on purchases at Visa merchants throughout the world and earn double points on all purchases within Clicks. These points then translate into cash-back vouchers which can be redeemed at Clicks stores. This is a joint venture with FirstRand Bank and Clicks carries no credit risk.

Private label and exclusive brands also allow Clicks to enhance margin and offer our customers better value. These ranges accounted for 12.2% of sales in the past year and more than 200 new lines were introduced.

In order to broaden its customer base, Clicks has identified a growth opportunity in the ethnic hair care market. This creates scope for Clicks to open stores in areas which are relevant to its broadening customer base, for example its first store in Soweto was recently opened.

In striving for operational efficiency, Clicks will focus on continued tight expense management, further reducing shrinkage and wastage, lowering inventory levels while improving product availability and increasing merchandise volumes through the group's centralised distribution system. The resultant efficiencies should enable Clicks to be more focused on delivery to its customers.

Clear plans have been developed to enable Clicks to deliver sustainable performance. The improved performance and early signs of a turnaround are having a positive impact on staff morale.

DiSCOM
LOOK GOOD • FEEL GOOD

Review of the year

Discom has continued to entrench its market leadership position in ethnic hair care and beauty, while gaining market share in affordable decorative homeware.

		2006	2005
Turnover	R'm	1 077.7	975.2
Turnover growth	%	10.5	11.0
Comparable stores turnover growth	%	5.7	9.2
Operating profit	R'm	33.9	24.6
Inventory	R'm	191.4	222.1
Number of stores			
Company owned		179	179
Franchised		1	1
Full-time permanent employees		1 820	1 835
Weighted trading area	m^2	52 931	50 957
Increase in weighted trading area	%	3.9	2.7
Weighted annual sales per m^2	R	20 360	19 138

Turnover passes
R1 billion
for the first time

Continued innovation in ethnic hair care market

Strong increase in homewares private label range

Sales of FMCG categories grew by 10.9%, led by hair care, beauty and health. Beauty sales were lifted by six new cosmetics brands introduced during the year, while health focuses mainly on vitamins and food supplements.

Lifestyle categories grew by 9.6%, with strong performances from decorative tableware in the homeware sub-category and electrical goods. Discom's target market continues to benefit from electrification programmes in previously under-serviced areas as well as the delivery of an increasing number of houses for first-time owners.

Inventory management was one of the highlights of the period. A 14% year-on-year reduction in inventory levels contributed to an increase in inventory turn from 4.4 to 5.6 times. Management has specifically addressed slow-moving lines and focused on improved on-shelf availability. The new systems platform has proved highly beneficial in the inventory management process.

The product range continued to be refined to ensure a strong value offering and product functionality. Extensive product development has been undertaken in conjunction with suppliers to increase product exclusivity, particularly in tableware and electrical goods.

While the inland division performed strongly, the Western Cape business encountered several operational challenges as well as strong competition from independent retailers. The management team has been replaced and several stores have been closed or relocated.

Discom's store portfolio is being constantly aligned with the shifting demographics of the customer base. During the period 19 new stores were opened and 19 closed.

Fabion Bennett
Acting managing director

Eight years' service
Previously head of operations for Discom
Appointed acting managing director in 2006

The Discom-sponsored Beauty Africa Hair Extravaganza at Gallagher Estate once again received a favourable response from consumers and suppliers. This is the third year of the sponsorship in support of Discom's positioning as an ethnic hair care specialist. The sponsorship was also extended to the Soweto Festival this year.

The structural shift in the economy and the continued growth of the emerging middle class is illustrated by the increase in LSM groups 4 to 6 – Discom's target market – from 38.7% of the population in 2001 to 42.6% in 2005, adding a further 1.8 million consumers to these groups.

Strategic focus

Discom's strategy is to dominate health, beauty and lifestyle products for the lower to middle income customers. This will be supported by a low cost, high inventory turn operating model.

Stores will be located in convenient locations in high density shopping nodes, where Discom's target customers shop. These locations are generally close to public transport facilities.

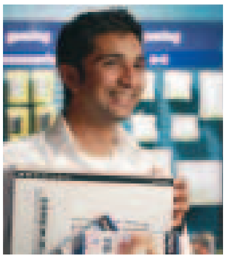
Five new stores will be opened in 2007, with the emphasis on the inland region.

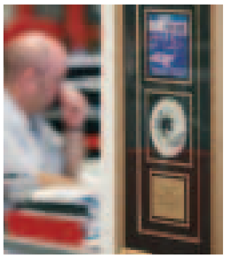
In the year ahead management will focus on turning around Discom's remaining underperforming stores, particularly in the Western Cape, as well as continuing to improve inventory turn.

The value proposition to customers will also be strengthened with the introduction of more entry level priced products.

operational review

MUSICA
LISTEN WITH YOUR SOUL





Review of the year

Musica's transition from a specialist music business to a truly entertainment-focused retailer has continued to gain momentum.

		2006	2005
Turnover	R'm	778.8	662.3
Turnover growth	%	17.6	21.7
Comparable stores turnover growth	%	10.8	21.1
Operating profit	R'm	25.6	23.1
Inventory	R'm	130.7	122.2
Number of stores		145	139
Full-time permanent employees		699	621
Weighted trading area	m^2	18 603	17 365
Increase in weighted trading area	%	7.1	0.1
Weighted annual sales per m^2	R	41 864	38 140

Musica Megastores offer over

30 000

DVD and CD titles

Musica wins

eight

Loerie Awards for creative advertising excellence

During the past year the non-CD merchandise categories have grown strongly, with sales of DVD (music and movies) increasing by 46%, gaming (including computer games) up 45% and lifestyle accessories (clothing and novelty goods) growing by 41%.

Entertainment-related merchandise now accounts for 34.5% of total turnover, after only being introduced into the brand four years ago.

Sales growth has been driven by major brand-building marketing campaigns which has also increased customer affinity with the brand. In line with the group's focus on making the business simpler and returning to the basics of retailing, all elements of the marketing mix have been addressed. This included in-store point of sale, store navigation, media mix, window displays and quality of advertising.

The brand received eight Loerie Awards, including two gold awards, in recognition of creative excellence in the country's premier advertising contest.

A partnership was concluded with Virgin Mobile to further broaden the entertainment offering, with branded kiosks being introduced into 26 flagship Musica stores to market Virgin Mobile products. A further 30 Musica stores sell Virgin Mobile products, with Musica receiving turnover-based commission.

The fledgling e-commerce business doubled turnover off a low base as a result of active marketing of *www.musica.co.za* at all consumer contact points. The e-commerce offering includes both online purchases for home delivery as well as digital downloading of music. A competitive online pricing model has been adopted, with low cost new releases followed by higher margins across the broader catalogue titles.

Musica has continued with its aggressive pricing strategy and strong

Colin Robb
Managing director

15 years' service
Formerly merchandise director of Musica
Appointed managing director in 2002

value proposition, driving down the price of DVDs and competing strongly with the national supermarket chains and independent music retailers.

Musica increased its store base to 145 after opening a net six new stores, including two stand-alone DVD stores in Tygervalley and Eastgate.

Inventory growth was maintained well below turnover growth, enabling Musica to increase its inventory turn from 5.4 to 6.0 times.

Strategic focus

A strategic decision to focus the group's resources on one entertainment brand has given rise to the Musica Megastore format, with the first four stores being converted from CD Wherehouse in late October. Musica Megastores will retain the extensive range of catalogue and import titles of CD Wherehouse while introducing the pricing and value proposition of Musica.

This repositioning to Musica Megastore is expected to retain the passionate CD Wherehouse customers and at the same time drive increased volumes owing to the high brand awareness of Musica, which has an estimated 34% share of the country's music market.

Further locations will be sourced for Megastores while "the best of CD Wherehouse" will also be introduced into a few large Musica stores. Consolidating the Musica brand will result in buying and operational synergies.

As entertainment-related merchandise accounts for an increasing proportion of turnover, additional space will be allocated to DVD and gaming in stores to capitalise on the growth of these categories. Cellular is a logical extension of the current offering and airtime sales will be introduced in the forthcoming year.

While Musica is the dominant music and entertainment brand in the country, the emerging middle class consumer market presents an opportunity to broaden the store footprint into new areas. Sales of local music remain buoyant and account for 17% of total music sales. Ten new stores are planned for 2007, including Jabulani Mall in Soweto which opened in late October.

operational review

THE BODY SHOP™

Review of the year

The Body Shop showed a strong recovery in the second half of the year with sales growth of over 20% for the six-month period, driven mainly by customer response to the "Love Your Body" loyalty programme.

		2006	2005
Turnover	R'm	65.3	58.4
Turnover growth	%	11.8	14.0
Comparable stores turnover growth	%	3.1	(1.5)
Operating profit	R'm	11.1	9.3
Inventory	R'm	8.8	5.0
Number of stores		29	27
Full-time permanent employees		80	76
Weighted trading area	m^2	1 596	1 513
Increase in weighted trading area	%	5.5	24.6
Weighted annual sales per m^2	R	40 941	38 627

Love Your Body loyalty programme attracts over

22 000

members

In-store experience of product and service greatly enhanced

Introduced in November 2005, the programme attracted 22 000 members by year-end. Customers purchase the loyalty card annually for R60 and receive a 10% discount on all merchandise, as well as a birthday gift and free product for every fourth purchase valued at over R140.

The Love Your Body programme aims to increase basket value and frequency of shopping. Statistics show that the basket size of card holders is already more than 50% higher than non-card holders.

In line with the "masstige" positioning adopted by the brand internationally – where personal care products combine performance, indulgence and value – in-store disciplines have been enhanced through improved staff training and more professional service.

The in-store experience of The Body Shop has been greatly enhanced. This includes showcasing new products, more impactful promotions around Christmas, Valentine's Day and Mother's Day, increased inventory levels in stores to create visual appeal and free product sampling for customers.

Product innovation is a differentiator for The Body Shop and several new ranges were introduced, including body, bath and hand products and fragrances. The naturally-inspired product positioning remains core to the brand, with extensive use being made of community-traded ingredients sourced from local communities around the world.

New stores were opened at OR Tambo International Airport, Johannesburg, and in Gardens, Cape Town, bringing the store base to 29. A new store design has been adopted and both these stores are trading successfully.

As a values-driven business globally, The Body Shop has a strong commitment to empowering

Carol Poolton
General manager

Five years' service; 18 years in cosmetics industry
Formerly head of Clicks Beauty
Appointed general manager of The Body Shop in 2003

disadvantaged communities. Locally the brand supports The Big Issue, a social development and upliftment project which assists homeless people to earn a living through magazine sales and integrates them back into the formal job market. Stores also support local communities through voluntary assistance programmes.

During the year The Body Shop International was acquired by global cosmetics house L'Oreal. This is not expected to impact the South African operations of The Body Shop which are managed by New Clicks under a franchise agreement.

Strategic focus

The Body Shop will be aggressively recruiting customers to the Love Your Body card to enhance loyalty levels. This programme also creates opportunities to analyse and exploit customer purchasing data.

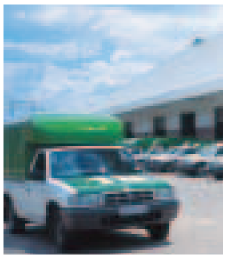
Staff training and incentivisation is a key focus. A full-time trainer has been appointed to the brand and staff are now being incentivised on the sale of specific product lines.

While product availability levels are well above industry norms, these will be further improved through an enhanced focus on merchandise and supply chain planning in an effort to increase inventory turns.

Two new stores are planned for the inland region where The Body Shop is currently under-represented.

One of the main drivers of sales in the year ahead will be the new make-up range which was introduced into stores in September. These new products, with improved quality, presentation and packaging, are expected to enhance the perception of The Body Shop as a destination for world class make-up.

operational review



Review of the year

UPD forms a critical element of the New Clicks healthcare strategy, providing the distribution capability for the group's integrated channel to market. The business continues to make an increasing contribution to group profitability, growing to 29.1% from 27.1% in 2005.

		2006	2005
Turnover	R'm	3 863.1	3 045.9
Turnover growth	%	26.8	33.3
Operating profit	R'm	114.8	89.7
Inventory	R'm	297.2	290.3
Inventory turn		13.0	10.5
Trade debtors	R'm	568.2	316.2
Trade debtors' days		44.5	28.9
Full-time permanent employees		507	507

Sales to hospital groups quadruple in the year

Turnover grows
26.8%
while expenses only rise
1.6%

Regulatory challenges continued to impact both the retail and wholesale pharmaceutical industries over the past year. The delays in finalising the dispensing fee regulations created further uncertainty for UPD's retail pharmacy customers. The wholesale industry experienced continued downward pressure on margins as suppliers reduced logistics fees in anticipation of the introduction of fee capping.

One response by community pharmacy to the dispensing fee regulations has been the proliferation of quasi-wholesalers. These are essentially retail buying groups which continue to be licensed and therefore negatively affect turnover of genuine wholesalers. The group has been engaging constructively with the Department of Health on these regulatory issues and this is covered in further detail in the Chief Executive's Report on page 11.

The 26.8% turnover growth in UPD was driven by a 30% increase in sales to Clicks as pharmacy volumes increased and further dispensaries were opened. Sales to hospital groups quadrupled as a result of UPD being awarded two private hospital supply contracts. The Life Healthcare contract commenced from the start of the financial year, while the Disamed/Medi-Clinic contract was secured in March 2006. These contracts collectively accounted for sales of more than R700 million.

Private hospital sales have already grown to 20% of UPD's total sales, with independent pharmacies accounting for 55%, Clicks 15% and dispensing doctors and retail health stores making up the balance.

UPD's total income was impacted by a change in the product mix with higher volumes of ethical or scheduled product being sold.

Lynda van Niekerk
Managing director

B Com (Acc) (Hons), CA (SA)
Four years' service with New Clicks group
Previously financial director of UPD
Appointed managing director in 2005

Expenses were well managed to 5.3% of sales despite higher transportation costs as a result of increased volumes and the impact of the fuel price hikes during the year. UPD contained costs by optimising its infrastructure and warehouses, while personnel costs were restricted through the efficient management of the staff mix.

UPD operates an innovative black empowerment programme where the majority of its distribution is outsourced to self-employed drivers from disadvantaged backgrounds operating their own vehicles. These owner/drivers account for 80% of UPD's total distribution volumes.

Strategic focus

Turnover growth is expected to slow down in the year ahead following the anniversary of the hospital supply contracts. UPD's focus will therefore be on improving its return on assets.

This will be achieved through continued improvement in operating efficiencies. A key enabler is the R45 million investment in the automation of the ethical warehouse at UPD's head office in Lea Glen, Gauteng, which is scheduled for completion in April 2007. Operating efficiency will be enhanced by replacing the current manual inventory picking process, resulting in time savings, fewer errors and ensuring a more compliant process. The security around ethical product will also be heightened as all manual interventions will be eliminated.

UPD is actively seeking to grow and diversify its income base by attracting new distribution contracts. The Musica distribution has already been moved to UPD and the business is tendering for third-party distribution contracts.

Efficiencies will be further enhanced by optimising synergies within the group in areas such as transport utilisation, buying and pricing.

UPD aims to add value to community pharmacy through the rejuvenation and development of its banner group, Multicare. UPD will provide independent pharmacies with the tools to improve their businesses, including training to pharmacists and pharmacy assistants, front shop marketing support, category management and business skills development. This will enable these pharmacies to be more competitive, particularly in the new dispensing fee regime, and increase levels of loyalty to UPD.

corporate governance report

New Clicks is committed to the principles and practice of good corporate governance to safeguard the interests of the company and all its stakeholders. The board acknowledges the relationship between high quality governance and long-term equity performance, recognising that investors afford premium ratings to well-managed businesses.

The group endorses the Code of Corporate Practices and Conduct contained in the King Committee Report on Corporate Governance ("King II"). The directors believe that New Clicks complies with the principles and spirit of King II and the provisions of the Listings Requirements of the JSE Limited.

The Governance committee of the board is responsible for ensuring compliance with King II and monitors governance practices across the group. Governance structures and processes are regularly reviewed and continually improved for the benefit of all stakeholders.

During the year the governance process was enhanced with the establishment of a board Transformation committee to accelerate empowerment in the group.

New Clicks recognises its responsibility to the broader society and communities in which it operates. Details of the group's relationships with its stakeholders on social, economic and environmental issues are outlined in the Corporate Citizenship Report on page 34.

Board of directors

Board charter

The board has a formal documented charter which confirms that the directors retain overall responsibility and accountability for:

- developing and adopting strategic plans;
- monitoring operational performance and management;
- ensuring effective risk management and internal controls;
- legislative and regulatory compliance;
- approval of annual financial statements;
- selection, orientation and evaluation of directors;
- the ongoing sustainability of the business; and
- ensuring balanced and transparent reporting to shareholders.

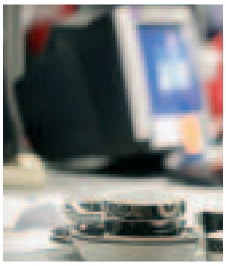
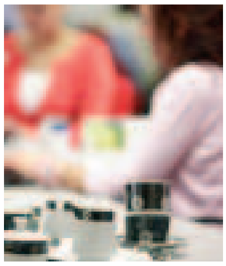
In line with best governance practice, the roles of the independent non-executive chairman, David Nurek, and the chief executive officer, David Kneale, are separate and clearly defined. This division of responsibilities at the helm of the company ensures a balance of authority and power, with no one individual having unrestricted decision-making powers.

Executive management and the board work closely together in determining the strategic objectives of the group. Authority has been delegated to the chief executive officer and the group executive for the implementation of the strategy and the ongoing management of the business. The directors are apprised of progress through reporting at board meetings and regular communications with management.

Board composition

During the year the board of directors was restructured and strengthened with the appointment of five new directors, including three executive directors. The changes were aimed at elevating the board's expertise in the areas of professional pharmacy and retailing, as well as acknowledging the role of the senior executives in leading the group.

David Kneale (chief executive officer), Keith Warburton (chief financial officer) and Michael Harvey (managing director of Clicks) were appointed as executive directors. Professor Peter Eagles and Martin Rosen were appointed as non-executive directors.

Executive directors Raymond Godfrey (31 December 2005) and Trevor Honneysett (23 January 2006) resigned from the board after deciding to take early retirement from the group. Non-executive directors Peter Swartz and Allen Zimbler resigned from the board with effect from 10 April 2006.

Subsequent to the year-end, Roy Smither was appointed as an independent non-executive director.

The board now consists of 10 directors, including three executive directors and seven non-executive directors. Biographical details of the directors appear on pages 8 and 9.

Six of the seven non-executive directors, including the chairman, are independent in terms of the King II classification. The remaining non-executive director, Peter Eagles, provides specialist consulting services to the group and is therefore not classified as independent. As the majority of non-executive directors are independent, this provides the necessary objectivity for the effective functioning of the board.

The non-executive directors have extensive experience across a diverse range of sectors, including accounting, law, retailing, pharmacy and human resources. This enables them to provide balanced and independent advice and judgement in the decision-making process.

Non-executive directors have direct access to management and may meet with management independently of the executive directors.

The company has no controlling shareholder or group of shareholders and there is no shareholder representation on the board.

The board meets at least four times a year in Cape Town, and additional meetings are convened at short notice to consider specific business issues. During the year the board met five times.

Board appointment

Directors do not have a fixed term of appointment. One-third of the directors are required to retire by rotation each year and are eligible for re-election by shareholders at the annual general meeting. Executive directors are subject to an 18-month notice period in terms of their conditions of employment. Executive directors retire at the age of 65, while there is no prescribed retirement age for non-executive directors.

Newly-appointed directors undergo a formal induction programme which outlines their fiduciary duties and provides an in-depth understanding of the group and its operations.

Board evaluation

As the effective functioning of the board is critical for sound governance to be practised in the company, the directors undertake an annual review of the board and its sub-committees. This includes an assessment of individual directors by their peers and senior management, as well as an evaluation of the chief executive, to benchmark performance against best practice. The results of these reviews are discussed with each director and chairman of each board sub-committee.

Company secretary

The company secretary is responsible for ensuring that board procedures and all relevant regulations are fully observed. He also provides guidance to the directors on governance, compliance and their fiduciary responsibilities.

All directors have unrestricted access to the advice and services of the company secretary. They are entitled to seek independent professional advice at the company's expense after consultation with the chairman of the board. No directors exercised this right during the year. Directors also have unrestricted access to all company information.

The company secretary co-ordinates the induction programme for newly-appointed directors as well as the board assessment process. The appointment and removal of the company secretary is a matter for the board and not executive management.

Board committees

The directors have delegated specific responsibilities to six sub-committees to support the board in meeting its oversight responsibilities. These committees are all chaired by independent non-executive directors. Each committee has a clearly-defined mandate and the directors confirm that the committees have functioned in accordance with these written terms of reference during the financial year.

Audit committee

The Audit committee ensures that management has created and maintained an effective control environment in the group. The responsibilities of the committee include:

- reviewing and approving the appropriateness of accounting and disclosure policies in the annual financial statements;
- assessing the effectiveness of internal controls;
- reviewing actions taken on major accounting issues;
- ensuring that management imposes no limitation on the scope of the audits; and
- monitoring the independence of external auditors, including the determination of a policy for the provision of non-audit services by the external auditors.

The committee consists of four independent non-executive directors, namely Robert Lumb (chairman), David Nurek, Eliot Osrin and Roy Smither. Executive directors, finance and internal audit staff, as well as the external audit partners and staff attend meetings at the invitation of the committee. The committee also meets separately with the external auditors.

In addition to the two formal meetings of the Audit committee, an internal audit committee meets quarterly and is attended by members of the Audit committee.

The head of internal audit has direct access to the Audit committee and the role of internal audit is contained in the committee's charter.

Remuneration committee

New Clicks is committed to remunerating employees on a fair and equitable basis. The primary functions of the committee are to:

- establish a remuneration policy which is aligned with the group strategy and performance goals;
- assess and review remuneration policies, employee share incentive schemes, performance bonuses and service contracts;
- approve the remuneration of executive directors and senior management;
- propose fees for non-executive directors, which are tabled for shareholder approval at the annual general meeting; and
- determine the participation in long-term incentive schemes.

The committee consists of three independent non-executive directors – David Nurek (chairman), Lucia Swartz and Martin Rosen – and non-executive director Peter Eagles. The chief executive officer attends by invitation.

Risk management committee

The committee assists the board in ensuring material compliance with the principles of risk management, as outlined in King II, by:

- reviewing risk management processes;
- assessing the risk appetite of the business;
- reviewing the risk philosophy, strategies and policies;
- evaluating the basis and adequacy of insurance cover; and
- identifying emerging areas of risk.

The committee consists of four independent non-executive directors – Robert Lumb (chairman), Eliot Osrin, Martin Rosen and Roy Smither – and non-executive director Peter Eagles. The three executive directors attend all meetings.

Governance committee

The board has mandated this committee to monitor compliance in both substance and form with the recommendations of King II and to incorporate best governance practice into the business.

The committee comprises the chairman of the board (David Nurek), the chief executive officer (David Kneale), chief financial officer (Keith Warburton) and company secretary (Allan Scott).

Nominations committee

The committee ensures that the board functions optimally, overseeing the composition of the board, the appointment of directors and succession planning.

The role of the committee is to:

- identify and recommend qualified candidates for directorships;
- advise on the composition of the board, review the board structure and size;
- ensure that the board has an appropriate balance of skills, experience and diversity;
- develop effective succession planning for senior management; and
- annually review the performance of the board, individual members and sub-committees.

The committee consists of the chairman of the board, David Nurek, and independent non-executive directors Robert Lumb, Eliot Osrin and Lucia Swartz. The chief executive officer attends by invitation.

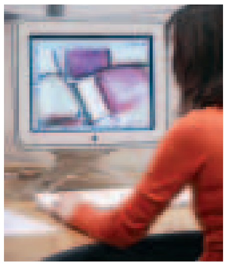
Transformation committee

As part of the board's commitment to accelerating the pace of transformation both internally and externally, a Transformation committee was established. The committee is responsible for monitoring progress across all areas of strategic empowerment, including employment equity, affirmative procurement, compliance with industry charters and ownership and control.

The committee comprises two independent non-executive directors, David Nurek (chairman) and Lucia Swartz, and non-executive director Peter Eagles. The chief executive officer, managing director of Clicks and the group director human resources attend the meetings along with other members of operational management.

Group executive committee

The management of the group has been delegated by the board to the chief executive. He is supported by the group executive committee which is responsible for the implementation of strategy and the operational performance of the group. During the



year under review the group executive was restructured and now comprises:

- David Kneale, chief executive officer
- Keith Warburton, chief financial officer
- Michael Harvey, managing director, Clicks
- Bertina Engelbrecht, group director human resources.

Remuneration

Remuneration policy

New Clicks aims to remunerate employees fairly in relation to the services provided and to reward them for performance at or above targeted levels through the payment of short-term performance bonuses.

The executive level of management is key to the future performance of the group. New Clicks therefore strives to develop, attract, retain and motivate executives of a high calibre. The remuneration package of the senior executives seeks to be competitive in the local retail sector and to align the incentive schemes with group performance in relation to the agreed short and long-term targets and objectives.

The packages of senior executives are structured as follows:

- basic remuneration package including benefits (retirement fund and medical aid);
- short-term incentive bonus scheme; and
- long-term share/phantom share incentive schemes.

Executive share incentive scheme

In 2005 the group introduced an incentive programme for senior executives which is directly linked to share price performance, aligning executive performance with the creation of shareholder value. Six million share appreciation rights were allocated under the scheme, with 50% vesting after three years and 50% after five years. A similar scheme was implemented in 2006 and 550 000 of the one million rights were allocated during the year.

The "exercise price" of the rights is dependent on the performance of the share price. Details of the target share price and exercise prices are contained in note 21 on page 77.

Board attendance

The attendance at board and board sub-committee meetings during the year was as follows:

	Board	Audit	Remuneration	Risk	Governance	Nominations	Transformation
Number of meetings	5	2	4	3	1	2	1
David Nurek [1 2 4 5 6]	5/5	2/2	4/4	–	1/1	2/2	1/1
Peter Eagles* [2 3 6]	2/2	–	2/2	2/2	–	–	1/1
Robert Lumb [1 3 5]	5/5	2/2	–	2/3	–	2/2	–
Eliot Osrin [1 3 5]	5/5	2/2	–	3/3	–	2/2	–
Lucia Swartz [2 5 6]	3/5	–	1/4	–	–	1/2	1/1
Peter Swartz+ [1 2]	3/3	0/1	2/2	–	–	–	–
Martin Rosen* [2 3]	2/2	–	2/2	2/2	–	–	–
Allen Zimbler+ [2 3]	3/3	–	1/2	0/1	–	–	–
Trevor Honneysett°	3/3	–	–	–	–	–	–
Raymond Godfrey§	0/1	–	–	–	–	–	–
David Kneale* [4]	2/2	–	–	–	1/1	–	–
Michael Harvey*	2/2	–	–	–	–	–	–
Keith Warburton* [4]	2/2	–	–	–	1/1	–	–

1 Member of the Audit committee
2 Member of the Remuneration committee
3 Member of the Risk committee
4 Member of the Governance committee
5 Member of the Nominations committee
6 Member of the Transformation committee
* Appointed 10 April 2006
\+ Resigned 10 April 2006
° Resigned 23 January 2006
§ Resigned 31 December 2005

Directors' remuneration

2006 Executive directors' remuneration

R'000	Salary	Bonuses	Australian bonus¥	Pension fund	Other benefits	Contractual payments	Total
Raymond Godfrey§	–	–	1 053	–	–	431	1 484
Michael Harvey*	610	274	–	61	46	–	991
Trevor Honneysett° >>	1 384	–	1 053	267	141	10 288	13 133
David Kneale*	1 415	406	–	127	36	–	1 984
Keith Warburton*	675	265	–	62	41	–	1 043
Total	4 084	945	2 106	517	264	10 719	18 635

>> Trevor Honneysett elected to take early retirement with effect from 30 April 2006 after 35 years' service with the group. In terms of his service contract, he was subject to a 12-month notice period. The board agreed to pay salary in lieu of serving out his notice period. In addition, Mr Honneysett will receive a gratuity in accordance with company policy which will be paid on 1 May 2007. The full present value of these benefits is included in the above table.

2006 Non-executive directors' remuneration

R'000	Directors' fees	Consultancy fees	Total
David Nurek	364	–	364
Peter Eagles* =	51	319	370
Robert Lumb	210	–	210
Eliot Osrin	150	–	150
Martin Rosen*	51	–	51
Peter Swartz+	108	–	108
Lucia Swartz^	114	–	114
Allen Zimbler+	84	–	84
Total	1 132	319	1 451

Total directors' remuneration

R'000	2006	2005
Executive directors	18 635	16 986
Non-executive directors	1 451	1 901
Total directors' remuneration	20 086	18 887

2005 Executive directors' remuneration

R'000	Salary	Australian bonus¥	Pension fund	Other benefits	Contractual payments	Total
Raymond Godfrey§	1 942	2 217	343	382	5 411	10 295
Trevor Honneysett°	3 224	2 217	610	640	–	6 691
Total	5 166	4 434	953	1 022	5 411	16 986

* Appointed 10 April 2006
§ Resigned 31 December 2005
° Resigned 23 January 2006
\+ Resigned 10 April 2006

¥ Contractual payments made to executive directors in terms of an incentive scheme relating to former subsidiary, New Clicks Australia (refer page 35 of the 2005 annual report)

= Professor Peter Eagles consults to the group on professional pharmacy and healthcare issues on a contractual basis with the University of the Western Cape (UWC) where he is employed as professor of pharmaceutical chemistry. During the year R189 000 was paid directly to Professor Eagles and R130 000 to UWC

^ Lucia Swartz's directors' fees are paid to her employer, Sappi Limited

2005 Non-executive directors' remuneration

R'000	Directors' fees	Consultancy fees	Total
David Nurek	324	–	324
Robert Lumb	187	–	187
Eliot Osrin	133	–	133
Peter Swartz+	159	–	159
Lucia Swartz^	101	–	101
Allen Zimbler+ #	122	875	997
Total	1 026	875	1 901

Directors' fees

Non-executive directors receive fees for their services as directors and for serving on board sub-committees. These fees reward the directors fairly for the time, service and expertise provided to the group. The non-executive directors no longer participate in the company share incentive scheme, although one non-executive director continues to hold share options which were allocated under a previous share incentive scheme.

The fee structure for directors has been adjusted with effect from September 2006 and is subject to approval by shareholders at the annual general meeting in January 2007. In addition to an average annual increase in fees of approximately 5.5%, the proposed structure brings the fees of the Risk management committee in line with those of the Audit committee and introduces fees for directors serving on the Nominations and Transformation committees.

Proposed fees

Board position	Proposed fees for 2006/7	Fees paid in 2005/6
Chairman of the board	295 000	280 000
Board member	95 000	90 000
Chairman: Audit committee	76 000	72 000
Audit committee member	38 000	36 000
Chairman: Remuneration committee	50 000	48 000
Remuneration committee member	25 000	23 500
Chairman: Risk management committee	76 000	48 000
Risk management committee member	38 000	23 500
Chairman: Nominations committee	50 000	–
Nominations committee member	25 000	–
Chairman: Transformation committee	50 000	–
Transformation committee member	25 000	–

corporate governance report (continued)

Directors' shareholdings

The beneficial interests of the directors of New Clicks Holdings at 31 August 2006 are set out below:

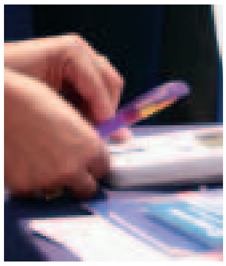
Shareholdings

Director	Direct beneficial interest		Indirect beneficial interest		Total	
	2006	2005	2006	2005	2006	2005
Executive						
David Kneale	100 000	–	–	–	100 000	–
Michael Harvey	10 000	–	–	–	10 000	–
Keith Warburton	–	–	5 000	–	5 000	–
Non-executive						
David Nurek	–	29 682	29 682	–	29 682	29 682
Peter Eagles	–	–	–	–	–	–
Robert Lumb	–	–	20 000	–	20 000	–
Eliot Osrin	135 413	135 413	–	–	135 413	135 413
Martin Rosen	–	–	–	–	–	–
Lucia Swartz	–	–	–	–	–	–
Total	245 413	165 095	54 682	–	300 095	165 095

Issued shares = 355 488 165. Percentage of issued share capital held by directors is 0.08%.

Share options

Issue date	Issue price	David Nurek	Michael Harvey	Total
January 1999	5.35	500 000	–	500 000
July 1999	7.80	–	20 000	20 000
September 2000	9.30	500 000	100 000	600 000
April 2001	7.40	–	150 000	150 000
July 2002	6.70	–	495 000	495 000
August 2003	6.30	–	740 000	740 000
Total		1 000 000	1 505 000	2 505 000



Internal accountability

Risk management

The board, through the Risk management committee, is responsible for setting risk policies, risk tolerance levels and ensuring that appropriate risk management processes have been implemented by management. The group has identified the following key risks:

- *Impact of HIV/AIDS*

  The group is exposed to the HIV/AIDS risk through both employees and customers. An employee impact assessment was undertaken by Metropolitan Life and HIV/AIDS management has been incorporated into a comprehensive employee wellness programme. The potential impact of the disease on the group's business has not been quantified. Clinics attached to dispensaries in many Clicks stores provide an HIV/AIDS counselling service to customers.

- *Black economic empowerment ("BEE")*

  New Clicks recognises that transformation and BEE have become increasingly relevant in the South African business landscape, particularly in the healthcare sector. During the year a board transformation committee was established to monitor progress of the group's BEE strategy. An evaluation of the group's BEE status was undertaken by empowerment rating agency, Empowerdex, and specific plans have been developed to address areas identified in the rating. A survey is being conducted to determine the BEE credentials of all merchandise and non-merchandise suppliers.

- *Healthcare legislation*

  After a protracted period of uncertainty, the revised pharmacy dispensing fees should bring stability to the Clicks pharmacy business and clarity to customers. Clicks had, however, implemented strategies to limit the impact of the interim pricing regulations. While Clicks has welcomed the new fee structure, the response from community pharmacy has been less favourable and may result in pharmacy closures. As this could potentially impact on UPD as a supplier to independent pharmacies, steps have been taken to mitigate the risk, including the development of the Multicare banner group to increase loyalty levels to UPD. The proposed capping of logistics fees could also impact on UPD's total income. New Clicks has developed constructive relationships with the Department of Health and continues to engage on regulatory issues.

- *Attraction and retention of talent*

  Attracting and retaining high-calibre employees is critical to the delivery of the group's strategies and objectives. The human resources function has been strengthened and strategies developed to position New Clicks as an employer of choice. The group is focusing on creating a performance-based culture, with reward systems being more closely aligned to performance and the creation of shareholder value.

- *Attraction and retention of pharmacy professionals*

  There is a shortage of healthcare professionals globally and South Africa is no exception. In order to attract and retain quality pharmacists, Clicks has developed several programmes to overcome the lack of availability of pharmacists. These include offering an accredited training academy for pharmacy assistants, continued professional development of pharmacists, more effective utilisation of qualified pharmacy assistants and incentivisation programmes for pharmacists.

- *Crime*

  The high level of crime manifests itself through loss of merchandise and cash, increased security costs and traumatisation of employees exposed to armed hold-ups. Operational management is strongly focused on preventative measures to reduce incidents of crime while appropriate insurance cover has been effected to mitigate losses. Shrinkage remains an area of risk and is being addressed through improved operational controls, enhanced systems capability and more effective inventory management.

- *Business continuity*

  Stores are dependent on uninterrupted support facilities and structures. The risk of disruption has been assessed and comprehensive business continuity plans have been developed for all distribution centres and an information technology disaster recovery plan is in place. Business continuity plans at the national store support centre in Cape Town are being continually enhanced.

- *Systems stability*

  Following the implementation of the new systems platform, systems stability issues were addressed by adapting business processes to the requirements of the new system. Operational compliance is being achieved through training, standardisation of operating procedures and score-carding.

- *Impact of technology on music industry*

  Musica is exposed to the impact of rapidly changing technology on the music industry. Strategies have been developed to ensure the sustainability and ongoing profitability of the business, while at the same time capitalising on these changes for business advantage. This includes transforming Musica into a broader entertainment brand, developing an online e-commerce platform and introducing a digital downloading offering.

Internal audit

Internal audit is an independent, objective appraisal and assurance function which is central to the group's governance structures. The role of internal audit is contained in the Audit committee charter and the internal audit charter. Internal audit encompasses the review of the

- effectiveness of the systems of internal control;
- means of safeguarding assets;
- reliability and integrity of financial and operating information;
- efficient management of the group's resources;
- efficient conduct of the operations; and
- compliance with applicable laws and regulations.

The internal audit function reports to the Audit committee and has the support of the board and management. Operationally, the internal audit manager reports to the chief financial officer who in turn reports to the chief executive officer. The internal audit manager has direct and unrestricted access to the chairman of the Audit committee.

Internal control

The board is accountable for systems of internal control which are designed to provide reasonable – but not absolute – assurance of the accuracy of financial reporting and the safeguarding of assets.

The Audit committee has reviewed the effectiveness of the systems of internal control. The board has been satisfied that management has 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 performance.

The implementation of the enterprise-wide systems platform proved challenging. After addressing systems stability issues in the early months of the financial year, business processes were adapted to the requirements of the new systems. Operational compliance with these processes has taken longer than expected. As a result, the year-end financial reporting and audit process took longer to complete than anticipated. As compliance with the systems improves, the group anticipates further benefits in the quality of reporting and analysis.

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

Personal share dealings

The group has an insider trading policy that precludes directors and staff from trading in the shares of New Clicks Holdings during two formalised closed periods. These closed periods run from the end of the interim and annual reporting periods until the financial results are disclosed on the Securities Exchange News Service (SENS).

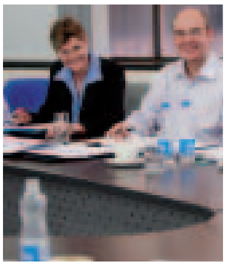
Embargoes can also be placed on share dealings if directors and executives have access to price-sensitive information which is not in the public domain.

Directors are required to obtain written clearance from the chairman prior to dealing in the company's shares. The chairman is required to obtain approval from the chairman of the Audit committee before undertaking any share dealings. It is also mandatory for directors to notify the company secretary of any dealings in the company's shares. This information is then disclosed on SENS within 48 hours of the trade being effected. These dealings are also reported retrospectively at board meetings.

Ethical behaviour and values

The group subscribes to the highest ethical standards of business practice. A set of values and behavioural principles requires staff to display integrity, mutual respect and openness, and affords them the right and obligation to challenge others who are not adhering to these values.

A fraud policy ensures that a firm stance is taken against fraud and the



prosecution of offenders. This policy outlines the group's response to fraud, theft and corruption committed by staff and external parties against the company. A forensic auditor in the internal audit department manages the legal processes relating to fraud cases to ensure the highest possible level of recovery for the group from any fraudulent behaviour.

Whistle-blowing is encouraged and staff can report suspected fraudulent or unethical behaviour via a toll-free telephone number. Every reported incident is investigated and during the year 52% of tip-offs uncovered unethical conduct. These cases resulted in disciplinary action ranging from formal warnings to corrective behaviour, dismissal and criminal prosecution.

Financial statements and external review

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

The financial statements have been prepared in accordance with International Financial Reporting Standards for the first time for the year ended 31 August 2006.

The external auditors are responsible for independently auditing and reporting on these financial statements in conformance with statements of International Standards of Auditing and applicable laws.

Going concern

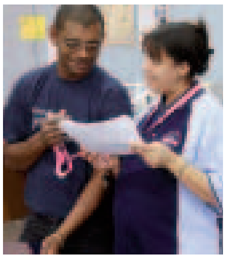
The directors are satisfied that the group has adequate resources to continue operating for the next 12 months and into the foreseeable future. The financial statements presented on pages 45 to 101 have accordingly been prepared on a going concern basis. The board is apprised of the group's going concern status at board meetings.

Independence of external auditors

The Audit committee has considered the independence of the group's external auditors, KPMG Inc, and are satisfied that they are independent. In particular, the Audit committee is satisfied that:

- the partners and staff responsible for the audit comply with legal and professional requirements with regard to rotation and independence, including the stipulation that they should not hold shares in New Clicks Holdings; and
- the non-audit services rendered to the group by KPMG Inc comply with the group's policy in respect of the nature of the services, the staff providing the service and the fees paid.

corporate citizenship report



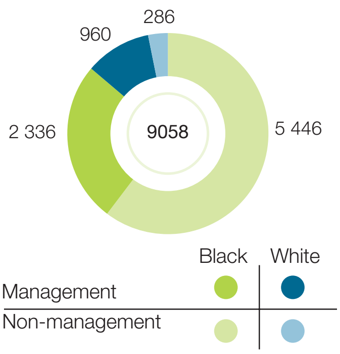
Introduction

New Clicks is acutely aware of its responsibility to focus on the non-financial drivers of its business to ensure the longer-term sustainability of the group and the communities it serves.

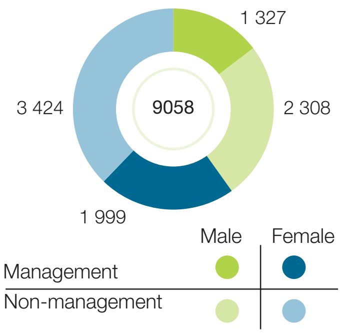
Permanent staff		2006	2005
Staff complement at the start of the year		8 947	9 011
Add:	Recruitments	2 252	1 727
Less:	Resignations	(1 683)	(1 354)
	Deaths	(35)	(27)
	Dismissals	(314)	(294)
	Retirements	(17)	(25)
	Retrenchments	(92)	(91)
Staff complement at the end of the year		9 058	8 947

Casual staff	
Number of staff at 31 August 2005	2 719
Number of staff at 31 August 2006	3 421

Employment equity



Gender equity



As a committed corporate citizen, New Clicks seeks to develop mutually constructive and beneficial relationships with its stakeholder base. Primary stakeholders of the group include shareholders, customers, employees, suppliers, government, labour, media and the community.

While there are no formalised management systems to monitor or measure New Clicks' social, economic and environmental impact, the group has made steady progress over the past year in engaging with stakeholders across a broad front and in particular addressing sustainability issues relating to employees. The group recognises that employees' well-being is critical to the delivery to all other stakeholders.

Employees

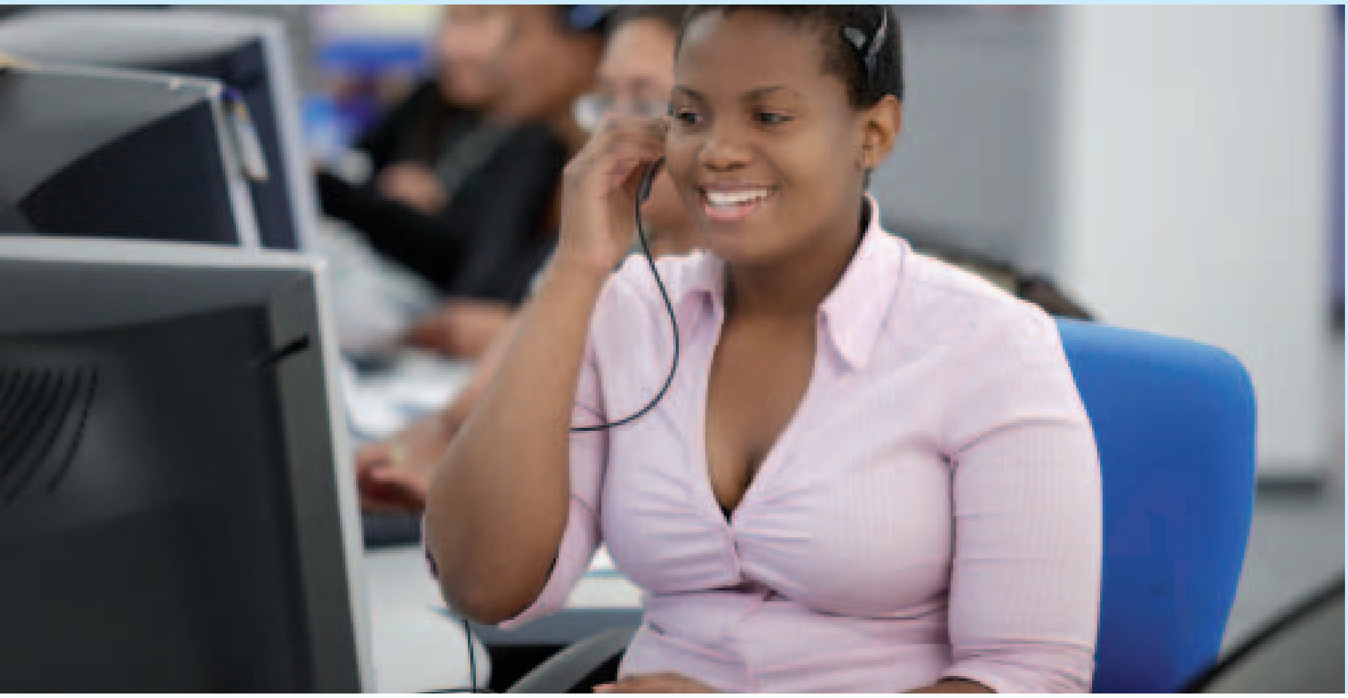
One of the three key medium-term goals identified by the new management team is to ensure New Clicks has *competent and motivated people* working in the group. During the year the human resources ("HR") function was repositioned and strengthened through the establishment of a centralised HR department. This included the appointment of a group HR director, Bertina Engelbrecht. The status of the function has also been elevated, with HR now being represented on the group's executive committee for the first time.

Progress against strategic HR deliverables in 2006 included:

- an increased focus on developing a performance-based culture and delivery against business objectives;
- implementing a leadership development workshop for the top 50 leaders across the group to ensure strategic alignment and cross-functional teamwork;
- a significant increase in the number of learnerships from 108 to 381;
- a shift towards a more constructive and interactive relationship with trade union representatives;
- establishing New Clicks as an employer of choice in selected candidate and graduate markets, including pharmacy; and

Bertina Engelbrecht
B Proc, LL M, admitted attorney
Group human resources director

Joined the group in July 2006
Previously general manager Shell SA Energy



- development of an employee wellness programme.

The group has complied with the requirements of all employee-related legislation, including the Basic Conditions of Employment, the Labour Relations, Employment Equity and Skills Development Acts.

Employment equity
The group's HR policies favour the empowerment and advancement of previously disadvantaged people, with the objective of creating racial and gender equity. During the past year, black staff accounted for 82% of new appointments and 13% of management level appointments. Women made up 56% of new appointments.

Further indicators of progress towards meaningful employment equity include:

- black staff comprise 86% of the total staff complement (2005: 85%);
- women comprise 60% of staff (2005: 61%);
- 71% of management are black (2005: 69%);
- 60% of management are women (2005: 59%); and
- 20% of directors are black (2005: 25%), with one female director.

Employee development
All staff development and training is co-ordinated by the New Clicks Skills Development Unit ("SDU") which is an accredited training provider. The SDU is registered with both the Wholesale and Retail Sector Education and Training Authority ("SETA") and the Health and Welfare SETA.

New Clicks invested R15.8 million – the equivalent of 3% of the basic payroll cost – on training and skills development during the year. A total of 1 382 delegates attended training courses, amounting to 15% of the total workforce. The group again qualified for a full refund under the Skills Development Levy and these funds were reinvested in training.

Through an educational assistance scheme, 101 employees received financial support totalling R449 000 for tertiary education, management development and job-related skills development programmes. Study loans are provided to employees and repaid over the duration of the course. The total cost is reimbursed on the successful completion of a course.

Leadership development
The group offers two formal programmes aimed at developing leadership potential:

- The *Management Development Programme* focuses on leadership development, communication and interpersonal skills, people development, performance management, teamwork and values. 16 courses were presented, attended by 122 delegates.
- *Retail Business School* is a five-day course which promotes a broader understanding of the business environment within New Clicks, the country and globally. Subjects are jointly presented by industry authorities or academics, together with in-house experts. Modules

include strategy and organisation, economics, finance, marketing, merchandise management and retail operations. 86 members of middle to executive management attended the three courses during the year.

Employee wellness

A comprehensive employee wellness programme has been introduced to provide a free counselling and advice service to employees. The main elements of the programme include:

- a 24-hour toll-free helpline providing assistance on substance abuse, family support, legal advice and money management;
- personal counselling by professional clinicians for employees and families;
- trauma debriefing and counselling;
- lifecare counselling and awareness;
- HIV/AIDS disease management; and
- occupational health.

HIV/AIDS management

New Clicks is exposed to the HIV/AIDS risk from both employees and customers. No formal assessment has been commissioned on the impact of the disease on the group's business and its customer base. However, the group serves a wide range of socio-economic groups given the diversity of its operations and the target markets of the respective businesses. It is therefore assumed that the published national and provincial HIV/AIDS prevalence rates apply to customers and employees alike. Accurate figures of HIV/AIDS infection rates among employees are not available owing to the confidential nature of the HIV status of employees.

An HIV/AIDS employee impact assessment was undertaken by Metropolitan Life. Staff sensing surveys were also conducted to understand the priority areas in the management of HIV/AIDS for employees. This preliminary research indicated the need for a more holistic approach to HIV/AIDS management rather than a limited focus on prevention through education and condom distribution.

As outlined above, the group has incorporated the management of HIV/AIDS into its employee wellness programme, recognising that the disease cannot be managed in isolation of other employee health issues. The disease management programme is co-ordinated by Qualsa, an accredited managed healthcare provider.

Environment

An environmental policy has been developed and approved by the board, outlining the group's commitment to meeting the needs of customers and staff in an environmentally sound and sustainable manner. An environmental forum was established during the year to create an awareness of environmental conservation and co-ordinate programmes, including ways to conserve energy, optimise water usage, minimise waste and encourage recycling. Specific energy and water-saving measures were introduced at head office and stores during the year.

Occupational health and safety

The group has implemented a social, health and environmental ("SHE") policy, as required by King II. Compliance with the Occupational Health and Safety Act ("OHSA") focuses mainly on the group's retail distribution centres located in Cape Town, Durban and Johannesburg, while UPD has branches in Lea Glen (Gauteng), Cape Town, Bloemfontein, Durban and Port Elizabeth.

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

The National Occupational Safety Association ("NOSA") has conducted safety, health and environmental audits at the distribution centres. The Montague Gardens distribution centre in Cape Town achieved a five star NOSA rating.

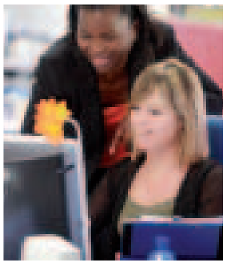
Compliance certificates have been issued by the Automatic Sprinkler Inspection Bureau, confirming that fire protection services are in sound condition.

Black empowerment procurement

The Transformation committee of the board monitors the group's black economic empowerment ("BEE") strategy, covering ownership and control, employment equity, skills development, affirmative procurement enterprise development and social development. The group commissioned independent economic empowerment rating agency, Empowerdex, to conduct an evaluation on the group's BEE status. This evaluation has helped to guide and to start focusing the group's BEE strategy.

The group is currently developing a BEE plan for merchandise and non-merchandise procurement. The group's total procurement spend exceeded R8.6 billion during 2006. All major suppliers have been requested to complete questionnaires detailing their BEE credentials.

UPD operates an innovative black empowerment programme where the majority of its distribution is outsourced to self-employed drivers from disadvantaged backgrounds operating their own vehicles. These owner/drivers are guaranteed a minimum workload each month and account for 80% of UPD's total distribution volume. At year-

end 120 owner/drivers were contracted directly to UPD and these drivers in turn sub-contracted a further 63 drivers.

Shareholders and media

New Clicks is committed to regular and transparent communication with the investment community and financial media. A formalised communications policy outlines the principles and practices to be followed by the group in its dealings with regulators, shareholders, analysts and media. A guiding philosophy is that all information is provided equally and simultaneously to all market participants.

The chief executive officer, chief financial officer and managing director of Clicks are the group's designated spokesmen and are accessible to shareholders. During the year these executives held 68 meetings with local and international shareholders and analysts. No meetings are scheduled during any formal closed periods.

All investor meetings are formally documented and attended by more than one person to ensure information is not disclosed on a selective basis.

The group's interim and final results are presented to investors and media, with presentations being held in Cape Town during the year. These presentations are followed by roadshows to sell-side analysts and institutional shareholders in both Cape Town and Johannesburg.

Results presentations were broadcast live on subscriber television for the first time this year. Presentations are webcast to broaden accessibility to private and institutional investors alike, both locally and offshore.

Shareholders are encouraged to attend the annual general meeting where the group provides an update on developments within the company and trading performance.

All information released on SENS is also distributed to an extensive database of investors and analysts globally.

Additional information which is not price sensitive is regularly communicated to investors to ensure investors are kept abreast of operational developments in the group.

The group retains the services of an investor relations consultancy to co-ordinate and advise on all aspects of the investor relations and financial communications programmes.

Corporate social investment

New Clicks is committed to corporate social investment as a means of uplifting disadvantaged communities and creating sustainable development in the country. The New Clicks Foundation has invested close to R3 million in social upliftment projects since its formation in 2002.

The Foundation supports projects that improve the lives of impoverished communities, encourage self-help and lead to personal empowerment. Increasing emphasis is being placed on social investment projects which are aligned with the group's businesses and have a national impact.

Funding is not provided to individuals, political or religious groups, organisations with poor financial management or projects which have limited sustainability.

The activities of the Foundation are co-ordinated by a board of trustees which includes representatives of senior management and staff. The trustees determine the funding policy, evaluate requests for financial support, assess progress of current programmes and monitor the utilisation of funds.

The major projects supported by the Foundation during the year were:

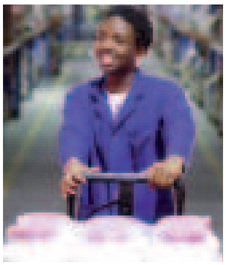
- The SunSmart campaign in partnership with the Cancer Association of South Africa ("CANSA"), aimed at promoting awareness of skin cancer and reducing incidence of the disease. This strategic partnership between Clicks and CANSA is now in its third year.
- Through The Body Shop, the Foundation supports The Big Issue, a social development and upliftment project which assists homeless people to earn a living through magazine sales and integrates them back into the formal job market. New Clicks has invested close to R1 million in The Big Issue over the past seven years, including R100 000 this year, mainly for the development and training of vendors in Gauteng.
- Musica continues to support DeafSA in promoting deaf awareness and generating funds for hearing-impaired South Africans. This sponsorship supports Musica's positioning as *The Soul Store* by assisting people who are unable to share the experience of listening to music. Musica also supports the Noluthando School for the Deaf in the Western Cape.
- New Clicks has been one of the main supporters of the Woodstock Upliftment Project, a programme to address the social challenges facing the community of Woodstock where the group's head office is located. Through the efforts of this forum, the Cape Town City Council has approved the establishment of the Woodstock Improvement District and levies from all business property owners in the area will now be used to improve services, including lighting, cleansing, greening and security.
- UPD's social responsibility programme includes an annual contribution of R30 000 to the SA Pharmacy Council bursary fund which covers the training of five Bachelor of Pharmacy students.

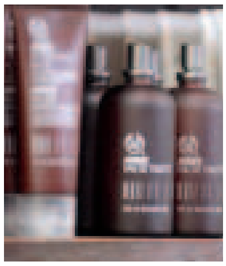
Financial support was also granted to Nazareth House, Lifeline/Childline, Education Alive, Wola Nani (for World AIDS Day), The Homestead and The Marion Institute.

five-year review

			Post-IFRS 2006	Post-IFRS 2005
Income Statement	Turnover	R'000	10 000 621	8 714 338
	Gross profit	R'000	1 953 576	1 778 578
	Headline earnings	R'000	251 612	200 530
Balance Sheet	Ordinary shareholders' interest	R'000	1 593 949	1 416 939
	Interest-bearing loans and borrowings	R'000	213 706	260 707
	Property, plant and equipment	R'000	703 636	675 826
	Inventories	R'000	1 443 161	1 440 090
	Total assets	R'000	3 684 407	3 331 679
Cash Flow	Net cash effects of operating activities	R'000	117 637	(13 144)
	Net interest paid	R'000	60 003	49 086
	Capital expenditure	R'000	162 315	170 106
	Depreciation and amortisation	R'000	108 602	104 734
Performance	Turnover growth	%	14.8	8.6
	Comparable stores turnover growth	%	9.9	8.9
	Gross profit growth	%	9.8	*
	Gross profit margin	%	19.5	20.4
	Inventory turn	times	6.9	6.1
	Current ratio	times	1.4	1.3
	Return on total assets	%	7.2	6.0
	Return on shareholders' interest	%	16.7	14.2
	Interest-bearing debt to shareholders' interest at year-end	%	16.4	19.4
	Effective tax rate	%	25.5	30.1
Exchange Rates	Rand/US Dollar – average rate	R/US$	6.48	6.23
	Rand/US Dollar – closing rate	R/US$	7.19	6.48
Statistics	Number of permanent employees		9 058	8 947
	Number of stores – company owned		664	663
	Number of stores – franchised		15	15
	Weighted retail trading area – company owned	m^2	237 575	249 417
Share Statistics	Number of shares in issue (gross)	'000	355 488	370 260
	Number of shares in issue (net of treasury shares)	'000	347 613	340 519
	Weighted average number of shares (net of treasury shares)	'000	344 337	339 914
	Weighted average diluted number of shares (net of treasury shares)	'000	354 365	349 358
	Headline earnings per share – undiluted	cents	73.1	59.0
	Headline earnings per share – diluted	cents	71.0	57.4
	Distribution per share	cents	33.2	29.7
	Distribution cover	times	2.2	2.0
	Share price – closing	cents	1 035	810
	Share price – high	cents	1 121	990
	Share price – low	cents	780	690
	Net asset value per share at 31 August	cents	459	416
	Net tangible asset value per share at 31 August	cents	320	275
	Market capitalisation (gross) at 31 August	R'000	3 679 301	2 999 106
	Market capitalisation (net of treasury shares) at 31 August	R'000	3 597 795	2 758 204
	Price earnings ratio at 31 August	times	14.2	13.7
	Volume of shares traded	'000	226 921	131 882
	Percentage of shares traded	%	65.9	38.8
	Shareholders' return	cents	258	70
	Increase/(decrease) in share price	cents	225	40
	Distribution per share	cents	33	30
Other Information	Inflation rate (CPI)	%	5.4	3.9
	Interest rates			
	Prime overdraft rate – closing	%	11.5	10.5
	Prime overdraft rate – average	%	10.7	10.8
	R153 – closing	%	8.7	7.7
	R153 – average	%	7.7	8.0
	FTSE/JSE Africa share indices			
	All Share Index		21 954	15 414
	General Retailers Index		23 521	22 163

* Not available as 2004 income statement has not been restated in accordance with IFRS





Pre-IFRS 2005	Pre-IFRS 2004	Pre-IFRS 2003	Pre-IFRS 2002
8 714 338	8 024 123	7 367 739	5 487 791
1 709 476	1 747 350	1 756 190	1 555 401
221 638	264 660	221 296	157 546
1 340 223	1 319 155	1 608 510	1 221 757
260 707	340 549	442 013	230 546
708 895	659 347	747 263	612 537
1 621 880	1 411 339	1 401 061	1 055 137
3 190 175	3 157 433	3 453 830	2 468 580
(13 144)	218 962	337 208	213 665
49 086	59 778	84 117	67 220
170 106	160 349	203 005	158 005
104 734	109 021	103 726	97 075
8.6	8.9	34.3	25.7
8.9	8.1	8.0	9.2
(2.2)	(0.5)	12.9	27.6
19.6	21.8	23.8	28.3
5.4	5.6	5.3	5.2
1.4	1.5	1.3	1.3
7.0	8.0	7.5	7.1
16.7	18.4	15.6	14.1
20.5	26.5	27.7	27.8
30.0	121.3	28.1	29.6
6.23	6.65	8.55	10.49
6.48	6.68	7.36	10.64
8 947	9 011	7 973	6 364
663	681	729	699
15	15	213	192
249 417	231 037	273 636	261 539
370 260	361 205	354 118	305 172
340 519	345 391	354 118	305 172
339 914	353 571	337 587	301 772
350 433	363 046	342 906	317 272
65.2	74.9	65.6	52.2
63.2	72.9	64.5	49.7
29.7	35.0	26.0	24.0
2.2	2.1	2.5	2.1
810	770	665	650
990	799	715	930
690	660	501	555
394	382	454	400
368	352	388	341
2 999 106	2 781 279	2 354 885	1 983 618
2 758 204	2 659 511	2 354 885	1 983 618
12.4	10.3	10.1	12.5
131 882	163 031	156 283	180 585
38.8	46.1	46.3	59.8
70	140	41	(235)
40	105	15	(259)
30	35	26	24
3.9	1.0	5.1	10.3
10.5	11.0	14.5	16.0
10.8	11.9	16.6	14.3
7.7	8.9	9.5	11.6
8.0	9.4	10.4	11.5
15 414	11 160	9 226	9 677
22 163	13 344	9 584	6 439

Notes:

1. These are group results which include the results of the Australian operations from prior to 2002 to 28 December 2003 and Intercare Managed Healthcare (Proprietary) Limited from 2002 to 1 March 2004.
2. The results of the Purchase Milton & Associates group of pharmacies have been consolidated since 1 March 2004.
3. New United Pharmaceutical Distributors was acquired with effect from 1 January 2003.
4. The operating lease accrual detailed in note 22 was applicable from the 2004 financial year. The results from (and including) the 2004 financial year have been adjusted in accordance with this interpretation.
5. As the group has applied IFRS for the first time in the current year, the five-year review information incorporates IFRS-adjusted financial information for the 2005 and 2006 financial years only. Information in respect of earlier financial periods remains that reported in accordance with SA GAAP.
6. Property, plant and equipment includes investment properties.
7. For an explanation of terms used, please refer to the Definitions section on page 111 of this report.

currency-adjusted income statement

for the year ended 31 August 2006

	2006 R'000	2005 R'000	2006 US$'000	2005 US$'000
Turnover	10 000 621	8 714 338	1 543 306	1 398 770
Cost of merchandise sold	8 047 045	6 935 760	1 241 828	1 113 284
Gross profit	1 953 576	1 778 578	301 478	285 486
Other income	449 721	385 925	69 401	61 946
Expenses	2 015 950	1 859 156	311 105	298 419
Depreciation and amortisation	103 382	99 321	15 954	15 942
Occupancy costs	316 924	295 426	48 908	47 420
Employment costs	942 364	814 824	145 427	130 790
Other operating costs	647 658	626 358	99 947	100 539
Impairment of property, plant and equipment	3 159	6 143	488	986
Loss on disposal of property, plant and equipment	1 209	270	187	43
Goodwill impairment	1 254	16 814	194	2 699
Operating profit before financing costs	387 347	305 347	59 774	49 013
Net financing costs	(57 219)	(49 086)	(8 830)	(7 878)
Financial income	11 370	7 878	1 755	1 265
Financial expenses	(68 589)	(56 964)	(10 585)	(9 143)
Profit before tax	330 128	256 261	50 944	41 135
Income tax expense	84 138	77 098	12 984	12 375
Profit for the year	245 990	179 163	37 960	28 760
Reconciliation of headline earnings				
Profit for the year	245 990	179 163	37 960	28 760
Adjustment for				
Impairment of property, plant and equipment	3 159	4 362	488	700
Loss on disposal of property, plant and equipment	1 209	191	187	31
Goodwill impairment	1 254	16 814	194	2 699
Headline earnings	251 612	200 530	38 829	32 190
Rates used for currency conversion			R	R
Average rate			6.48	6.23

2006 €'000	2005 €'000	2006 £'000	2005 £'000
1 261 112	1 103 081	862 123	757 769
1 014 760	877 944	693 711	603 110
246 352	225 137	168 412	154 659
56 711	48 851	38 769	33 559
254 217	235 336	173 788	161 665
13 037	12 572	8 912	8 637
39 965	37 396	27 321	25 689
118 835	103 142	81 238	70 854
81 672	79 286	55 833	54 466
398	778	272	534
152	34	104	23
158	2 128	108	1 462
48 846	38 652	33 393	26 553
(7 215)	(6 214)	(4 933)	(4 268)
1 434	997	980	685
(8 649)	(7 211)	(5 913)	(4 953)
41 631	32 438	28 460	22 285
10 610	9 759	7 253	6 704
31 021	22 679	21 207	15 581
31 021	22 679	21 207	15 581
398	552	272	379
152	24	104	17
158	2 128	108	1 462
31 729	25 383	21 691	17 439
R	R	R	R
7.93	7.90	11.60	11.50

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

currency-adjusted balance sheet

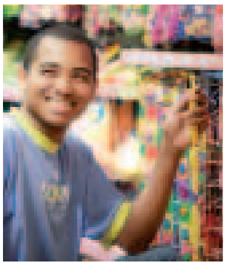
at 31 August 2006

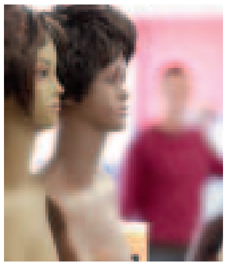
	2006 R'000	2005 R'000	2006 US$'000	2005 US$'000
Assets				
Non-current assets	1 284 722	1 298 271	178 681	200 350
Property, plant and equipment	696 736	668 926	96 903	103 229
Investment property	6 900	6 900	960	1 065
Intangible assets	397 450	396 603	55 278	61 204
Goodwill	83 950	83 950	11 676	12 955
Deferred tax assets	24 363	73 750	3 388	11 381
Loans receivable	75 323	68 142	10 476	10 516
Current assets	2 399 685	2 033 408	333 753	313 797
Inventories	1 443 161	1 440 090	200 718	222 236
Trade and other receivables	792 557	480 355	110 230	74 129
Income tax receivable	86 474	37 903	12 027	5 849
Loans receivable	1 481	–	206	–
Cash and cash equivalents	40 111	60 311	5 579	9 307
Derivative financial assets	35 901	14 749	4 993	2 276
Total assets	3 684 407	3 331 679	512 434	514 147
Equity and liabilities				
Equity	1 593 949	1 416 939	221 690	218 663
Non-current liabilities	325 785	308 466	45 310	47 602
Interest-bearing loans and borrowings	150 855	167 683	20 981	25 877
Employee benefits	28 116	17 457	3 910	2 694
Deferred tax liabilities	45 669	37 820	6 352	5 836
Operating lease liability	101 145	85 506	14 067	13 195
Current liabilities	1 764 673	1 606 274	245 434	247 882
Bank overdraft	47 000	13 903	6 537	2 146
Trade and other payables	1 490 386	1 370 099	207 286	211 434
Employee benefits	105 475	71 285	14 670	11 001
Provisions	41 416	42 090	5 760	6 495
Interest-bearing loans and borrowings	62 851	93 024	8 741	14 356
Derivative financial liabilities	–	2 500	–	386
Income tax payable	17 545	13 373	2 440	2 064
Total equity and liabilities	3 684 407	3 331 679	512 434	514 147
Rates used for currency conversion			R	R
Closing rate			7.19	6.48

currency-adjusted statement of cash flows

for the year ended 31 August 2006

	2006 R'000	2005 R'000	2006 US$'000	2005 US$'000
Cash generated by operations	351 264	257 665	54 207	41 359
Net interest paid	(60 003)	(49 086)	(9 260)	(7 879)
Taxation paid	(71 301)	(109 258)	(11 003)	(17 537)
Cash effects of operating activities before distributions	219 960	99 321	33 944	15 943
Distributions paid to shareholders	(102 323)	(112 465)	(15 791)	(18 052)
Net cash effects of operating activities	117 637	(13 144)	18 153	(2 109)
Net cash effects of investing activities	(101 543)	(182 660)	(15 670)	(29 319)
Net cash effects of financing activities	(69 391)	(149 478)	(10 708)	(23 993)
Net decrease in cash and cash equivalents	(53 297)	(345 282)	(8 225)	(55 421)
Rates used for currency conversion			R	R
Average rate			6.48	6.23





2006 €'000	2005 €'000	2006 £'000	2005 £'000
141 646	163 923	95 447	112 211
76 818	84 460	51 763	57 816
761	871	513	596
43 820	50 076	29 528	34 279
9 256	10 600	6 237	7 256
2 686	9 312	1 810	6 374
8 305	8 604	5 596	5 890
264 573	256 742	178 282	175 749
159 114	181 828	107 218	124 468
87 382	60 651	58 882	41 517
9 534	4 786	6 425	3 276
163	–	110	–
4 422	7 615	2 980	5 213
3 958	1 862	2 667	1 275
406 219	420 665	273 729	287 960
175 739	178 906	118 421	122 467
35 919	38 947	24 204	26 661
16 632	21 172	11 208	14 493
3 100	2 204	2 089	1 509
5 035	4 775	3 393	3 269
11 152	10 796	7 514	7 390
194 561	202 812	131 104	138 832
5 182	1 755	3 492	1 202
164 320	172 992	110 727	118 419
11 629	9 001	7 836	6 161
4 566	5 314	3 077	3 638
6 930	11 745	4 669	8 040
–	316	–	216
1 934	1 689	1 303	1 156
406 219	420 665	273 729	287 960
R	R	R	R
9.07	7.92	13.46	11.57

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

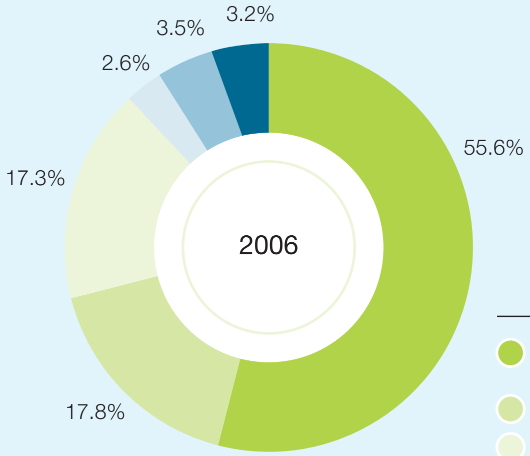
2006 €'000	2005 €'000	2006 £'000	2005 £'000
44 296	32 616	30 281	22 406
(7 567)	(6 213)	(5 173)	(4 268)
(8 991)	(13 830)	(6 147)	(9 501)
27 738	12 573	18 961	8 637
(12 903)	(14 236)	(8 821)	(9 780)
14 835	(1 663)	10 140	(1 143)
(12 805)	(23 122)	(8 754)	(15 883)
(8 750)	(18 921)	(5 982)	(12 998)
(6 720)	(43 706)	(4 596)	(30 024)
R	R	R	R
7.93	7.90	11.60	11.50

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

value added statement

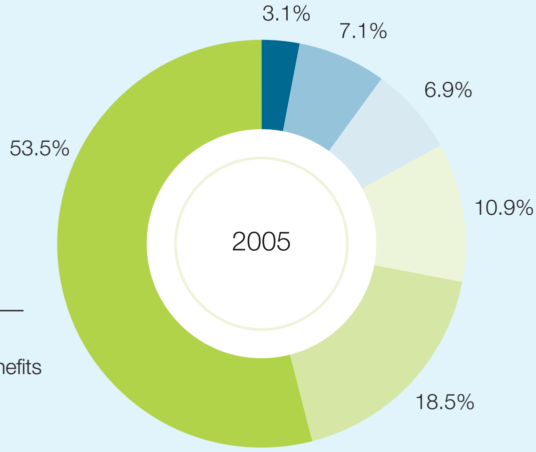
for the year ended 31 August 2006

	2006 R'000	2006 %	2005 R'000	2005 %
Turnover	10 000 621		8 714 338	
Other income	449 721		385 925	
Paid to suppliers for goods and services	(8 671 982)		(7 507 195)	
Value added	1 778 360		1 593 068	
Applied as follows:				
Employees – salaries, wages and other benefits	988 557	55.6%	852 314	53.5%
Lessors for use of premises	316 924	17.8%	295 426	18.5%
Lenders for monies borrowed	57 219	3.2%	49 086	3.1%
Providers of capital – cash distributions	62 755	3.5%	112 465	7.1%
Tax	46 156	2.6%	109 709	6.9%
Corporate tax	26 902	1.5%	90 346	5.7%
Property taxes	3 669	0.2%	3 779	0.2%
RSC levies	15 585	0.9%	15 584	1.0%
Reinvested in the group	306 749	17.3%	174 068	10.9%
Deferred tax	57 236	3.2%	(13 248)	(0.8%)
Depreciation and amortisation	108 602	6.1%	104 734	6.6%
Retained income	140 911	8.0%	82 582	5.1%
Distribution of value added	1 778 360	100.0%	1 593 068	100.0%



Distribution of value added

- Employees – salaries, wages and other benefits
- Lessors for use of premises
- Reinvested in the group
- Tax
- Providers of capital – cash distributions
- Lenders for monies borrowed



consolidated income statement

for the year ended 31 August 2006

	Notes	2006 R'000	2005 R'000
Revenue	1	10 461 712	9 108 141
Turnover	1	10 000 621	8 714 338
Cost of merchandise sold		8 047 045	6 935 760
Gross profit		1 953 576	1 778 578
Other income	1	449 721	385 925
Expenses		2 015 950	1 859 156
Depreciation and amortisation	2	103 382	99 321
Occupancy costs	3	316 924	295 426
Employment costs	4	942 364	814 824
Other operating costs	5	647 658	626 358
Impairment of property, plant and equipment	8	3 159	6 143
Loss on disposal of property, plant and equipment		1 209	270
Goodwill impairment	11	1 254	16 814
Operating profit before financing costs		387 347	305 347
Net financing costs		(57 219)	(49 086)
Financial income	1	11 370	7 878
Financial expenses		(68 589)	(56 964)
Profit before tax		330 128	256 261
Income tax expense	6	84 138	77 098
Profit for the year		245 990	179 163
Basic earnings per share (cents)			
– undiluted	7	71.4	52.7
– diluted	7	69.4	51.3

consolidated balance sheet

at 31 August 2006

	Notes	2006 R'000	2005 R'000
Assets			
Non-current assets		1 284 722	1 298 271
Property, plant and equipment	8	696 736	668 926
Investment property	9	6 900	6 900
Intangible assets	10	397 450	396 603
Goodwill	11	83 950	83 950
Deferred tax assets	12	24 363	73 750
Loans receivable	13	75 323	68 142
Current assets		2 399 685	2 033 408
Inventories	14	1 443 161	1 440 090
Trade and other receivables	15	792 557	480 355
Income tax receivable		86 474	37 903
Loans receivable	13	1 481	–
Cash and cash equivalents		40 111	60 311
Derivative financial assets	16	35 901	14 749
Total assets		3 684 407	3 331 679
Equity and liabilities			
Equity		1 593 949	1 416 939
Share capital	17	3 555	3 703
Share premium	17	815 791	964 077
Share option reserve	18	20 037	14 414
Treasury shares	17	(69 624)	(249 678)
Non-distributable reserve	19	618	508
Distributable reserve		823 572	683 915
Non-current liabilities		325 785	308 466
Interest-bearing loans and borrowings	20	150 855	167 683
Employee benefits	21	28 116	17 457
Deferred tax liabilities	12	45 669	37 820
Operating lease liability	22	101 145	85 506
Current liabilities		1 764 673	1 606 274
Bank overdraft		47 000	13 903
Trade and other payables	23	1 490 386	1 370 099
Employee benefits	21	105 475	71 285
Provisions	24	41 416	42 090
Interest-bearing loans and borrowings	20	62 851	93 024
Derivative financial liabilities	16	–	2 500
Income tax payable		17 545	13 373
Total equity and liabilities		3 684 407	3 331 679

consolidated statement of cash flows

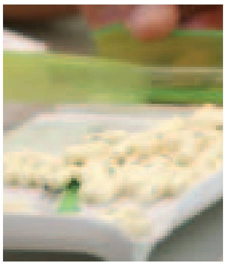
for the year ended 31 August 2006

	Notes	2006 R'000	2005 R'000
Cash effects of operating activities			
Cash generated by operations	26.1	351 264	257 665
Interest received		11 370	7 878
Interest paid		(71 373)	(56 964)
Tax paid	26.2	(71 301)	(109 258)
Cash inflow from operating activities before distributions		219 960	99 321
Distributions paid to shareholders	25	(102 323)	(112 465)
Net cash effects of operating activities		117 637	(13 144)
Cash effects of investing activities			
Investment in property, plant and equipment to maintain and expand operations		(156 336)	(148 783)
Investment in intangible assets		(5 979)	(21 323)
Acquisition of additional goodwill		(1 254)	(2 484)
Proceeds on disposal of property, plant and equipment		20 688	16 204
Decrease/(increase) in loans receivable		41 338	(26 274)
Net cash effects of investing activities		(101 543)	(182 660)
Cash effects of financing activities			
Proceeds from the issue of share capital	26.3	74 394	57 061
Purchase of treasury shares		(46 784)	(126 697)
Interest-bearing loans and borrowings repaid		(97 001)	(79 842)
Net cash effects of financing activities		(69 391)	(149 478)
Net decrease in cash and cash equivalents for the year		(53 297)	(345 282)
Cash and cash equivalents at the beginning of the year		46 408	391 690
Cash and cash equivalents at the end of the year	26.4	(6 889)	46 408

consolidated statement of changes in equity

for the year ended 31 August 2006

	Net number of shares in issue (Note 17) '000	Share capital (Note 17) R'000
Balance at 1 September 2004 restated in accordance with IFRS	345 391	3 612
Balance at 1 September 2004 as previously stated in accordance with SA GAAP	345 391	3 612
Impact of conversion to IFRS (see note 35)	–	–
Reallocation of non-distributable reserve relating to trademarks (see note 35)	–	–
Adjustments (see note 35)	–	–
Shares issued in respect of options	9 055	91
Share issue expenses written off	–	–
Treasury shares purchased	(13 927)	–
Total recognised income and expenses for the year	–	–
Foreign currency translation reserve	–	–
Deferred tax on write-off of intangible assets restated	–	–
Deferred tax on write-off of intangible assets as previously stated (see note 35)	–	–
Impact of conversion to IFRS (see note 35)	–	–
Share option reserve	–	–
Profit for the year restated in accordance with IFRS	–	–
Profit for the year as previously stated in accordance with SA GAAP	–	–
Impact of conversion to IFRS (see note 35)	–	–
Adjustments (see note 35)	–	–
Distributions to shareholders (see note 25)	–	–
Balance at 31 August 2005 restated in accordance with IFRS	340 519	3 703
Balance at 31 August 2005 as previously stated in accordance with SA GAAP	340 519	3 703
Impact of conversion to IFRS (see note 35)	–	–
Reallocation of non-distributable reserve relating to trademarks (see note 35)	–	–
Adjustments (see note 35)	–	–
Shares issued in respect of options	12 160	122
Share issue expenses written off	–	–
Treasury shares cancelled	–	(270)
Treasury shares purchased	(5 066)	–
Total recognised income and expenses for the year	–	–
Foreign currency translation reserve	–	–
Share option reserve	–	–
Profit for the year	–	–
Distributions to shareholders (see note 25)	–	–
Balance at 31 August 2006	347 613	3 555

Share premium (Note 17) R'000	Share option reserve (Note 18) R'000	Treasury shares (Note 17) R'000	Non-distributable reserve (Note 19) R'000	Distributable reserve R'000	Total R'000
907 107	9 035	(122 981)	1 042	618 147	1 415 962
907 107	–	(122 981)	28 942	502 475	1 319 155
–	9 035	–	–	239 464	248 499
–	–	–	(27 900)	27 900	–
–	–	–	–	(151 692)	(151 692)
57 243	–	–	–	–	57 334
(273)	–	–	–	–	(273)
–	–	(126 697)	–	–	(126 697)
–	5 379	–	(534)	178 233	183 078
–	–	–	(534)	–	(534)
–	–	–	–	(930)	(930)
–	–	–	(9 920)	8 990	(930)
–	–	–	9 920	(9 920)	–
–	5 379	–	–	–	5 379
–	–	–	–	179 163	179 163
–	–	–	–	204 633	204 633
–	–	–	–	(4 456)	(4 456)
–	–	–	–	(21 014)	(21 014)
–		–	–	(112 465)	(112 465)
964 077	14 414	(249 678)	508	683 915	1 416 939
964 077	–	(249 678)	18 488	603 633	1 340 223
–	14 414	–	–	235 008	249 422
–	–	–	(17 980)	17 980	–
–	–	–	–	(172 706)	(172 706)
74 461	–	–	–	–	74 583
(189)	–	–	–	–	(189)
(182 990)	–	226 838	–	(43 578)	–
–	–	(46 784)	–	–	(46 784)
–	5 623	–	110	245 990	251 723
–	–	–	110	–	110
–	5 623	–	–	–	5 623
–	–	–	–	245 990	245 990
(39 568)	–	–	–	(62 755)	(102 323)
815 791	20 037	(69 624)	618	823 572	1 593 949

operational segmental analysis

segmental income statement for the year ended 31 August 2006

	Retail		Distribution	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
Segment revenue	7 033 664	6 389 429	4 072 949	3 215 941
Turnover	6 793 749	6 173 511	3 863 143	3 045 934
Cost of merchandise sold	4 949 887	4 516 048	3 752 972	2 924 426
Gross profit	1 843 862	1 657 463	110 171	121 508
Other income	239 915	215 918	209 806	170 007
Segment expenses	1 810 726	1 657 466	205 224	201 690
Depreciation and amortisation	99 278	93 663	4 104	5 658
Occupancy costs	306 043	285 165	10 881	10 261
Employment costs	841 192	718 306	101 172	96 518
Other operating costs	558 676	536 977	88 982	89 381
Impairment of property, plant and equipment	3 159	6 143	–	–
Loss/(profit) on disposal of property, plant and equipment	1 124	398	85	(128)
Goodwill impairment	1 254	16 814	–	–
Segment result	273 051	215 915	114 753	89 825
Net financing costs				
Financial income				
Financial expenses				
Profit before tax				
Income tax expense				
Profit for the year				

segmental cash flow information for the year ended 31 August 2006

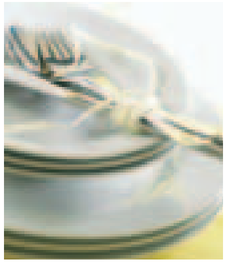
	Retail 2006	Retail 2005	Distribution 2006	Distribution 2005
Capital expenditure	(140 329)	(164 985)	(21 986)	(5 121)
Depreciation and amortisation	104 498	99 076	4 104	5 658
Non-cash items:				
Fair value adjustment – derivative	(8 323)	3 945	–	–
Foreign exchange (gain)/loss	(6 080)	2 500	–	–
Goodwill impairment	1 254	16 814	–	–
Impairment of property, plant and equipment	3 159	6 143	–	–
Loss/(profit) on disposal of property, plant and equipment	1 124	398	85	(128)
Operating lease accrual	15 639	9 018	–	–
Share option reserve	5 623	5 379	–	–

Intragroup elimination 2006 R'000	Intragroup elimination 2005 R'000	Group 2006 R'000	Group 2005 R'000
(656 271)	(505 107)	10 461 712	9 108 141
(656 271)	(505 107)	10 000 621	8 714 338
(655 814)	(504 714)	8 047 045	6 935 760
(457)	(393)	1 953 576	1 778 578
–	–	449 721	385 925
–	–	2 015 950	1 859 156
–	–	103 382	99 321
–	–	316 924	295 426
–	–	942 364	814 824
–	–	647 658	626 358
–	–	3 159	6 143
–	–	1 209	270
–	–	1 254	16 814
(457)	(393)	387 347	305 347
		(57 219)	(49 086)
		11 370	7 878
		(68 589)	(56 964)
		330 128	256 261
		84 138	77 098
		245 990	179 163
–	–	(162 315)	(170 106)
–	–	108 602	104 734
–	–	(8 323)	3 945
–	–	(6 080)	2 500
–	–	1 254	16 814
–	–	3 159	6 143
–	–	1 209	270
–	–	15 639	9 018
–	–	5 623	5 379

operational segmental analysis (continued)

segmental balance sheet at 31 August 2006

	Retail 2006 R'000	Retail 2005 R'000
Segment assets		
Non-current assets	1 339 234	1 209 178
Property, plant and equipment	615 361	606 280
Investment property	–	–
Intangible assets	394 820	393 323
Goodwill	–	–
Deferred tax assets	23 292	72 792
Intragroup loans	230 438	68 641
Loans receivable	75 323	68 142
Current assets	1 487 856	1 401 246
Inventories	1 145 923	1 149 816
Trade and other receivables	181 231	141 844
Income tax receivable	86 474	37 903
Loans receivable	1 481	–
Cash and cash equivalents	36 846	56 934
Derivative financial assets	35 901	14 749
Total segment assets	2 827 090	2 610 424
Equity and liabilities		
Equity	1 499 467	1 378 954
Share capital	3 555	3 703
Share premium	815 791	964 077
Share option reserve	20 037	14 414
Treasury shares	(69 624)	(249 678)
Non-distributable reserve	618	508
Distributable reserve	729 090	645 930
Segment non-current liabilities	305 525	285 876
Interest-bearing loans and borrowings	136 968	146 210
Employee benefits	28 116	17 457
Deferred tax liabilities	39 296	36 703
Operating lease liability	101 145	85 506
Segment current liabilities	1 022 098	945 594
Bank overdraft	47 000	–
Trade and other payables	763 233	737 891
Employee benefits	96 861	62 055
Provisions	41 416	42 090
Interest-bearing loans and borrowings	58 841	89 399
Derivative financial liabilities	–	2 500
Income tax payable	14 747	11 659
Total segment equity and liabilities	2 827 090	2 610 424

Distribution		Group	
2006 R'000	2005 R'000	2006 R'000	2005 R'000
(54 512)	89 093	1 284 722	1 298 271
81 375	62 646	696 736	668 926
6 900	6 900	6 900	6 900
2 630	3 280	397 450	396 603
83 950	83 950	83 950	83 950
1 071	958	24 363	73 750
(230 438)	(68 641)	–	–
–	–	75 323	68 142
911 829	632 162	2 399 685	2 033 408
297 238	290 274	1 443 161	1 440 090
611 326	338 511	792 557	480 355
–	–	86 474	37 903
–	–	1 481	–
3 265	3 377	40 111	60 311
–	–	35 901	14 749
857 317	721 255	3 684 407	3 331 679
94 482	37 985	1 593 949	1 416 939
–	–	3 555	3 703
–	–	815 791	964 077
–	–	20 037	14 414
–	–	(69 624)	(249 678)
–	–	618	508
94 482	37 985	823 572	683 915
20 260	22 590	325 785	308 466
13 887	21 473	150 855	167 683
–	–	28 116	17 457
6 373	1 117	45 669	37 820
–	–	101 145	85 506
742 575	660 680	1 764 673	1 606 274
–	13 903	47 000	13 903
727 153	632 208	1 490 386	1 370 099
8 614	9 230	105 475	71 285
–	–	41 416	42 090
4 010	3 625	62 851	93 024
–	–	–	2 500
2 798	1 714	17 545	13 373
857 317	721 255	3 684 407	3 331 679

business unit segmental analysis

for the year ended 31 August 2006

		Group		Clicks		Discom		Musica	
		2006 R'000	2005 R'000	2006 R'000	2005 R'000	2006 R'000	2005 R'000	2006 R'000	2005 R'000
Balance sheet									
Property, plant and equipment*		726 456	697 149	210 452	169 208	57 703	56 001	36 400	33 157
Inventories		1 443 161	1 440 090	816 885	802 179	191 354	222 081	130 696	122 222
Other assets		1 514 790	1 194 440	–	–	–	–	–	–
Total assets		3 684 407	3 331 679	1 027 337	971 387	249 057	278 082	167 096	155 379
Income statement									
Turnover		10 000 621	8 714 338	4 864 521	4 469 078	1 077 682	975 223	778 798	662 293
Operating profit/(loss)#		392 969	328 574	206 906	182 635	33 905	24 608	25 635	23 094
Ratios									
Operating profit margin	%	3.9	3.8	4.3	4.1	3.1	2.5	3.3	3.5
Return on assets managed	%	14.1	12.2	20.7	18.8	12.9	10.5	15.9	15.2
Product price inflation	%			(0.8)	(2.7)	(1.0)	(0.3)		
Number of stores									
– company owned		664	663	308	315	179	179	145	139
– franchised		15	15	14	14	1	1	–	–
Weighted retail trading area	m^2	237 575	249 417	164 180	179 330	52 931	50 957	18 603	17 365
Weighted annual retail sales per m^2	R	28 595	24 739	29 629	24 921	20 360	19 138	41 864	38 140
Number of permanent employees		9 058	8 947	5 230	5 179	1 820	1 835	699	621

* Property, plant and equipment includes investment property and capitalised software development (included in intangible assets)

\# Operating profit/(loss) is operating profit before financing costs as reported in the consolidated income statement adjusted to exclude goodwill impairment, impairment of property, plant and equipment and loss on disposal of property, plant and equipment

	The Body Shop		Style Studio		UPD		Group Services		Intragroup elimination	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
	13 179	11 377	1 129	1 296	88 275	69 546	319 318	356 564	–	–
	8 780	5 027	1 559	1 200	297 238	290 274	–	–	(3 351)	(2 893)
	–	–	–	–	702 242	430 076	812 548	764 364	–	–
	21 959	16 404	2 688	2 496	1 087 755	789 896	1 131 866	1 120 928	(3 351)	(2 893)
	65 342	58 442	7 120	5 337	3 863 143	3 045 934	286	3 138	(656 271)	(505 107)
	11 067	9 274	1 075	(341)	114 838	89 697	–	–	(457)	(393)
	16.9	15.9	15.1	(6.4)	3.0	2.9	–	–	–	–
	57.7	67.0	41.5	(22.6)	13.5	14.5	–	–	–	–
	29	27	3	3	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–
	1 596	1 513	265	252	–	–	–	–	–	–
	40 941	38 627	26 868	21 179	–	–	–	–	–	–
	80	76	10	14	507	507	712	715	–	–

accounting policies

New Clicks Holdings Limited is a company domiciled in South Africa. The consolidated financial statements for the year ended 31 August 2006 comprise the company and its subsidiaries (collectively referred to as "the group").

The financial statements were authorised for issue by the directors on 4 December 2006.

Statement of compliance

The consolidated financial statements for the group are prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB"). These are the group's first consolidated financial statements in accordance with IFRS and consequently IFRS 1 has been applied.

An explanation of how the transition to IFRS has affected the reported financial position and financial performance of the group is provided in note 35.

Basis of preparation

The financial statements are presented in South African Rands, rounded to the nearest thousand. They are prepared on the basis that the group is a going concern, using the historical cost basis of measurement unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements, and estimates with significant risk of material adjustment in future years are discussed in the relevant note.

The accounting policies set out below have been applied consistently in all material respects to all periods presented in these consolidated financial statements and in preparing an opening IFRS balance sheet as at 1 September 2004 for the purpose of transition to IFRS.

The accounting policies have been applied consistently by all group entities and to all periods presented including the balance sheet at 1 September 2004 for the purposes of transition to IFRS.

Basis of consolidation

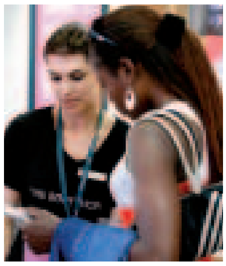
The group financial statements include the financial statements of the company, its subsidiaries and other entities that it controls.

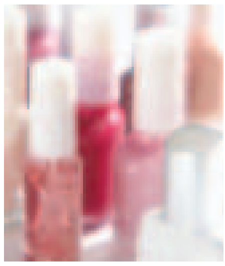
Subsidiaries are those entities over whose financial and operating policies the company has the power, directly or indirectly, to exercise control, so as to obtain benefits from their activities. The financial results of subsidiaries are included in the consolidated financial statements from the date that control was acquired and, where applicable, up to the date that control ceases.

As the company controls the New Clicks Holdings Share Trust, this entity has been consolidated into the group financial statements. The shares owned by the trust are accounted for as treasury shares.

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

All intra-group transactions and balances, including any unrealised gains and losses arising from intra-group transactions, are eliminated on consolidation. Unrealised losses are eliminated in the same way as





unrealised gains but only to the extent that there is no evidence of impairment.

Foreign currency

Foreign currency transactions

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

Foreign exchange differences arising on translation are recognised in the income statement.

Foreign operations

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

- assets and liabilities are translated at rates of exchange ruling at the balance sheet date; and
- income and expenditure are translated at weighted average exchange rates for the reporting period, which approximate the exchange rates ruling at the date of the transactions.

Goodwill arising on the acquisition of a foreign operation is treated as an asset of the subsidiary and translated at the exchange rate at the balance sheet date.

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

Net investment in foreign operations

Exchange gains or losses arising from the translation of assets or liabilities which in substance form part of the group's net investment in foreign operations are taken to a non-distributable reserve. These gains or losses are released into the income statement only on the disposal of the investment.

Financial instruments

Financial instruments are initially measured at fair value less transaction costs except for financial instruments that are classified as being fair valued through profit and loss. Subsequent to initial recognition, these instruments are classified according to their nature and are measured at either amortised cost or fair value, as appropriate to their financial instrument category.

Offset

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

Hedge of monetary assets and liabilities

Where a derivative financial instrument is used to hedge the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.

Trade and other receivables and loans receivable

Trade and other receivables and loans receivable are classified as loans and receivables. These financial assets originate by the group providing goods, services or money directly to a debtor and are measured at amortised cost less impairment losses.

Cash and cash equivalents

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

Outstanding cheques are included in trade and other payables.

Cash and cash equivalents are classified in the balance sheet as held-for-trading financial instruments as they are acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are measured at fair value, with any resultant gain or loss on remeasurement recognised in the income statement.

Derivative financial assets/liabilities

The group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investing activities, as well as market risk arising on cash-settled share-based compensation schemes. In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as financial instruments held for trading.

Subsequent to initial recognition, derivatives are measured at fair value. The gain or loss arising from a change in fair value on remeasurement is recognised in the income statement in the period in which the change arises.

The fair value of interest rate swaps is the estimated amount that the group would receive or pay to terminate the swap at the balance sheet date. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

The fair value of option contracts are valued using the Binomial option pricing model.

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are financial liabilities with fixed or determinable payments that the group has a positive intent and ability to hold to maturity. These financial instruments are subsequently remeasured to amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Trade and other payables

Trade and other payables are remeasured to amortised cost.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Property, plant and equipment

Items of property, plant and equipment, including owner-occupied buildings are stated at historical cost less accumulated depreciation and accumulated impairment losses. Land is stated at cost less impairment losses.

Assets subject to finance lease agreements, in terms of which the group assumes substantially all the risks and rewards of ownership, are capitalised under the same policies as owned assets.

Installation and other costs, which comprise materials and direct labour costs necessarily incurred in order to derive benefit from property, plant and equipment, are included in cost.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits embodied with the item will be increased and flow to the group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Borrowing costs are expensed as incurred.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the assets in order to reduce the cost of the asset to its residual value. Residual value is the net amount expected to be recovered from disposal of the asset at the end of its estimated useful life. Residual values and useful lives are reassessed annually.

Land is not depreciated. The expected useful lives of depreciable assets are as follows:

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

Surpluses or deficits on the disposal of property, plant and equipment, comprising the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the income statement.

Leases

Finance leases

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease. The capital element of future obligations under the lease is included as a liability in the balance sheet. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

A finance lease gives rise to a 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.

Operating leases

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

Investment properties

Investment properties are held either for the purposes of earning rental income or for capital appreciation, or both. Investment properties are initially recorded at cost and subsequently stated at fair value. Fair value is determined internally each year at the reporting date but is determined at least every three years by an independent registered valuer having an appropriate recognised qualification and experience in the location and category of property being valued. The fair value is based on market value, being the estimated amount for which the property could be exchanged on the date of valuation between a willing buyer and seller in an arm's length transaction.

Any gain or loss arising from a change in fair value is recognised in the income statement in the period in which it arises.

Investment properties are not depreciated.

Intangible assets (other than goodwill)

Intangible assets (other than goodwill) are initially recognised at cost if acquired externally, or at fair value if acquired as part of a business combination. Expenditure on internally-generated development activity is capitalised if the product or process is technically and commercially feasible and the group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the associated intangible asset. Other development expenditure is recognised in the income statement as an expense when incurred.

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.

If assessed as having an indefinite useful life, intangibles are not amortised but are tested for impairment at each balance sheet date and impaired if necessary. If assessed as having a finite useful life, intangible assets are amortised over their useful lives on a straight-line basis and tested for impairment if indications exist that they may be impaired.

The estimated useful lives of intangible assets with finite lives are as follows:

Capitalised system development costs – 5 to 10 years

Trademarks – considering the specific trademark's circumstances (see note 10)

Residual values and remaining useful lives of intangible assets with finite useful lives are reassessed annually.

Goodwill

All business combinations are accounted for by applying the purchase method.

Goodwill represents the premium on acquisition of subsidiaries arising from the difference between the purchase price paid and the group's interest in the fair value of the net identifiable assets acquired at the date of the transaction.

Goodwill is stated at cost less any accumulated impairment losses. It is not amortised, but is tested annually for impairment.

Negative goodwill arising on an acquisition is recognised directly in the income statement. The calculation of the gain or loss on disposal of a subsidiary includes the balance of the goodwill relating to the subsidiary disposed of.

Goodwill acquired in a business combination for which the agreement date was prior to 31 August 2004 was previously amortised on a systematic basis over its estimated useful life. The accumulated amortisation previously raised has been netted against the cost to arrive at the deemed cost.

The classification and accounting treatment prescribed by IFRS has not been applied to business combinations that occurred prior to 31 August 2004 for the purposes of preparing the opening IFRS balance sheet at 1 September 2004.

Inventories

Merchandise for resale has been valued on the first-in-first-out ("FIFO") basis and is stated at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition and is stated net of purchase incentives. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell the product. The cost of merchandise sold includes shrinkage, wastage and inventory losses. Obsolete, redundant and slow-moving inventories are identified on a regular basis and are written down to their estimated net realisable value.

Impairment of assets

The carrying amounts of assets (other than investment properties and deferred tax assets) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such an indication exists, the asset's recoverable amount is estimated.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

Whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount, an impairment loss is recognised in the income statement.

As goodwill is not capable of generating cash flows independently of other assets, in assessing the recoverable amount of goodwill, the goodwill is allocated to cash-generating units on a reasonable and consistent basis. Where appropriate, corporate assets are also allocated to cash-generating units on a reasonable and consistent basis. The recoverable amount of the cash-generating unit (including an allocation of goodwill and corporate assets) is assessed with reference to the future cash flows of the cash-generating unit. Where an impairment is identified for a cash-generating unit, the impairment is applied first to the goodwill allocated to the cash-generating unit and then to other assets comprising the cash-generating unit provided that each identifiable asset is not reduced to below its recoverable amount.

Goodwill and intangible assets with indefinite useful lives were tested for impairment at 1 September 2004, the date of transition to IFRS, even though no indication of impairment existed.

Recoverable amount

The recoverable amount of an asset is the greater of its net selling price and its value in use. Recoverable amounts are estimated for individual assets or, if an asset does not generate largely independent cash flows, for a cash-generating unit. A cash-generating unit is the smallest collection of assets capable of generating cash flows independent of other assets or cash-generating units.

The net selling price is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or cash-generating unit and from its disposal at the end of its useful life. The estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Reversal of impairment losses

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, either as a result of an event occurring after the impairment loss was recognised or if there has been a change in the estimates used to calculate the recoverable amount.

An impairment loss is reversed only to the extent that the carrying amount of the affected asset is not increased to an amount higher than the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in prior years. The reversal is recorded as income in the income statement.

An impairment loss in respect of goodwill is never reversed.

Share capital

Ordinary share capital

Ordinary share capital represents the par value of ordinary shares issued, either as part of public offerings or in terms of employee options.

Share premium

Share premium represents the excess consideration received by the company over the par value of ordinary shares issued, and is classified as equity.

Treasury shares

Ordinary shares in New Clicks Holdings Limited which have been acquired by a group company in terms of an approved share repurchase programme or are held by the New Clicks Holdings Share Trust are classified as treasury shares. The cost of these shares is deducted from equity and the number of shares is deducted from the weighted average number of shares. Dividends received on treasury shares are eliminated on consolidation.

Capitalisation share awards and cash distributions

The full value of capitalisation share awards and cash distributions are recorded as a liability and a deduction from equity in the statement of changes in equity when the right to receive payment is established. Upon allotment of shares in terms of a capitalisation award, the election amounts are transferred to the share capital account and share premium account.

Cash distributions and the related Secondary Tax on Companies ("STC") liability are recorded in the year of declaration.

Employee benefits

Short-term employee benefits

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

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

Long-term employee benefits

Liabilities for employee benefits, other than pension plans, which are not expected to be settled within twelve months are discounted to present values using the market yields, at the balance sheet date, on high-quality bonds with maturity dates that most closely match the terms of maturity of the group's related liabilities.

Defined contribution retirement funds

The group operates a retirement scheme comprising a number of

defined contribution funds in South Africa, the assets of which are held in separate trustee-administered funds. The retirement scheme is funded by payments from employees and the relevant group entity. Obligations for contributions to these funds are recognised as an expense in the income statement as incurred.

Post-retirement medical aid benefits

The group's obligation to provide post-retirement medical aid benefits to certain employees is calculated by estimating the amount of future benefit that qualifying employees have earned in return for their service in the current and prior periods. This benefit is discounted to determine its present value, using a discount rate based on the market yields, at the balance sheet date, on high-quality bonds with maturity dates that most closely match the terms of maturity of the group's obligation. The calculation is performed by a qualified actuary using the projected unit credit method.

The portion of benefits relating to past service by employees is recognised as an expense on a straight-line basis over the average vesting period. To the extent that the benefits are already vested, past service costs are recognised immediately.

All actuarial gains or losses as at 1 September 2004, the date of transition to IFRS, were recognised immediately. Actuarial gains or losses that arise subsequent to 1 September 2004 in calculating the group's liability in respect of the plan, are recognised in the income statement immediately.

Equity-settled share-based compensation benefits

The group grants share options to certain employees under an employee share plan. The fair value is measured at grant date and expensed over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Binomial option pricing model, taking into account the terms and conditions under which the options were granted. The amount recognised as an expense is adjusted at each reporting date to reflect the actual number of share options that vest or are expected to vest.

Cash-settled share-based compensation benefits

The group grants share appreciation rights to certain employees in terms of an incentive programme. The value of the obligation in terms of the share appreciation rights is expensed over the vesting period of the rights and the related liability is raised. These share appreciation rights are valued at fair value at each reporting date by an independent expert, using the Binomial option pricing model. Any change in the fair value of the liability is recognised in the income statement.

Provisions

A provision is recognised when the group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is determined by discounting the future cash flows expected to be required to settle the obligation at a pre-tax rate that reflects the risks specific to the liability.

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

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Guarantees

A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

These financial guarantees are classified as insurance contracts as defined in IFRS 4 – Insurance contracts. A liability is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the contract and a reliable estimate can be made of the amount of the obligation. The amount recognised is the best estimate of the expenditure required to settle the contract at the balance sheet date. Where the effect of discounting is material, the liability is discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The group performs liability adequacy tests on financial guarantee contract liabilities to ensure that the carrying amount of the liability is sufficient in view of estimated future cash flows. When performing the liability adequacy test, the group discounts all expected contractual cash flows and compares this amount to the carrying value of the liability. Where a shortfall is identified, an additional provision is made.

Revenue

Turnover

Turnover comprises sales to customers (net of returns) and merchandise sold to franchisees through the group's supply arrangements. Turnover is stated exclusive of value-added and general sales tax. Revenue from sales is recognised when the significant risks and rewards of ownership are transferred to the buyer, costs can be measured reliably, and receipt of the future economic benefits is probable.

accounting policies (continued)

Financial income

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

Dividend income is recognised when the right to receive payment is established.

Distribution and logistics fee income

Revenue in respect of services rendered is recognised in income as the services are rendered.

Franchise fee and other recovery income

Franchise fee and other recovery income is recognised in income when the group becomes contractually entitled to the income or when it is virtually certain that the conditions required to be fulfilled before payment is received will be fulfilled.

Rental income

Income from operating leases in respect of property is recognised on a straight-line basis over the lease term.

Financial expenses

Financial expenses comprise interest payable on borrowings calculated using the effective interest rate method and gains and losses on interest rate swaps.

The group has elected not to capitalise borrowing costs on qualifying assets.

The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

Income tax expense

The income tax expense on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity in which case the tax is recognised in equity, or arising on a business combination that is an acquisition, in which case it is recognised in goodwill.

Current tax

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

Deferred tax

Deferred tax is provided at current rates using the balance sheet liability method. Full provision is made for all temporary differences between the tax value of an asset or liability and its carrying amount for financial reporting purposes. The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised for all deductible temporary differences and tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred tax assets previously recognised are expensed to the income statement to the extent that it is no longer probable that the tax assets will be realised.

Secondary Tax on Companies

Secondary Tax on Companies ("STC") arising on net dividends paid is recognised as a tax charge in the same year as the liability to pay the related dividend.

Segment reporting

A segment is a distinguishable component of the group that is engaged either in providing products or services, or in providing goods or services within a particular economic environment, which is subject to risks and rewards that are distinguishable from those of other segments. The group is organised into trading business units which in turn are categorised broadly between distribution and retail. Segment reporting is presented on this basis. The group operates exclusively within the southern African region and has therefore not presented geographical segment information.

Segment result includes revenue and expenses directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to a segment, whether from external transactions or from transactions with other group segments. Inter-segment transfer pricing is based on cost plus an appropriate margin.

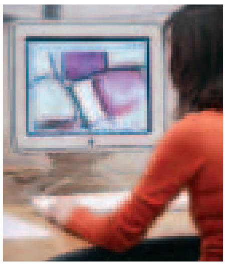
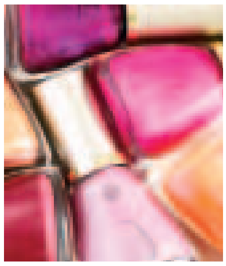
Segment assets and liabilities comprise those assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

for the year ended 31 August 2006

		Group 2006 R'000	Group 2005 R'000
1	**Revenue**		
	Turnover	10 000 621	8 714 338
	Financial income	11 370	7 878
	Other income	449 721	385 925
	Distribution and logistics fees	198 599	156 466
	Franchise fees	1 365	3 809
	Rental income	2 348	1 987
	Cost recoveries and other	247 409	223 663
		10 461 712	9 108 141
	Financial income comprises interest income.		
2	**Depreciation and amortisation**		
	Depreciation on property, plant and equipment	103 470	104 084
	Amortisation of intangible assets	5 132	650
	Total depreciation and amortisation	108 602	104 734
	Depreciation included in cost of merchandise sold	(5 220)	(5 413)
	Depreciation and amortisation included in expenses	103 382	99 321
3	**Occupancy costs**		
	Lease charges		
	Operating leases – cash payments	305 848	282 387
	Operating lease accrual (see note 22)	15 639	9 018
	Adjustment in respect of onerous contracts (see note 24)	(4 563)	4 021
		316 924	295 426

for the year ended 31 August 2006

		Group 2006 R'000	Group 2005 R'000
4	**Employment costs**		
	Directors' emoluments	20 086	18 887
	Non-executive	1 451	1 901
	Fees	1 132	1 026
	Consulting services	319	875
	Executive	18 635	16 986
	Salary and bonus	5 029	5 166
	Other benefits	13 606	11 820
	Cash-settled share appreciation rights costs (see note 21)	9 146	662
	Equity-settled share option costs (see note 18)	5 623	5 379
	Staff salaries and wages	869 034	768 302
	Leave-pay costs	16 834	8 516
	Bonuses	66 321	49 026
	Increase in liability for defined benefit plans (see note 21)	1 513	1 542
	Total employment costs	988 557	852 314
	Employment costs included in cost of merchandise sold	(46 193)	(37 490)
	Employment costs included in expenses	942 364	814 824
	For further detail of directors' emoluments refer to the Corporate Governance Report on page 28.		
	Included in total employment costs are the following aggregate amounts (including directors' emoluments) relating to transactions with key management personnel:		
	Salaries and bonuses	15 876	14 609
	Other benefits	14 414	11 911
	Fees and consulting services	1 451	1 901
		31 741	28 421
5	**Other operating costs**		
	Other operating costs include the following:		
	Auditors' remuneration	3 990	3 006
	Audit fees	3 351	2 994
	Other services and expenses	639	12
	Fair value adjustment – derivative (see note 16)	(8 323)	3 945
	Fees paid for outside services		
	Technical services	15 404	13 368
	Net foreign exchange losses – realised	210	2 539
	Net foreign exchange (gains)/losses – unrealised (see note 16)	(6 080)	2 500
	Impairment of trade and other receivables	7 099	17 687

		Company 2006 R'000	Company 2005 R'000	Group 2006 R'000	Group 2005 R'000
6	**Income tax expense**				
	South African normal tax				
	Current tax				
	Current year	–	–	17 687	76 549
	Prior year underprovision	1 540	662	686	702
	Secondary Tax on Companies				
	Current year	6 422	10 994	6 422	10 994
	Deferred tax				
	Current year	(3 030)	(557)	56 025	(12 635)
	Prior year underprovision	–	–	948	–
	Change in tax rate	–	–	–	(144)
	Foreign tax				
	Current tax				
	Current year	–	–	2 081	2 101
	Prior year underprovision	–	–	26	–
	Deferred tax				
	Current year	–	–	(58)	(469)
	Prior year underprovision	–	–	321	–
		4 932	11 099	84 138	77 098
	Reconciliation of rate of tax (%)				
	Standard rate – South Africa	29.00	29.00	29.00	29.00
	Adjusted for:				
	Capital gains tax	–	–	(2.17)	(2.41)
	Change in tax rate	–	–	–	(0.06)
	Disallowable expenditure	–	0.05	0.97	3.11
	Exempt income and allowances	(42.71)	(29.41)	(3.98)	(5.66)
	Foreign tax rate variations	–	–	0.11	0.10
	Goodwill amortisation and impairment	–	–	0.11	1.91
	Impairment of investment in The Link Investment Trust	13.71	–	–	–
	Prior year under/(over)provision	2.44	0.43	(0.08)	(0.03)
	Secondary Tax on Companies	5.38	7.13	1.95	4.29
	Tax losses utilised	–	–	(0.28)	(0.38)
	Other	–	–	(0.14)	0.22
	Effective tax rate	7.82	7.20	25.49	30.09

Subsidiaries of the group have estimated computed tax losses of R215.4 million available for set-off against future taxable income of those subsidiaries. A deferred tax asset of R0.8 million has not been raised in respect of R2.6 million of these computed tax losses.

for the year ended 31 August 2006

	Group 2006	Group 2005
7 Earnings per share		
Basic earnings per share (cents)	71.4	52.7
Headline earnings per share (cents)	73.1	59.0
Diluted basic earnings per share (cents)	69.4	51.3
Diluted headline earnings per share (cents)	71.0	57.4
	R'000	R'000
Reconciliation of basic to headline earnings		
Basic earnings (profit for the year)	245 990	179 163
Adjustments:		
Impairment of property, plant and equipment	3 159	4 362
Loss on disposal of property, plant and equipment	1 209	191
Goodwill impairment	1 254	16 814
Headline earnings	251 612	200 530
	'000	'000
Reconciliation of shares in issue to weighted average number of shares in issue		
Gross number of shares in issue at the beginning of the year	370 260	361 205
Treasury shares held for the full year and/or cancelled	(29 741)	(15 828)
Shares issued in respect of options weighted for period in issue	4 859	5 343
Treasury shares purchased during the year weighted for period held	(1 041)	(10 806)
Weighted average number of shares in issue for the year	344 337	339 914
Reconciliation of weighted average number of shares to weighted average diluted number of shares		
Weighted average number of shares in issue for the year	344 337	339 914
Dilutive effect of share options	10 028	9 444
Weighted average diluted number of shares in issue for the year	354 365	349 358

	Group					
	2006			2005		
	Cost R'000	Accumulated depreciation R'000	Book value R'000	Cost R'000	Accumulated depreciation R'000	Book value R'000
8 Property, plant and equipment						
Land	24 347	–	24 347	24 023	–	24 023
Buildings	283 614	27 556	256 058	268 127	26 091	242 036
Computer equipment	228 219	155 422	72 797	264 309	159 272	105 037
Equipment	98 878	48 202	50 676	105 017	48 445	56 572
Furniture and fittings	435 653	162 439	273 214	390 684	168 559	222 125
Motor vehicles	33 437	13 793	19 644	32 203	13 070	19 133
	1 104 148	407 412	696 736	1 084 363	415 437	668 926

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

All group property, other than the investment property specified in note 9 is owner-occupied.

Buildings with a net book value of R57.1 million are encumbered under a mortgage loan as detailed in note 20.

Furniture and fittings with a carrying value of R2.3 million are encumbered in terms of a finance lease as detailed in note 20.

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

	Land R'000	Buildings R'000	Computer equipment R'000	Equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
Carrying amount at 1 September 2004	24 023	247 593	120 403	52 394	187 756	14 675	646 844
Additions	–	–	49 817	14 669	71 898	12 399	148 783
Disposals	–	(493)	(9 969)	(739)	(8 731)	(2 685)	(22 617)
Depreciation	–	(5 064)	(55 214)	(9 752)	(28 798)	(5 256)	(104 084)
Carrying amount at 31 August 2005	24 023	242 036	105 037	56 572	222 125	19 133	668 926
Additions	324	16 308	26 420	7 808	96 548	8 928	156 336
Disposals	–	(740)	(6 860)	(3 947)	(9 624)	(3 885)	(25 056)
Depreciation	–	(1 546)	(51 800)	(9 757)	(35 835)	(4 532)	(103 470)
Carrying amount at 31 August 2006	24 347	256 058	72 797	50 676	273 214	19 644	696 736

Disposals include impairments in respect of assets written off during the year with a carrying amount of R3.2 million (2005: R6.1 million). These assets were scrapped as they were no longer in use.

	Group	
	2006 R'000	2005 R'000
9 Investment property		
Balance at the end of the year	6 900	6 900

Investment property held by the group consists of a portion of New Teltron, Erf 98 Lea Glen, situated in Johannesburg.

The property was independently valued in March 2006, with no fair value adjustment required.

An internal assessment determined that the fair value at year-end would not differ significantly to that determined above.

for the year ended 31 August 2006

	2006 Cost R'000	2006 Accumulated amortisation R'000	2006 Book value R'000	2005 Cost R'000	2005 Accumulated amortisation R'000	2005 Book value R'000
	Group					
10 Intangible assets						
Clicks trademarks	272 000	–	272 000	272 000	–	272 000
Discom trademarks	100 000	–	100 000	100 000	–	100 000
Link Investment Trust trademark	6 880	4 250	2 630	6 880	3 600	3 280
Capitalised software development	27 302	4 482	22 820	21 323	–	21 323
	406 182	8 732	397 450	400 203	3 600	396 603

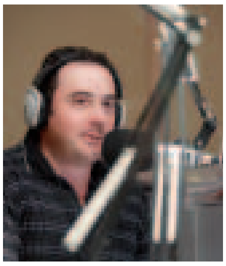
The carrying amount of the group intangible assets can be reconciled as follows:

	Clicks trademarks R'000	Discom trademarks R'000	Link Investment Trust trademark R'000	Capitalised software development R'000	Total R'000
Carrying amount at 1 September 2004	272 000	100 000	3 930	–	375 930
Additions	–	–	–	21 323	21 323
Amortisation	–	–	(650)	–	(650)
Carrying amount at 31 August 2005	272 000	100 000	3 280	21 323	396 603
Additions	–	–	–	5 979	5 979
Amortisation	–	–	(650)	(4 482)	(5 132)
Carrying amount at 31 August 2006	272 000	100 000	2 630	22 820	397 450

The Link Investment Trust trademark has an estimated remaining useful life of four years.

The Clicks and Discom trademarks are considered to have indefinite useful lives. There is no apparent legal or other restriction to the use of the trademarks or risk of technical or other obsolescence. Given the strategic importance of the trademarks to the future sustainability of the group, the group's intention is to continue to use the trademarks indefinitely. The directors consider that there is no foreseeable limit to the period over which these assets are expected to generate cash inflows for the group and, on this basis, the directors have concluded that the indefinite useful life assumption is appropriate.

In accordance with the group's accounting policy, an impairment test was performed on the carrying values of intangible assets with indefinite useful lives at year-end. Budgeted operating cash flows for the related business units were projected and discounted at the group's weighted average pre-tax cost of capital. The impairment calculations performed indicated that the trademarks were not impaired.



	Group 2006 R'000	Group 2005 R'000
11 Goodwill		
Balance at the beginning of the year	83 950	98 280
Additional goodwill payments	1 254	2 484
Impairment	(1 254)	(16 814)
Balance at the end of the year	83 950	83 950
Goodwill comprises:		
UPD	83 950	83 950

The additional goodwill acquired during the year related to the excess of the purchase consideration over the fair value of a store acquired during the year. Projected short-term cash flows indicate that the goodwill is impaired.
In accordance with the group's accounting policies, an impairment test of the remaining goodwill has been performed.
The goodwill relating to UPD is attributable to the wholesale and distribution business of UPD as a cash-generating unit.
The recoverable amount was determined based on the fair value less costs to sell.

The following key assumptions were made in determining the fair value less costs to sell:

i) A forecast horizon of ten years was used as the business is considered likely to operate for at least this period (ignoring any potential change to medicine regulations or other legislation).
ii) A required rate of return of 21.9%, being the prime rate of interest, adjusted for an investor's estimated marginal tax rate and the risk in variability of the final valuation, which includes an assessment of industry risk and country risk.
iii) Selling costs of 1.0% of the gross valuation based on consultations with valuation experts.
iv) The net asset value of the business will be realised on disposal.
v) Secondary Tax on Companies remains at 12.5%.

The tests performed did not indicate any impairment as at year-end.
The conclusion based on the valuation performed by management was not particularly sensitive to any of the above assumptions.

for the year ended 31 August 2006

		Company		Group	
		2006 R'000	2005 R'000	2006 R'000	2005 R'000
12	**Deferred tax assets/(liabilities)**				
	Deferred tax assets	3 587	557	24 363	73 750
	Deferred tax liabilities	–	–	(45 669)	(37 820)
		3 587	557	(21 306)	35 930
	Balance at the beginning of the year	557	–	35 930	23 612
	Capital gains tax	–	–	(9 396)	(8 054)
	Employee obligations	–	–	(1 429)	(141)
	Income and expense accrual	–	–	19 947	1 171
	Inventory	–	–	(45 364)	5 596
	Onerous leases	–	–	(1 323)	1 013
	Operating lease accrual	–	–	4 490	1 860
	Property, plant and equipment	–	–	(10 842)	(4 224)
	STC credits	3 030	–	3 030	–
	Tax losses	–	557	(6 278)	20 368
	Trademarks	–	–	(8 991)	(5 271)
	Other	–	–	(1 080)	–
	Balance at the end of the year	3 587	557	(21 306)	35 930
	Arising as a result of:				
	Capital gains tax	–	–	(26 840)	(17 444)
	Employee obligations	–	–	4 004	5 433
	Income and expense accrual	–	–	35 424	15 477
	Inventory	–	–	6 495	51 859
	Onerous leases	–	–	4 275	5 598
	Operating lease accrual	–	–	29 296	24 806
	Property, plant and equipment	–	–	(38 966)	(28 124)
	STC credits	3 030	–	3 030	–
	Tax losses	557	557	61 018	67 296
	Trademarks	–	–	(97 962)	(88 971)
	Other	–	–	(1 080)	–
	Balance at the end of the year	3 587	557	(21 306)	35 930

The capital gains deferred tax liability arises on the revaluation of forward purchases of shares by certain subsidiary companies in other subsidiary companies.

In respect of the deferred tax assets raised relating to subsidiary companies, the directors consider that sufficient future taxable income will be generated by those subsidiary companies to utilise the deferred tax assets recognised. The tax losses relate primarily to four pharmacy-owning subsidiaries. The companies in question have generated taxable income in the current year to utilise the assessed losses which indicates that it is likely that the deferred tax assets relating to these assessed losses will be realised.

		Group 2006 R'000	Group 2005 R'000
13	**Loans receivable**		
	Amount owing by New Clicks Foundation (see note 13.1)	5 021	5 021
	Amount owing by Intercare Managed Healthcare (Proprietary) Limited (see note 13.2)	50 844	47 707
	Amounts owing by Share Trust participants (see note 13.3)	20 939	15 414
	Total loans receivable	76 804	68 142
	Short-term portion included in current assets	(1 481)	–
	Non-current loans receivable	75 323	68 142

13.1 The loan to New Clicks Foundation is unsecured, interest free and no fixed date for repayment has been determined.

13.2 The loan to Intercare Managed Healthcare (Proprietary) Limited ("Intercare") was settled on 31 August 2006. Intercare was previously a partially-owned subsidiary of the group. In order for Intercare to settle the loan, it was necessary for the group to guarantee certain facilities amounting to R50 million that Intercare has with its bankers. As the group has substantially retained the risks and rewards related to the financial instrument by issuing the above-mentioned guarantee, the group continues to recognise the financial asset. A corresponding financial liability amounting to R50 million has been raised (see note 20).

The terms of the loan between Intercare and its bankers include a fixed repayment schedule over the next six years. R25 million of the loan is subject to fixed interest at 11.92% and the remainder at a floating rate of the prime borrowing rate of interest less one per cent. The amortisation of the loan receivable and the related interest will be congruent with settling of the loan payable by Intercare to its bankers.

In the event that Intercare defaults on its loan with its bankers, the group would be required to settle any remaining obligation. The group has a general notarial bond over certain movable assets belonging to Intercare as partial security in respect of this receivable.

13.3 The Share Trust loans with participants are interest free and secured by the shares in the company issued to participants, delivery of which is delayed in terms of the rules of the scheme (see note 18).

		Group 2006 R'000	Group 2005 R'000
14	**Inventories**		
	Inventories comprise:		
	Goods for resale	1 383 150	1 435 895
	Goods in transit	60 011	4 195
		1 443 161	1 440 090
	Inventories stated at net realisable value	64 984	59 716

The value of inventories stated at net realisable value is determined based on management's best estimate of the likely selling price at which the inventories in question can be sold in the ordinary course of business net of directly attributable selling costs.

for the year ended 31 August 2006

		Group 2006 R'000	Group 2005 R'000
15	**Trade and other receivables**		
	The following are included in trade and other receivables:		
	Trade receivables		
	Gross trade receivables	714 677	422 340
	Impairment	(36 623)	(48 111)
		678 054	374 229
	Prepayments	7 601	28 247
	Other income accruals	82 400	69 423
	Other	24 502	8 456
		792 557	480 355

Prepayments in the prior year include payments to foreign suppliers in advance of import purchases being received and payments in respect of certain capital items not yet completed and capitalised.

The impairment is determined based on information regarding the financial position of each trade receivable as at year-end. No consideration is taken of trade receivables that may become bad in the future.

		Group 2006 R'000	Group 2005 R'000
16	**Derivative financial assets/(liabilities)**		
	Derivative financial assets		
	Balance at the beginning of the year	14 749	2 422
	Purchase of share option hedge	3 965	18 390
	Realised gain on forward exchange contracts recognised in profit	–	(1 654)
	Realised gain on interest rate swap contracts recognised in profit	(304)	(768)
	Unrealised gain on forward exchange contracts recognised in profit	6 080	–
	Unrealised gain on interest rate swap contracts recognised in profit	3 088	304
	Change in fair value of share option hedge recognised in profit	8 323	(3 945)
	Balance at the end of the year	35 901	14 749
	The balance at the end of the year comprises:		
	Share option hedge	26 733	14 445
	Forward exchange contracts	6 080	–
	Interest rate swap contracts	3 088	304
		35 901	14 749
	Derivative financial liabilities		
	Balance at the beginning of the year	(2 500)	–
	Realised loss on forward exchange contracts recognised in profit	2 500	–
	Unrealised loss on forward exchange contracts recognised in profit	–	(2 500)
	Balance at the end of the year	–	(2 500)
	The balance at the end of the year comprises:		
	Forward exchange contracts	–	(2 500)

Interest rate contracts and forward exchange contracts are revalued at year-end by an independent external valuator based on the market value of similar contracts.

The share option hedge serves as a hedge in respect of the group's obligation in terms of share appreciation rights granted to employees as more fully described in note 21.1. The derivative has been valued by an independent external valuator using the Binomial option pricing model.


		Group	
		2006 R'000	2005 R'000
17	**Share capital and share premium**		
	Authorised		
	600 million (2005: 600 million) ordinary shares of one cent each	6 000	6 000
	Issued ordinary shares and premium		
	355.488 million (2005: 370.260 million) ordinary shares of one cent each	3 555	3 703
	Share premium – group	815 791	964 077
	Share premium – company	817 911	966 197

The unissued shares are under the control of the directors until the next annual general meeting, subject to an undertaking by the directors that such authority will only be used to issue shares in terms of the company's obligations under the staff share option scheme (see note 18).

Preliminary expenses of R2.1 million were written off against the share premium of a subsidiary company on the acquisition of certain businesses in 1996 giving rise to the difference in the share premium between the group and company.

	Group	
	2006 '000	2005 '000
Reconciliation of gross number of shares in issue to net number of shares in issue		
Gross number of shares in issue at the end of the year	355 488	370 260
Treasury shares held at the end of the year	(7 875)	(29 741)
Net number of shares in issue at the end of the year	347 613	340 519
	R'000	R'000
Of the shares in issue, the group holds the following as treasury shares:		
Shares purchased by a subsidiary – 5.066 million (2005: 26.932 million) ordinary shares of one cent each – cost	46 784	226 874
Shares held by the Share Trust – 2.809 million (2005: 2.809 million) ordinary shares of one cent each – cost	22 840	22 804
	69 624	249 678

During the year the group cancelled 26 931 767 ordinary shares of one cent each previously held as treasury shares by a subsidiary. Of the total cost of R226.8 million, R43.6 million was deducted from distributable reserves, R0.3 million from share capital and the balance of R182.9 million was deducted from share premium.

for the year ended 31 August 2006

18 Share option reserve

New Clicks Holdings Share Trust ("the Share Trust")

The aggregate number of shares and share options that may be utilised for the purposes of the Share Trust is 20% of the aggregate of the company's issued share capital and the number of share options granted.

	Group No. of shares 2006 '000	Group No. of shares 2005 '000
Shares and share options available for allocation to employees		
Balance at the beginning of the year	83 945	83 762
(Decrease)/increase as a result of net number of shares cancelled and share options (forfeited)/granted during the year	(5 675)	183
Balance at the end of the year	78 270	83 945
Shares allocated and options granted to employees		
Shares		
Balance at the beginning of the year	2 526	3 146
Delivered to participants	(1 613)	(620)
Balance at the end of the year	913	2 526
Options		
Balance at the beginning of the year	49 463	57 601
Granted to participants	–	4 650
Delivered to participants	(12 160)	(9 055)
Options forfeited by participants	(1 442)	(3 733)
Balance at the end of the year	35 861	49 463
Total shares allocated and options granted	36 774	51 989

Details of share option allocations:

Issue date	Price	Balance at the beginning of the year	Granted during the year	Delivered during the year	Forfeited during the year	Balance at the end of the year
October 1998	R3.50	1 502 453	–	(495 250)	–	1 007 203
January 1999	R5.35	15 395 850	–	(6 825 350)	–	8 570 500
July 1999	R7.80	3 545 000	–	(525 000)	–	3 020 000
September 2000	R9.30	7 360 000	–	(1 180 000)	(50 000)	6 130 000
April 2001	R7.40	5 598 000	–	(974 000)	(80 000)	4 544 000
July 2002	R6.70	4 102 500	–	(952 500)	50 000	3 200 000
October 2002	R5.70	250 000	–	(125 000)	–	125 000
January 2003	R6.50	2 050 000	–	(710 000)	(425 000)	915 000
June 2003	R5.90	20 000	–	–	–	20 000
August 2003	R6.30	4 489 000	–	(372 500)	(487 500)	3 629 000
October 2003	R7.10	500 000	–	–	–	500 000
June 2005	R7.50	3 500 000	–	–	(400 000)	3 100 000
August 2005	R8.32	1 150 000	–	–	(50 000)	1 100 000
Total		49 462 803	–	(12 159 600)	(1 442 500)	35 860 703

The share option scheme operates on a deferred delivery basis, with participants entitled to take delivery of 50% of the shares after three years and the balance after five years, subject to a maximum of ten years.

18 Share option reserve (continued)

Fair value of share-based payments in respect of options

Options granted after 7 November 2002 that had not vested at 1 January 2005 have been valued using the Binomial option pricing model by an independent, external valuator. The fair value of the options determined at the grant date are amortised over the vesting period to the extent that the options are ultimately exercised or are expected to be exercised.

The assumptions used in estimating the fair values at grant date are listed below:

Options granted	Share price at grant date (R)	Risk-free rate (%)	Dividend yield (%)	Expected volatility (%)	Expected exercise rate (%)
January 2003 – 3-year vesting period	6.50	10.50	2.70	36.00	27.73
January 2003 – 5-year vesting period	6.50	10.70	2.70	37.00	27.73
June 2003 – 3-year vesting period	5.80	9.60	3.10	36.00	86.85
June 2003 – 5-year vesting period	5.80	9.64	3.10	37.00	86.85
August 2003 – 3-year vesting period	6.64	9.11	3.20	36.00	59.11
August 2003 – 5-year vesting period	6.64	9.66	3.20	37.00	59.11
October 2003 – 3-year vesting period	7.00	8.38	3.40	35.00	86.85
October 2003 – 5-year vesting period	7.00	8.75	3.40	36.00	86.85
June 2005 – 3-year vesting period	7.60	7.53	3.70	30.00	86.85
June 2005 – 5-year vesting period	7.60	7.84	3.70	32.00	86.85
August 2005 – 3-year vesting period	8.40	7.68	3.70	30.00	86.85
August 2005 – 5-year vesting period	8.40	7.93	3.70	32.00	86.85

The risk-free rate is the implied yield available on zero-coupon South African government bonds, with a remaining term equal to the expected term of the option being valued (based on the option's remaining contractual life and taking into account the effects of expected early exercise). Bond yields used are those published by the Bond Exchange of South Africa.

The dividend yield is the historical two-year average dividend yield as of the grant date, which has been converted to a continuously compounded dividend yield.

The expected volatility is the historic annualised standard deviation of the continuously compounded rates of return on the share, based on the most recent period as of the grant date that is commensurate with the expected term of the share option.

The expected exercise rate is based on the historic trend of option forfeitures and excludes options already exercised. The value of options already exercised are reflected in the share option reserve in addition to the value of options that are expected to be exercised based on the expected exercise rate.

The share option reserve recognises the cost at fair value of options issued to employees.

	Group 2006 R'000	Group 2005 R'000
Share option reserve		
Balance at the beginning of the year	14 414	9 035
Share option cost charged to profit	5 623	5 379
Balance at the end of the year	20 037	14 414
Represented by:		
Estimate of options not yet vested but expected to vest	15 371	12 954
Options vested and not forfeited	4 666	1 460
	20 037	14 414

for the year ended 31 August 2006

	Group 2006 R'000	Group 2005 R'000
19 Non-distributable reserve		
Non-distributable reserve comprises:		
Unrealised gain on the translation of assets and liabilities of subsidiaries whose financial statements are denominated in foreign currencies	618	508

20 Interest-bearing loans and borrowings

The contractual terms of the group's interest-bearing loans and borrowings are detailed below.
More information about the group's treasury, foreign exchange and interest-rate risk policies is given in note 27.

		Group 2006 R'000	Group 2005 R'000
Secured loans bearing interest at fixed rates			
Interest rate	*Date repayable*		
16.15% per annum	February 2006	–	11 561
16.92% per annum	February 2006	–	1 164
18.45% per annum	October 2006	1 296	9 053
15.41% per annum	August 2010	52 313	61 200
Total secured loans bearing interest at fixed rates		53 609	82 978
These loans are secured by a pledge of shares in certain property-owning subsidiaries.			
Loan – bearing interest at prime less 1% per annum, repayable by August 2010		11 784	18 709
This loan is secured by mortgage over certain property (see note 8)			
Finance leases, repayable over the next three years		3 089	3 997
These lease liabilities are secured by the related leased items (see note 8)			
Unsecured loan – bearing interest at JIBAR plus 2.2% per annum, repayable by August 2006		–	20 278
Unsecured loan – bearing interest at a fixed 11.65% per annum, repayable by August 2008		95 224	134 745
Financial liability (see note 20.1)		50 000	–
Total interest-bearing loans and borrowings		213 706	260 707
Amount repayable within one year included in current liabilities		(62 851)	(93 024)
Non-current interest-bearing loans and borrowings		150 855	167 683

20.1 *Financial liability*

The financial liability has been raised in respect of a loan advanced to Intercare by Intercare's bankers. Although the loan receivable detailed in note 13.2 has been settled, as the group still retains substantially all of the risks and rewards relating to the receivable through the issuance of a guarantee, the receivable has not been derecognised. The proceeds received on the settlement of the receivable have thus been recognised as a financial liability. The repayment terms of this loan are the same as the terms applicable to the receivable.

Unrecognised financial liability

In the group financial statements, the group has not recognised the following financial liability:
A subsidiary has entered into a loan arrangement with a finance company in terms of which the subsidiary borrowed R260 million. The loan is repayable in August 2008 and interest is payable at 11.65% nominal rate per annum, compounded monthly. This unrecognised financial liability is offset by the unrecognised financial asset reflected in note 28. Interest of R24.2 million (2005: R24.2 million) has been offset against dividends received on the unrecognised financial asset reflected in note 28.

	Group: Share appreciation rights (note 21.1) R'000	Group: Post-retirement medical obligations (note 21.2) R'000	Group: Total R'000
21 Employee benefits			
Long-term employee benefits			
Balance at 1 September 2004	–	15 253	15 253
Change in fair value of cash-settled obligation taken to profit	662	–	662
Current service cost	–	663	663
Benefit payments	–	(204)	(204)
Interest cost	–	1 181	1 181
Actuarial gain	–	(98)	(98)
Balance at 31 August 2005	662	16 795	17 457
Change in fair value of cash-settled obligation taken to profit	9 146	–	9 146
Current service cost	–	639	639
Benefit payments	–	(254)	(254)
Interest cost	–	1 128	1 128
Balance at 31 August 2006	**9 808**	**18 308**	**28 116**

21.1 *Share appreciation rights*

During the prior year, the group made six million share appreciation rights available to certain employees. Three million of these rights vest after a period of three years and the remaining three million vest after a period of five years from the grant date. During the current year, the group made a further one million share appreciation rights available to certain employees. Five hundred thousand of these rights vest after a period of three years and the remaining five hundred thousand vest after a period of five years from the grant date.

The "exercise price" of the share appreciation rights varies depending on the performance of the company's share price as detailed below.

	7 April 2005 tranche: Share price on vesting date (R)	7 April 2005 tranche: "Exercise price" (R)	11 May 2006 tranche: Share price on vesting date (R)	11 May 2006 tranche: "Exercise price" (R)
Three-year rights	greater than 12.71	8.36	greater than 16.04	10.55
	greater than 14.45	4.18	greater than 18.23	5.27
	greater than 16.33	0.01	greater than 20.61	0.01
Five-year rights	greater than 16.81	8.36	greater than 21.22	10.55
	greater than 20.80	4.18	greater than 26.25	5.27
	greater than 25.51	0.01	greater than 32.20	0.01

As the group's liability in respect of these share appreciation rights is dependent on the future performance of the company's share price, a derivative hedge has been acquired to limit the extent of the exposure. The hedging instrument covers all exposure where the notional exercise price is R4.18 per share or above or R5.27 per share or above in respect of the 7 April 2005 and 11 May 2006 tranches respectively. In addition to the cost of the hedge detailed in note 16, in the event that the highest target share price is achieved, the group's maximum further exposure in terms of the share appreciation rights is R30.3 million.

for the year ended 31 August 2006

21 Employee benefits (continued)

21.1 *Share appreciation rights (continued)*

The obligation in respect of these cash-settled share-based payments has been computed based on the fair value of the notional options at year-end as determined by independent external professional valuators using the Binomial option pricing model, amortised over the vesting period of the rights.

The following key assumptions have been made:

i) The expected volatility is the historic annualised standard deviation of the continuously compounded rates of return on the share, based on the most recent period as of the grant date that is commensurate with the expected term of the share option.

ii) The risk-free rate on the valuation date was the financial institution who performed the valuation's lending rate for the expected life of the option.

iii) Distribution per share was assumed at 31 cents, 34 cents, 36 cents, 39 cents and 42 cents per share for the financial years 2006, 2007, 2008, 2009 and 2010 respectively.

21.2 *Post-retirement medical obligations*

The group subsidises a portion of the medical aid contributions of certain retired employees.

An actuarial valuation of the Clicks Medical Aid scheme has determined that the unfunded liability in respect of pensioner post-retirement medical benefits amounts to R18.3 million (2005: R16.8 million). Provision has been made for the full unfunded liability.

The principal actuarial assumptions at the last valuation date (9 September 2005) are:

i) A discount rate of 8.0% per annum

ii) General increases to medical aid contributions of 6.0%

iii) A retirement age of 65

iv) Husbands are on average three years older than their spouses

v) Mortality of pensioners determined in accordance with PA90 ultimate tables

vi) Mortality of in-service members determined in accordance with SA 56-62 ultimate table, with females rated down three years

Short-term employee benefits

	Group				
	Leave pay accrual R'000	Bonus accrual R'000	Termination settlements R'000	Overtime accrual R'000	Total R'000
Balance at 1 September 2004	35 469	24 524	–	1 122	61 115
Charge included in profit	2 893	1 865	5 412	–	10 170
Balance at 31 August 2005	38 362	26 389	5 412	1 122	71 285
Charge included in profit	8 347	18 589	6 709	545	34 190
Balance at 31 August 2006	46 709	44 978	12 121	1 667	105 475

The leave pay accrual is based on actual leave days per employee multiplied by the employee's current total daily cost to the company.

The bonus accrual includes a guaranteed thirteenth cheque and an incentive bonus based on the group's performance. The accrual is provided for all employees who qualify in respect of the expected cash payment.

The termination settlements relate to two former directors of the group and are due to be settled in the 2007 financial year.

The overtime accrual is in respect of overtime worked in August which is paid in September.

21 Employee benefits (continued)

Pension and provident funds

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

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

In addition to the above funds, employees of UPD can elect to join the SACCAWU National Provident Fund or Chemical Industries National Provident Fund, which are not operated by the group. PM&A employees can elect to join either the Rainmaker Pension Fund or the Rainmaker Provident Fund. Neither of these are operated by the group. All permanent full-time staff members are obliged to join, at their choice, one of the funds.

The funds are all defined contribution funds.

Employee and company contributions to the above funds are included in employment costs detailed in note 4.

		Group	
		2006 R'000	2005 R'000
22	Operating lease liability		
	Operating lease accrual	101 145	85 506
	Operating leases with fixed escalations are charged to the income statement on a straight-line basis. The associated provision will reverse during the latter part of each lease term when the actual cash flow exceeds the income statement charge.		
	Operating lease commitments		
	The group leases all its retail premises and certain of its pharmaceutical distribution centre sites under operating leases. The lease agreements for the group provide for minimum payments together, in certain instances, with further annual payments determined on the basis of turnover.		
	Future minimum lease payments under non-cancellable operating leases due		
	– Not later than one year	299 488	268 374
	– Later than one year, not later than five years	814 393	749 487
	– Later than five years	354 427	323 190
		1 468 308	1 341 051
23	Trade and other payables		
	The following are included in trade and other payables:		
	Trade payables	1 367 455	1 341 064
	Non-trade payables and accruals	122 931	29 035
		1 490 386	1 370 099

for the year ended 31 August 2006	Group			
	ClubCard discount provision (note 24.1) R'000	Gift voucher provision (note 24.2) R'000	Provision for onerous contracts (note 24.3) R'000	Total R'000
24 Provisions				
Balance at 1 September 2004	14 306	4 543	15 282	34 131
Provisions made during the year included in cost of merchandise	61 573	–	–	61 573
Provisions utilised during the year	(57 870)	–	–	(57 870)
Movement in provision during the year recognised in cost of merchandise	–	235	–	235
Movement in provision during the year recognised in occupancy costs	–	–	4 021	4 021
Balance at 31 August 2005	18 009	4 778	19 303	42 090
Provisions made during the year included in cost of merchandise	70 566	–	–	70 566
Provisions utilised during the year	(65 757)	–	–	(65 757)
Movement in provision during the year recognised in cost of merchandise	–	(920)	–	(920)
Movement in provision during the year recognised in occupancy costs	–	–	(4 563)	(4 563)
Balance at 31 August 2006	22 818	3 858	14 740	41 416

24.1 *ClubCard discount provision*

The provision for ClubCard discount is determined based on the value of unredeemed vouchers in issue as well as the value of discount on qualifying sales that has not been converted into vouchers.

Based on the historic redemption rate, it is assumed that 82% of all vouchers in issue are ultimately redeemed.

Estimates are made based on historic trends regarding the value of discount on qualifying sales that will ultimately convert into vouchers issued.

The equivalent cost of inventory relating to the sales value of the unredeemed vouchers and qualifying discount not yet converted to vouchers is estimated based on the margin in closing inventory for the Clicks brand and the provision is raised in respect of this cost.

24.2 *Gift voucher provision*

The provision for gift voucher obligations is determined based on the total value of vouchers sold during the year, net of vouchers redeemed.

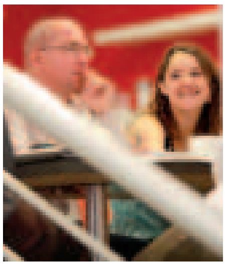
24.3 *Provision for onerous contracts*

Onerous contracts are identified where the present value of future obligations in terms of the contracts in question exceeds the estimated benefits accruing to the group from the contracts.

The provision relates to certain leases where the site is either vacant or the commercial activity on the site is incurring losses.

Future cash flows are determined in accordance with the contractual lease obligations and are adjusted by market-related sublet rentals and discounted at a rate of 15% (which is the group's risk-adjusted pre-tax weighted average cost of capital rate).

The provision is further reduced to the extent that an operating lease accrual has already been recognised (see note 22).




	Group 2006 R'000	Group 2005 R'000
25 **Distributions to shareholders**		
Previous year final cash dividend – 18.5 cents per share paid 19 December 2005 (2005: 22.5 cents per share paid 20 December 2004)	68 576	82 328
Current year interim cash distribution out of share premium – 11.2 cents per share paid 3 July 2006 (2005: cash dividend of 11.2 cents per share paid 27 June 2005)	39 568	41 312
Total distributions to shareholders	108 144	123 640
Distributions on treasury shares	(5 821)	(11 175)
Distributions paid outside the group	102 323	112 465

On 1 November 2006, the directors approved the final proposed distribution of 22.0 cents per share comprising a final cash dividend of 6.8 cents per share and a distribution out of share premium of 15.2 cents per share, to be paid on 18 December 2006.

Dividend policy

The board of directors have maintained the distribution cover at 2.2 times. The distribution cover was 2.2 times in the prior year based on the results presented in accordance with South African Statements of Generally Accepted Accounting Practice, but has reduced to 2 times after the restatement due to the conversion to IFRS.

For further details refer to the Directors' Report on page 101 and shareholders' information on page 105.

for the year ended 31 August 2006

	Group 2006 R'000	Group 2005 R'000
26 Cash flow information		
26.1 *Cash generated by operations*		
Operating profit before financing costs	387 347	305 347
Adjustment for:		
Depreciation and amortisation	108 602	104 734
Equity-settled share option costs	5 623	5 379
Fair value adjustment – derivative	(8 323)	3 945
Goodwill impairment	1 254	16 814
Impairment of property, plant and equipment	3 159	6 143
Loss on disposal of property, plant and equipment	1 209	270
Operating lease accrual	15 639	9 018
Reversal of previous unrealised foreign exchange loss	(2 500)	–
Unrealised foreign exchange (gain)/loss	(6 080)	2 500
	505 930	454 150
Working capital changes		
Increase in inventories	(3 071)	(190 757)
Increase in trade and other receivables	(312 202)	(50 107)
Acquisition of derivative financial instruments	(3 965)	(18 390)
Increase in trade and other payables	120 397	42 436
Increase in employee benefits	44 849	12 374
(Decrease)/increase in provisions	(674)	7 959
	(154 666)	(196 485)
	351 264	257 665
26.2 *Tax paid*		
Income tax receivable at the beginning of the year	24 530	5 618
Current tax provided	(26 902)	(90 346)
Income tax receivable at the end of the year	(68 929)	(24 530)
	(71 301)	(109 258)
26.3 *Proceeds from the issue of share capital*		
Shares issued	74 583	57 334
Share issue expenses	(189)	(273)
	74 394	57 061
26.4 *Cash and cash equivalents*		
Cash on hand and at bank	40 111	60 311
Bank overdraft	(47 000)	(13 903)
	(6 889)	46 408

27 Financial instruments

Treasury risk management

Executive management meet on a regular basis to analyse currency and interest rate exposures and re-evaluate treasury management strategies. The group entered into certain interest rate swap agreements in respect of certain fixed rate long-term borrowings and certain floating rate short-term borrowings. The group has fair valued these contracts and included the value in derivative financial instruments (see note 16).

Foreign exchange risk management

The group is exposed to foreign currency risk as it imports merchandise. This risk is mitigated by entering into forward exchange contracts. These contracts are matched with anticipated future cash flows in foreign currencies. The group does not use forward exchange contracts for speculative purposes.

At 31 August 2006, the group had open forward exchange contracts to purchase US$11.5 million, £0.6 million and €2.4 million within five months after year-end at rates varying between R6.08 and R7.14 to the US dollar, R13.09 and R13.45 to the UK pound and R8.82 and R9.25 to the Euro. The group also had open forward exchange contracts to sell US$0.5 million and £0.3 million within two months after year-end at rates varying between R7.11 and R7.17 to the US dollar and R12.90 and R13.65 to the UK pound. The group has fair valued these contracts (see note 16).

Credit risk management

The group is exposed to credit risk in respect of its trade receivables, short-term cash investments and loan receivables. Management have a formal credit policy in place. In respect of trade receivables, credit limits are assigned based on credit checks. Credit guarantee insurance also exists for certain significant trade receivable balances. Short-term cash investments are placed with large reputable financial institutions of high credit standing. Loans to third parties are advanced after comprehensive risk assessments have been performed.

The group's maximum exposure to credit risk is represented by the carrying value of its financial assets disclosed in the balance sheet as well as the contingent liabilities referred to in note 31.

Interest rate risk

		Group 2006				
		Maturity of interest-bearing asset/liability			Non-interest bearing	Total
	Interest terms	1 year or less R'000	1 to 5 years R'000	Over 5 years R'000	R'000	R'000
Assets						
Loans receivable	Variable to prime	553	13 696	11 595	–	25 844
Loans receivable	Fixed	928	20 784	3 288		25 000
Loans receivable		–	–	–	25 960	25 960
Trade and other receivables		–	–	–	792 557	792 557
Cash and cash equivalents	Variable to prime	40 111	–	–	–	40 111
Derivative financial assets		–	–	–	35 901	35 901
Total financial assets		41 592	34 480	14 883	854 418	945 373
Liabilities						
Interest-bearing loans and borrowings	Fixed	12 539	62 782	3 288	–	78 609
Interest-bearing loans and borrowings	Variable to prime	50 312	73 190	11 595	–	135 097
Bank overdraft	Variable to prime	47 000	–	–	–	47 000
Trade and other payables		–	–	–	1 490 386	1 490 386
Total financial liabilities		109 851	135 972	14 883	1 490 386	1 751 092
Net financial liabilities		(68 259)	(101 492)	–	(635 968)	(805 719)

Fair values of financial instruments

At 31 August 2006, the carrying amounts of trade and other receivables, cash and cash equivalents, trade and other payables and bank overdraft approximate their fair values due to their short-term maturities. Derivatives are carried at fair values determined by external, independent experts. As the terms of other financial instruments are consistent with similar financial instruments concluded at arm's length, management consider their carrying amounts to approximate their fair values.

for the year ended 31 August 2006

		Company 2006 R'000	Company 2005 R'000
28	**Unlisted investment**		
	2 600 redeemable cumulative non-participating preference shares at 9.32% in Sechold Finance Services (Pty) Ltd	260 000	260 000

The directors' valuation of the investment at 31 August 2006 is R260 million.

Unrecognised financial asset

In the group financial statements, the group has not recognised the following financial asset:

New Clicks Holdings Limited ("NCH") purchased a R260 million preference share investment which carries a 9.32% dividend coupon rate and is redeemable on 22 August 2008. For security of the company's preference share investment, the finance company referred to in note 20 has pledged its loan receivable from a subsidiary of NCH in the event of a default in terms of the preference share arrangement. For security of the subsidiary company's loan, NCH has pledged its preference share investment to the finance company in the event of default of the loan. This unrecognised financial asset is offset by the unrecognised financial liability referred to in note 20. The dividend received of R24.2 million (2005: R24.2 million) has been offset against interest on the unrecognised financial liability referred to in note 20.

		Group 2006	Group 2005
29	**Employee statistics**		
	Number of permanent employees	9 058	8 947
	Headline earnings per employee (R)	27 778	22 413
	Staff turnover:		
	Total employees at the beginning of the year	8 947	9 011
	Add: Recruitments	2 252	1 727
		11 199	10 738
	Less: Resignations	(1 683)	(1 354)
	Deaths	(35)	(27)
	Dismissals	(314)	(294)
	Retirements	(17)	(25)
	Retrenchments	(92)	(91)
	Total employees at the end of the year	9 058	8 947

		Group 2006 R'000	Group 2005 R'000
30	**Capital commitments**		
	Capital expenditure approved by the directors		
	Contracted	13 294	80 347
	Not contracted	147 306	83 687
		160 600	164 034

To be financed from borrowings and internally generated funds.

31 **Contingent liabilities**

The company has furnished guarantees to bankers in respect of gross liabilities of R988.8 million recognised on the balance sheets of certain subsidiary companies. The net liability recognised on the group balance sheet in respect of these liabilities is R148.8 million.

A subsidiary has provided a guarantee to their bankers, in respect of that subsidiary's owner driver scheme. Should the driver default on repayments of the loan instalments, that subsidiary company would be required to settle any remaining obligation to the banker. The net amount owing by the owner drivers is R5.1 million at the balance sheet date.

The company has guaranteed a R50 million facility given to Intercare by their bankers as detailed in notes 13.2 and 20.

In the opinion of the directors, the possibility of loss arising from these guarantees is remote.

32 **Related party transactions**

Group

Transactions between group subsidiaries

During the year, in the ordinary course of business, certain companies within the group entered into transactions. These intra-group transactions have been eliminated on consolidation. For a list of the group subsidiaries, see page 99.

Directors and key management

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

Director	*Entity*
DM Nurek	Investec Bank Limited

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

These transactions include:

i) Investec Bank Limited manages certain cash on call on behalf of group companies.
ii) Investec Bank Limited has provided funding to group companies.
iii) A group company has invested in an Investec Bank Limited group company. Refer to note 28.
iv) A group company has purchased a derivative instrument from Investec Bank Limited. Refer to note 16.

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 control, joint control, or significant influence over the financial or operating policies of those companies. Those entities are not disclosed above.

Executive directors' employment contracts do not provide for a predetermined period of employment but, to ensure business continuity, do specify an eighteen-month notice period prior to termination by the company. During this period, all standard employee benefits accrue to the directors in question. Contracts do not provide for predetermined compensation benefits on termination other than those accorded to all employees in terms of group remuneration policies.

Employee benefits paid to directors and key management personnel are detailed in note 4.

Shares held by directors and their related entities

The percentage of shares held by directors of the company and their related entities at the balance sheet date are disclosed in the Corporate Governance section on page 30 of this annual report.

Company

A schedule of the loans and investments in related parties is included on page 99. The company received dividends to the value of R68.6 million (2005: R130.9 million) from New Clicks South Africa (Proprietary) Limited, a wholly-owned subsidiary, and in turn paid dividends on treasury shares held by that subsidiary to that subsidiary of R4.9 million (2005: R10.2 million). In addition, the company paid dividends to the Share Trust on shares held by the Share Trust of R0.9 million (2005: R1.0 million). Details regarding distributions relating to treasury shares are included in note 25.

33 **Events subsequent to balance sheet date**

No significant events took place between the end of the financial year under review, and the date of signature of these financial statements with the exception of the approval of the final distribution (see the Directors' Report on page 101 for more details).

34 **Borrowing powers**

In terms of the articles of association, the borrowing powers of the company are unlimited.

for the year ended 31 August 2006

35 Impact of conversion to International Financial Reporting Standards ("IFRS") and other adjustments

For the year ended 31 August 2005, the group prepared its financial statements in accordance with South African Statements of Generally Accepted Accounting Practice ("SA GAAP"). JSE Limited ("JSE") Listings Requirements prescribe that a company listed on the JSE prepare its annual financial statements in accordance with IFRS. IFRS refers to the application of International Accounting Standards ("IAS") and International Financial Reporting Standards ("IFRS").

This requirement applies to all listed companies for financial reporting periods beginning on or after 1 January 2005, and consequently the year ended 31 August 2006 is the group's first annual published financial statements under IFRS. As the group publishes comparative financial information for one year, the date of transition to IFRS is 1 September 2004, the start of the earliest period of comparative information presented.

The group has restated information previously published under SA GAAP to the equivalent basis under IFRS. This restatement follows the guidelines set out in IFRS 1 – First-time Adoption of International Financial Reporting Standards.

		Group			
IFRS conversion adjustments	Notes	Gross R'000	Tax R'000	Tax rate change R'000	Net R'000
Impact on distributable reserve at 1 September 2004					
IFRS 1 – Trademark re-recognition	35.1	372 000	(111 600)	–	260 400
IFRS 2 – Share-based payments	35.2	(9 035)	–	–	(9 035)
IAS 2 – Settlement discounts in inventory	35.3	(20 600)	6 180	–	(14 420)
IAS 16 – Property, plant and equipment	35.4	–	–	–	–
IAS 39 – Impairment of trade receivables	35.5	3 598	(1 079)	–	2 519
Total IFRS conversion adjustments		345 963	(106 499)	–	239 464
Impact on distributable reserve at 31 August 2005					
IFRS 1 – Trademark re-recognition	35.1	372 000	(111 600)	3 720	264 120
IFRS 2 – Share-based payments	35.2	(14 414)	–	–	(14 414)
IAS 2 – Settlement discounts in inventory	35.3	(23 653)	7 065	(206)	(16 794)
IAS 16 – Property, plant and equipment	35.4	–	–	–	–
IAS 39 – Impairment of trade receivables	35.5	2 952	(892)	36	2 096
Total IFRS conversion adjustments		336 885	(105 427)	3 550	235 008
Impact on profit for the year – 2005					
IFRS 1 – Trademark re-recognition	35.1	–	–	3 720	3 720
IFRS 2 – Share-based payments	35.2	(5 379)	–	–	(5 379)
IAS 2 – Settlement discounts in inventory	35.3	(3 053)	885	(206)	(2 374)
IAS 16 – Property, plant and equipment	35.4	–	–	–	–
IAS 39 – Impairment of trade receivables	35.5	(646)	187	36	(423)
Total IFRS conversion adjustments		(9 078)	1 072	3 550	(4 456)
Impact on profit for the year – 2006					
IFRS 1 – Trademark re-recognition	35.1	–	–	–	–
IFRS 2 – Share-based payments	35.2	(5 623)	–	–	(5 623)
IAS 2 – Settlement discounts in inventory	35.3	3 167	(918)	–	2 249
IAS 16 – Property, plant and equipment	35.4	4 834	(400)	–	4 434
IAS 39 – Impairment of trade receivables	35.5	(507)	147	–	(360)
Total IFRS conversion adjustments		1 871	(1 171)	–	700

A deferred tax asset was raised when the trademarks referred to in note 35.1 were written off against share premium in 1996. This deferred tax asset was credited to a non-distributable reserve. As a result of the trademarks being re-recognised in accordance with IFRS 1, the deferred tax asset has been reversed and the non-distributable reserve transferred to distributable reserves.

In addition to the impact on distributable reserves, the adjustment relating to IFRS 2 in respect of share options has a further impact on the share option reserve, a new class of equity created in order to comply with this standard.

		Notes	Group Gross R'000	Tax R'000	Tax rate change R'000	Net R'000
35	**Impact of conversion to International Financial Reporting Standards ("IFRS") and other adjustments** (continued)					
	Other adjustments					
	Impact on distributable reserve at 1 September 2004					
	Inventory adjustments	35.6	(141 406)	42 419	–	(98 987)
	Leave-pay provision	35.7	(5 896)	1 769	–	(4 127)
	Bonus provision	35.8	(12 684)	3 805	–	(8 879)
	Sundry debtors impairments	35.9	(25 080)	–	–	(25 080)
	Onerous leases	35.10	(15 282)	4 585	–	(10 697)
	Property, plant and equipment impairments	35.11	(5 603)	1 681	–	(3 922)
	Total other adjustments		(205 951)	54 259	–	(151 692)
	Impact on distributable reserve at 31 August 2005					
	Inventory adjustments	35.6	(158 137)	47 270	(1 414)	(112 281)
	Leave-pay provision	35.7	(4 055)	1 235	(59)	(2 879)
	Bonus provision	35.8	(14 678)	4 383	(127)	(10 422)
	Sundry debtors impairments	35.9	(25 080)	–	–	(25 080)
	Onerous leases	35.10	(19 303)	5 751	(153)	(13 705)
	Property, plant and equipment impairments	35.11	(11 746)	3 463	(56)	(8 339)
	Total other adjustments		(232 999)	62 102	(1 809)	(172 706)
	Impact on profit for the year – 2005					
	Inventory adjustments	35.6	(16 731)	4 851	(1 414)	(13 294)
	Leave-pay provision	35.7	1 841	(534)	(59)	1 248
	Bonus provision	35.8	(1 994)	578	(127)	(1 543)
	Sundry debtors impairments	35.9	–	–	–	–
	Onerous leases	35.10	(4 021)	1 166	(153)	(3 008)
	Property, plant and equipment impairments	35.11	(6 143)	1 782	(56)	(4 417)
	Total other adjustments		(27 048)	7 843	(1 809)	(21 014)
	Impact on profit for the year – 2006					
	Inventory adjustments	35.6	6 506	(1 887)	–	4 619
	Leave-pay provision	35.7	(6 652)	1 929	–	(4 723)
	Bonus provision	35.8	(3 017)	875	–	(2 142)
	Sundry debtors impairments	35.9	–	–	–	–
	Onerous leases	35.10	4 563	(1 323)	–	3 240
	Property, plant and equipment impairments	35.11	546	(158)	–	388
	Total other adjustments		1 946	(564)	–	1 382

for the year ended 31 August 2006

35 Impact of conversion to International Financial Reporting Standards ("IFRS") and other adjustments (continued)

IFRS conversion adjustments

35.1 *Trademark re-recognition*

The group wrote off trademarks relating to the Clicks and Discom businesses of R372 million against Share Premium in 1996. IFRS 1 requires the group to re-recognise all assets and liabilities at the date of transition to IFRS that were acquired or assumed in a past business combination.

The trademarks have accordingly been re-recognised out of distributable reserves. The trademarks are treated as intangible assets with indefinite useful lives in accordance with IAS 38 – Intangible assets. The trademarks are consequently not amortised but are subject to an annual impairment test. (See note 10).

The deferred tax asset raised on the write-off of the trademarks was charged to equity by way of a non-distributable reserve. As a result of the trademark being re-recognised, the deferred tax asset has reversed and the related non-distributable reserve has been transferred to the distributable reserve.

35.2 *Share-based payments*

In terms of IFRS 2, all share-based payment transactions must be recognised in the financial statements using a fair value measurement basis and charged when the goods or services are consumed. It requires the fair value of all equity instruments granted to be based on market prices, if available, and to take into account the terms and conditions on which those instruments were granted.

This standard applies to all options granted after 7 November 2002 which had not vested by 1 January 2005. The fair value of these options was determined at the grant date using the Binomial option pricing model. In addition to options that have already vested and have not been forfeited, the fair value of the options that are expected to vest has been amortised over the vesting period. (See note 18).

35.3 *Settlement discounts in inventory*

IAS 2 – Inventories requires trade discounts, rebates and other similar items to be deducted from the cost of purchase of an item of inventory. In prior years, cash discounts received from suppliers were included in other income. Cash discounts are now shown as a reduction of cost of merchandise sold for the year, with a consequential reduction in the inventory valuation at the reporting date, consistent with current interpretation.

35.4 *Property, plant and equipment*

IAS 16 – Property, plant and equipment requires an annual assessment of the remaining useful lives and residual values of all assets and for depreciation to be adjusted accordingly. The group has reviewed the remaining useful lives and residual values of all assets and has recalculated depreciation. The cumulative impact of this change at the date of transition to IFRS was not material and comparatives have consequently not been restated. The cumulative difference at the date of transition has been accounted for prospectively. The asset classes impacted were buildings and motor vehicles.

35.5 *Impairment of trade receivables*

IAS 39 – Financial Instruments: Recognition and measurement prohibits general doubtful debt provisions and requires an impairment in the case where objective evidence of impairment exists. The impairment is calculated based on an "incurred loss" model rather than an "expected loss" model.

The group has recalculated the value of trade receivables impaired in accordance with this standard.

Other adjustments

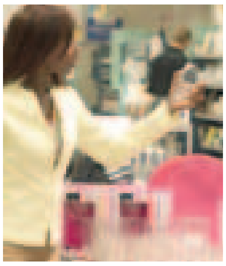
35.6 *Inventory adjustments*

Rebates and distribution costs were previously recognised as other income and expenses respectively in the period incurred. The group has now recognised rebates and distribution centre costs as part of the cost of merchandise which has had the effect of reducing the value of inventories. The group now complies with IAS 2 in respect of these component costs of inventory.

In addition, the group has historically used the Retail Inventory Method to estimate the first-in-first-out ("FIFO") cost of inventory. The assumptions and methodology applied by the group in using the Retail Inventory Method were reviewed and refined during the year in the context of more reliable information becoming available, to more accurately reflect the FIFO cost of inventory. This has been adjusted retrospectively and comparatives have been restated.

35.7 *Leave-pay provision*

The group has corrected a historic underprovision in the provision for leave-pay. The group now complies with IAS 19 – Employee benefits in this regard. The adjustment has been made retrospectively and comparatives have been restated.




35 Impact of conversion to International Financial Reporting Standards ("IFRS") and other adjustments (continued)

Other adjustments (continued)

35.8 *Bonus provision*

The group has corrected a historic underprovision in the provision for bonuses which are employee obligations at the balance sheet date. The group now complies with IAS 19 – Employee benefits in this regard. The adjustment has been made retrospectively and comparatives have been restated.

35.9 *Sundry debtors impairments*

Various receivables existed at the end of the previous financial year which should have been impaired in earlier financial years. These have been impaired in the relevant year and comparatives have been restated as necessary.

35.10 *Onerous leases*

The group has corrected a historic underprovision in relation to onerous lease contracts. The group now complies with IAS 37 – Provisions and contingencies in respect of onerous leases. The provision has been determined based on the present value of future cash flows relating to contracts where the present value of the cash flows exceeds the benefits from the related contracts. The adjustment has been made retrospectively and comparatives have been restated.

35.11 *Property, plant and equipment impairments*

As part of the exercise of converting to IFRS, the group has critically assessed the recoverable values of all its assets and has identified assets that are no longer in use. These assets relate primarily to closed stores and obsolete information technology assets and have accordingly been written off. The adjustment has been made retrospectively and comparatives have been restated.

Reclassifications

Rebate and settlement discount income was previously included in other income and is now included in cost of merchandise sold.

Distribution costs were previously disclosed in the income statement based on their nature, but are now included in cost of merchandise sold.

Pharmaceutical distribution income was previously included as a reduction in cost of merchandise sold and is now included in other income.

Balance sheet line items have been renamed to be consistent with current terminology. Various reclassifications have been made as detailed on pages 90 to 93.

Reconciliation between SA GAAP and IFRS

A reconciliation of the transitional balance sheet, comparative balance sheet and comparative income statement from SA GAAP to IFRS is presented on pages 90 to 95.

36 Standards issued but not yet effective

The directors have considered all Standards and Interpretations that have been issued but which are not yet effective and found those set out below to be applicable.

IFRIC 4

This interpretation is effective for the group for the year ending 31 August 2008. This interpretation requires that where an entity enters into an arrangement that depends on the use of a specific asset and that arrangement conveys the right to control this specific asset, then this arrangement should be treated as an asset under IAS 17 – Leases. Arrangements that are in substance leases should be assessed against the criteria included in IAS 17 to determine whether the arrangement should be accounted for as a finance or operating lease. This interpretation is not likely to have a material impact on the financial results presented in the current or future periods.

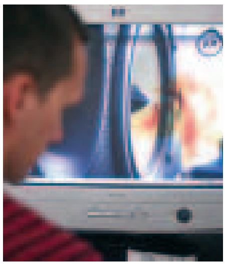
IFRS 7

The disclosures provided in respect of financial instruments in the financial statements for the year ending 31 August 2008, as well as comparative information, will be compliant with IFRS 7. IFRS 7 requires additional disclosure compared to that required in terms of existing IFRS in respect of, amongst others, capital objectives and policies. The adoption of IFRS 7 will not have any impact on the accounting policies adopted for financial instruments.

transitional IFRS conversion financial information

for the year ended 31 August 2006

Balance sheet at 31 August 2004	SA GAAP R'000	IFRS adjustments: Trademark re-recognition IFRS 1 R'000	Share-based payments IFRS 2 R'000	Settlement discounts in inventory IAS 2 R'000	Impairment of trade receivables IAS 39 R'000	Total IFRS adjustments R'000	Inventory adjustments R'000	Leave-pay provision R'000
Assets								
Non-current assets	883 486	343 991	–	–	(1 079)	342 912	103	–
Property, plant and equipment	659 347	–	–	–	–	–	–	–
Investment property	–	–	–	–	–	–	–	–
Intangible assets	3 930	372 000	–	–	–	372 000	–	–
Goodwill	98 280	–	–	–	–	–	–	–
Deferred tax assets	95 475	(28 009)	–	–	(1 079)	(29 088)	103	–
Loans receivable	26 454	–	–	–	–	–	–	–
Current assets	2 273 947	–	–	(20 600)	3 598	(17 002)	(141 406)	–
Inventories	1 411 339	–	–	(20 600)	–	(20 600)	(141 406)	–
Trade and other receivables	443 762	–	–	–	3 598	3 598	–	–
Income tax receivables	8 442	–	–	–	–	–	–	–
Cash and cash equivalents	410 404	–	–	–	–	–	–	–
Derivative financial assets	–	–	–	–	–	–	–	–
Total assets	3 157 433	343 991	–	(20 600)	2 519	325 910	(141 303)	–
Equity and liabilities								
Equity	1 319 155	260 400	–	(14 420)	2 519	248 499	(98 987)	(4 127)
Share capital	3 612	–	–	–	–	–	–	–
Share premium	907 107	–	–	–	–	–	–	–
Treasury shares	(122 981)	–	–	–	–	–	–	–
Share option reserve	–	–	9 035	–	–	9 035	–	–
Non-distributable reserve	28 942	(27 900)	–	–	–	(27 900)	–	–
Distributable reserve	502 475	288 300	(9 035)	(14 420)	2 519	267 364	(98 987)	(4 127)
Non-current liabilities	355 841	83 591	–	(6 180)	–	77 411	(42 316)	(1 769)
Interest-bearing loans and borrowings	259 730	–	–	–	–	–	–	–
Employee benefits	–	–	–	–	–	–	–	–
Deferred tax liabilities	19 623	83 591	–	(6 180)	–	77 411	(42 316)	(1 769)
Operating lease liability	76 488	–	–	–	–	–	–	–
Current liabilities	1 482 437	–	–	–	–	–	–	5 896
Bank overdraft	8 710	–	–	–	–	–	–	–
Trade and other payables	1 390 084	–	–	–	–	–	–	5 896
Employee benefits	–	–	–	–	–	–	–	–
Provisions	–	–	–	–	–	–	–	–
Interest-bearing loans and borrowings	80 819	–	–	–	–	–	–	–
Derivative financial liabilities	–	–	–	–	–	–	–	–
Income tax payable	2 824	–	–	–	–	–	–	–
Total equity and liabilities	3 157 433	343 991	–	(20 600)	2 519	325 910	(141 303)	–




Other adjustments					Reclassifications					
Bonus provision R'000	Sundry debtors impairments R'000	Onerous leases R'000	Property, plant and equipment impairments R'000	Total other adjustments R'000	Intangibles and investment property R'000	Derivatives R'000	Provisions R'000	Employee benefits R'000	Loans R'000	Restated IFRS R'000
–	–	–	(5 603)	(5 500)	–	–	–	–	–	1 220 898
–	–	–	(5 603)	(5 603)	(6 900)	–	–	–	–	646 844
–	–	–	–	–	6 900	–	–	–	–	6 900
–	–	–	–	–	–	–	–	–	–	375 930
–	–	–	–	–	–	–	–	–	–	98 280
–	–	–	–	103	–	–	–	–	–	66 490
–	–	–	–	–	–	–	–	–	–	26 454
–	(11 398)	–	–	(152 804)	–	–	–	–	–	2 104 141
–	–	–	–	(141 406)	–	–	–	–	–	1 249 333
–	(1 394)	–	–	(1 394)	–	(2 422)	–	–	–	443 544
–	–	–	–	–	–	–	–	–	–	8 442
–	(10 004)	–	–	(10 004)	–	–	–	–	–	400 400
–	–	–	–	–	–	2 422	–	–	–	2 422
–	(11 398)	–	(5 603)	(158 304)	–	–	–	–	–	3 325 039
(8 879)	(25 080)	(10 697)	(3 922)	(151 692)	–	–	–	–	–	1 415 962
–	–	–	–	–	–	–	–	–	–	3 612
–	–	–	–	–	–	–	–	–	–	907 107
–	–	–	–	–	–	–	–	–	–	(122 981)
–	–	–	–	–	–	–	–	–	–	9 035
–	–	–	–	–	–	–	–	–	–	1 042
(8 879)	(25 080)	(10 697)	(3 922)	(151 692)	–	–	–	–	–	618 147
(3 805)	–	(4 585)	(1 681)	(54 156)	–	–	–	15 253	–	394 349
–	–	–	–	–	–	–	–	–	–	259 730
–	–	–	–	–	–	–	–	15 253	–	15 253
(3 805)	–	(4 585)	(1 681)	(54 156)	–	–	–	–	–	42 878
–	–	–	–	–	–	–	–	–	–	76 488
12 684	13 682	15 282	–	47 544	–	–	–	(15 253)	–	1 514 728
–	–	–	–	–	–	–	–	–	–	8 710
12 684	13 682	15 282	–	47 544	–	–	(34 131)	(76 368)	–	1 327 129
–	–	–	–	–	–	–	–	61 115	–	61 115
–	–	–	–	–	–	–	34 131	–	–	34 131
–	–	–	–	–	–	–	–	–	–	80 819
–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	2 824
–	(11 398)	–	(5 603)	(158 304)	–	–	–	–	–	3 325 039

for the year ended 31 August 2006

Balance sheet at 31 August 2005	SA GAAP R'000	Trademark re-recognition IFRS 1 R'000	Share-based payments IFRS 2 R'000	Settlement discounts in inventory IAS 2 R'000	Impairment of trade receivables IAS 39 R'000	Total IFRS adjustments R'000	Inventory adjustments R'000	Leave-pay provision R'000
		IFRS adjustments						
Assets								
Non-current assets	951 117	343 991	–	–	(856)	343 135	351	–
Property, plant and equipment	708 895	–	–	–	–	–	–	–
Investment property	–	–	–	–	–	–	–	–
Intangible assets	3 280	372 000	–	–	–	372 000	–	–
Goodwill	83 950	–	–	–	–	–	–	–
Deferred tax assets	102 264	(28 009)	–	–	(856)	(28 865)	351	–
Loans receivable	52 728	–	–	–	–	–	–	–
Current assets	2 239 058	–	–	(23 653)	2 952	(20 701)	(158 137)	–
Inventories	1 621 880	–	–	(23 653)	–	(23 653)	(158 137)	–
Trade and other receivables	494 515	–	–	–	2 952	2 952	–	–
Income tax receivable	37 903	–	–	–	–	–	–	–
Cash and cash equivalents	70 315	–	–	–	–	–	–	–
Derivative financial assets	14 445	–	–	–	–	–	–	–
Total assets	3 190 175	343 991	–	(23 653)	2 096	322 434	(157 786)	–
Equity and liabilities								
Equity	1 340 223	264 120	–	(16 794)	2 096	249 422	(112 281)	(2 879)
Share capital	3 703	–	–	–	–	–	–	–
Share premium	964 077	–	–	–	–	–	–	–
Treasury shares	(249 678)	–	–	–	–	–	–	–
Share option reserve	–	–	14 414	–	–	14 414	–	–
Non-distributable reserve	18 488	(17 980)	–	–	–	(17 980)	–	–
Distributable reserve	603 633	282 100	(14 414)	(16 794)	2 096	252 988	(112 281)	(2 879)
Non-current liabilities	277 939	79 871	–	(6 859)	–	73 012	(45 505)	(1 176)
Interest-bearing loans and borrowings	167 683	–	–	–	–	–	–	–
Employee benefits	–	–	–	–	–	–	–	–
Deferred tax liabilities	24 750	79 871	–	(6 859)	–	73 012	(45 505)	(1 176)
Operating lease liability	85 506	–	–	–	–	–	–	–
Current liabilities	1 572 013	–	–	–	–	–	–	4 055
Bank overdraft	13 903	–	–	–	–	–	–	–
Trade and other payables	1 451 713	–	–	–	–	–	–	4 055
Employee benefits	–	–	–	–	–	–	–	–
Provisions	–	–	–	–	–	–	–	–
Interest-bearing loans and borrowings	93 024	–	–	–	–	–	–	–
Derivative financial liabilities	–	–	–	–	–	–	–	–
Income tax payable	13 373	–	–	–	–	–	–	–
Total equity and liabilities	3 190 175	343 991	–	(23 653)	2 096	322 434	(157 786)	–

Other adjustments					Reclassifications					
Bonus provision R'000	Sundry debtors impairments R'000	Onerous leases R'000	Property, plant and equipment impairments R'000	Total other adjustments R'000	Intangibles and investment property R'000	Derivatives R'000	Provisions R'000	Employee benefits R'000	Loans R'000	Restated IFRS R'000
–	–	–	(11 746)	(11 395)	–	–	–	–	15 414	1 298 271
–	–	–	(11 746)	(11 746)	(28 223)	–	–	–	–	668 926
–	–	–	–	–	6 900	–	–	–	–	6 900
–	–	–	–	–	21 323	–	–	–	–	396 603
–	–	–	–	–	–	–	–	–	–	83 950
–	–	–	–	351	–	–	–	–	–	73 750
–	–	–	–	–	–	–	–	–	15 414	68 142
–	(11 398)	–	–	(169 535)	–	–	–	–	(15 414)	2 033 408
–	–	–	–	(158 137)	–	–	–	–	–	1 440 090
–	(1 394)	–	–	(1 394)	–	(304)	–	–	(15 414)	480 355
–	–	–	–	–	–	–	–	–	–	37 903
–	(10 004)	–	–	(10 004)	–	–	–	–	–	60 311
–	–	–	–	–	–	304	–	–	–	14 749
–	(11 398)	–	(11 746)	(180 930)	–	–	–	–	–	3 331 679
(10 422)	(25 080)	(13 705)	(8 339)	(172 706)	–	–	–	–	–	1 416 939
–	–	–	–	–	–	–	–	–	–	3 703
–	–	–	–	–	–	–	–	–	–	964 077
–	–	–	–	–	–	–	–	–	–	(249 678)
–	–	–	–	–	–	–	–	–	–	14 414
–	–	–	–	–	–	–	–	–	–	508
(10 422)	(25 080)	(13 705)	(8 339)	(172 706)	–	–	–	–	–	683 915
(4 256)	–	(5 598)	(3 407)	(59 942)	–	–	–	17 457	–	308 466
–	–	–	–	–	–	–	–	–	–	167 683
–	–	–	–	–	–	–	–	17 457	–	17 457
(4 256)	–	(5 598)	(3 407)	(59 942)	–	–	–	–	–	37 820
–	–	–	–	–	–	–	–	–	–	85 506
14 678	13 682	19 303	–	51 718	–	–	–	(17 457)	–	1 606 274
–	–	–	–	–	–	–	–	–	–	13 903
14 678	13 682	19 303	–	51 718	–	(2 500)	(42 090)	(88 742)	–	1 370 099
–	–	–	–	–	–	–	–	71 285	–	71 285
–	–	–	–	–	–	–	42 090	–	–	42 090
–	–	–	–	–	–	–	–	–	–	93 024
–	–	–	–	–	–	2 500	–	–	–	2 500
–	–	–	–	–	–	–	–	–	–	13 373
–	(11 398)	–	(11 746)	(180 930)	–	–	–	–	–	3 331 679

for the year ended 31 August 2006

Income statement for the year ended 31 August 2005	SA GAAP R'000	IFRS adjustments: Trademark re-recognition IFRS 1 R'000	Share-based payments IFRS 2 R'000	Settlement discounts in inventory IAS 2 R'000	Impairment of trade receivables IAS 39 R'000	Total IFRS adjustments R'000
Turnover	8 714 338	–	–	–	–	–
Cost of merchandise sold	7 004 862	–	–	3 053	–	3 053
Gross profit	1 709 476	–	–	(3 053)	–	(3 053)
Other income	542 778	–	–	–	–	–
Expenses	1 910 781	–	5 379	–	646	6 025
Depreciation and amortisation	104 734	–	–	–	–	–
Occupancy costs	291 409	–	–	–	–	–
Employment costs	846 782	–	5 379	–	–	5 379
Other operating costs	650 772	–	–	–	646	646
Impairment of property, plant and equipment	–	–	–	–	–	–
Loss on disposal of property, plant and equipment	270	–	–	–	–	–
Goodwill impairment	16 814	–	–	–	–	–
Operating profit before financing costs	341 473	–	(5 379)	(3 053)	(646)	(9 078)
Net financing costs	(49 086)	–	–	–	–	–
Financial income	7 878	–	–	–	–	–
Financial expenses	(56 964)	–	–	–	–	–
Profit before tax	292 387	–	–	–	–	–
Income tax expense	87 754	(3 720)	–	(679)	(223)	(4 622)
Profit for the year	204 633	3 720	(5 379)	(2 374)	(423)	(4 456)


Other adjustments							Reclassifications			
Inventory adjustments R'000	Leave-pay provision R'000	Bonus provision R'000	Sundry debtors impairments R'000	Onerous leases R'000	Property, plant and equipment impairments R'000	Total other adjustments R'000	Rebates and settlement discounts R'000	Distribution costs R'000	Pharma-ceutical distribution income R'000	Restated IFRS R'000
–	–	–	–	–	–	–	–	–	–	8 714 338
16 731	–	–	–	–	–	16 731	(299 128)	67 969	142 273	6 935 760
(16 731)	–	–	–	–	–	(16 731)	299 128	(67 969)	(142 273)	1 778 578
–	–	–	–	–	–	–	(299 128)	2	142 273	385 925
–	(1 841)	1 994	–	4 021	6 143	10 317	–	(67 967)	–	1 859 156
–	–	–	–	–	–	–	–	(5 413)	–	99 321
–	–	–	–	4 021	–	4 021	–	(4)	–	295 426
–	(1 841)	1 994	–	–	–	153	–	(37 490)	–	814 824
–	–	–	–	–	–	–	–	(25 060)	–	626 358
–	–	–	–	–	6 143	6 143	–	–	–	6 143
–	–	–	–	–	–	–	–	–	–	270
–	–	–	–	–	–	–	–	–	–	16 814
(16 731)	1 841	(1 994)	–	(4 021)	(6 143)	(27 048)	–	–	–	305 347
–	–	–	–	–	–	–	–	–	–	(49 086)
–	–	–	–	–	–	–	–	–	–	7 878
–	–	–	–	–	–	–	–	–	–	(56 964)
–	–	–	–	–	–	–	–	–	–	256 261
(3 437)	593	(451)	–	(1 013)	(1 726)	(6 034)	–	–	–	77 098
(13 294)	1 248	(1 543)	–	(3 008)	(4 417)	(21 014)	–	–	–	179 163

company income statement

for the year ended 31 August 2006

	Notes	2006 R'000	2005 R'000
Dividends received		92 809	156 379
Operating costs		–	(2 196)
Impairment of investment in The Link Investment Trust		(29 790)	–
Profit before tax		63 019	154 183
Income tax expense	6	4 932	11 099
Profit for the year		58 087	143 084

company balance sheet

at 31 August 2006

	Notes	2006 R'000	2005 R'000
Assets			
Non-current assets		861 085	1 112 023
Deferred tax asset	12	3 587	557
Interest in subsidiary companies (see page 99)		597 498	851 466
Unlisted investment	28	260 000	260 000
Current assets		18 600	26 110
Income tax receivable		18 600	13 894
Dividends receivable		–	12 216
Total assets		879 685	1 138 133
Equity			
Share capital	17	3 555	3 703
Share premium	17	817 911	966 197
Distributable reserve		58 219	168 233
Total equity		879 685	1 138 133

company statement of changes in equity

for the year ended 31 August 2006

	Number of shares '000	Share capital (Note 17) R'000	Share premium (Note 17) R'000	Distributable reserve R'000	Total R'000
Balance at 1 September 2004	361 205	3 612	909 227	148 789	1 061 628
Shares issued in respect of options	9 055	91	57 243	–	57 334
Share issue expenses written off	–	–	(273)	–	(273)
Profit for the year	–	–	–	143 084	143 084
Distributions to shareholders (see note 25)	–	–	–	(123 640)	(123 640)
Balance at 31 August 2005	370 260	3 703	966 197	168 233	1 138 133
Shares issued in respect of options	12 160	122	74 461	–	74 583
Share issue expenses written off	–	–	(189)	–	(189)
Shares cancelled	(26 932)	(270)	(182 990)	(99 525)	(282 785)
Profit for the year	–	–	–	58 087	58 087
Distributions to shareholders (see note 25)	–	–	(39 568)	(68 576)	(108 144)
Balance at 31 August 2006	355 488	3 555	817 911	58 219	879 685

During the year the company bought back 26 931 767 of its own ordinary shares of one cent each from a subsidiary for a consideration of R282.8 million and subsequently cancelled these shares. Of the total cost, R99.6 million was deducted from distributable reserves, R0.3 million from share capital and the balance of R182.9 million was deducted from share premium.

company statement of cash flows

for the year ended 31 August 2006

	2006 R'000	2005 R'000
Cash effects of operating activities		
Cash generated by operations	105 025	141 967
Tax paid	(12 668)	(16 035)
Cash inflow from operating activities before distributions	92 357	125 932
Distributions paid to shareholders	(108 144)	(123 640)
Net cash effects of operating activities	(15 787)	2 292
Cash effects of investing activities		
Purchase of treasury shares from subsidiary company	(282 785)	–
Decrease/(increase) in loans receivable	224 178	(59 353)
Net cash effects of investing activities	(58 607)	(59 353)
Cash effects of financing activities		
Proceeds from the issue of share capital	74 583	57 334
Share issue expenses	(189)	(273)
Net cash effects of financing activities	74 394	57 061
Net movement in cash and cash equivalents	–	–
Cash and cash equivalents at the beginning of the year	–	–
Cash and cash equivalents at the end of the year	–	–

notes to the company statement of cash flows

for the year ended 31 August 2006

	2006 R'000	2005 R'000
Cash generated by operations		
Profit before tax	63 019	154 183
Impairment of investment in The Link Investment Trust	29 790	–
	92 809	154 183
Decrease/(increase) in dividends receivable	12 216	(12 216)
	105 025	141 967
Tax paid		
Income tax receivable at the beginning of the year	13 894	9 515
Current tax provided	(7 962)	(11 656)
Income tax receivable at the end of the year	(18 600)	(13 894)
	(12 668)	(16 035)

interest in subsidiary companies

at 31 August 2006 Name of company and nature of business	Country of incorporation	Ordinary issued share capital	Shares at cost less amounts written off 2006 R'000	2005 R'000	Amount owing by subsidiaries 2006 R'000	2005 R'000
Directly held						
i) *Trading*						
New Clicks South Africa (Proprietary) Limited	South Africa	R500	272 439	272 439	312 091	536 269
The Link Investment Trust	South Africa		–	14 790	–	15 000
ii) *Property owning*						
Elsdon Investments (Proprietary) Limited	South Africa	R2	3 911	3 911	–	–
Crantock Investments (Proprietary) Limited	South Africa	R1	44	44	–	–
Optimprops 93 (Proprietary) Limited	South Africa	R100	13	13	–	–
Flamborough Investments (Proprietary) Limited	South Africa	R1	*	*	–	–
Clicks Centurion (Proprietary) Limited	South Africa	R10	*	*	9 000	9 000
Indirectly held						
i) *Trading*						
Safeway (Swaziland) (Proprietary) Limited	Swaziland	E2	–	–	–	–
Clicks Stores (Lesotho) (Proprietary) Limited	Lesotho	M1 000	–	–	–	–
The Clicks Organisation (Botswana) (Proprietary) Limited	Botswana	BWP3 000	–	–	–	–
Safeway (Namibia) (Proprietary) Limited	Namibia	N$100	–	–	–	–
The Clicks Group Finance Company (Proprietary) Limited	South Africa	R999	–	–	–	–
New United Pharmaceutical Distributors (Proprietary) Limited	South Africa	R10	–	–	–	–
Multicare Pharmaceutical Benefits Management (Proprietary) Limited	South Africa	R4 000	–	–	–	–
Multicare Western Cape (Proprietary) Limited	South Africa	R100	–	–	–	–
Purchase Milton & Associates (Proprietary) Limited	South Africa	R200	–	–	–	–
Milton & Associates (Proprietary) Limited	South Africa	R200	–	–	–	–
Leon Katz (Proprietary) Limited	South Africa	R200	–	–	–	–
J & G Purchase & Associates (Proprietary) Limited	South Africa	R220	–	–	–	–
ii) *Name protection and dormant*						
23 companies (2005 – 22 companies)			–	–	–	–
iii) *Holding*						
Musica (Africa) Holdings Limited	South Africa	R246 029	–	–	–	–
Clicks Stores Holdings (Proprietary) Limited	South Africa	R68	–	–	–	–
Multicare Health Centres (Proprietary) Limited	South Africa	R1 000	–	–		
			276 407	291 197	321 091	560 269
Shares at cost less amounts written off			276 407	291 197		
Amounts owing by subsidiary companies			321 091	560 269		
Interest in subsidiaries			597 498	851 466		

All subsidiary companies are wholly-owned with the exception of The Link Investment Trust. New Clicks Holdings has a 56% interest in The Link Investment Trust.

The loan to The Link Investment Trust is interest free, unsecured and is repayable in annual instalments, not exceeding 10% of the underlying profit of the entity. The loan and investment in The Link Investment Trust have been impaired in the current year based on the fact that the carrying value of the loan and investment exceeds the present value of management's best estimate of likely future cash flows discounted at the group's risk adjusted pre-tax weighted average cost of capital of 15%.

All other loans are interest free, unsecured and no fixed dates of repayment have been determined.

* values less than R1 000

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 2006.

Nature of business

The company is an investment holding company listed in the Cyclical Services: General Retailers sector of the JSE Limited. Its subsidiaries as a group comprise the country's leading provider of health, beauty and lifestyle merchandise through a network of more than 660 stores in southern Africa. The company's subsidiaries encompass the entire pharmaceutical supply chain from wholesale distribution to retail pharmacy.

Certain subsidiaries operate as franchisers in addition to their retail activity. The company is the sole shareholder of certain property-owning subsidiaries.

Group financial results

The results of operations for the year are set out in the consolidated income statement on page 45. The profit attributable to ordinary shareholders for the year is R246 million (2005: R179 million).

Share capital

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

495 250	issued at various dates during the year at a premium of 349 cents per share, pursuant to the company's obligations to deliver ordinary shares to Share Trust participants in respect of share options granted in October 1998.
6 825 350	issued at various dates during the year at a premium of 534 cents per share, pursuant to the company's obligations to deliver ordinary shares to Share Trust participants in respect of share options granted in January 1999.
525 000	issued at various dates during the year at a premium of 779 cents per share, pursuant to the company's obligations to deliver ordinary shares to Share Trust participants in respect of share options granted in July 1999.
1 180 000	issued at various dates during the year at a premium of 929 cents per share, pursuant to the company's obligations to deliver ordinary shares to Share Trust participants in respect of share options granted in September 2000.
974 000	issued at various dates during the year at a premium of 739 cents per share, pursuant to the company's obligations to deliver ordinary shares to Share Trust participants in respect of share options granted in April 2001.


952 500	issued at various dates during the year at a premium of 669 cents per share, pursuant to the company's obligations to deliver ordinary shares to Share Trust participants in respect of share options granted in July 2002.
125 000	issued at various dates during the year at a premium of 569 cents per share, pursuant to the company's obligations to deliver ordinary shares to Share Trust participants in respect of share options granted in October 2002.
710 000	issued at various dates during the year at a premium of 649 cents per share, pursuant to the company's obligations to deliver ordinary shares to Share Trust participants in respect of share options granted in January 2003.
372 500	issued at various dates during the year at a premium of 629 cents per share, pursuant to the company's obligations to deliver ordinary shares to Share Trust participants in respect of share options granted in August 2003.
12 159 600	

The following ordinary shares of 1 cent each, held as treasury shares by a subsidiary of the company, were bought back into the company and cancelled.

26 931 767	cancelled on 17 May 2006

The following ordinary shares of 1 cent each were repurchased during the year by a subsidiary of the company and are now held as treasury shares.

5 065 863	in respect of the general repurchases between 18 May 2006 and 14 July 2006.

Distributions to shareholders

Interim

The directors proposed a cash distribution by way of a reduction of share premium of 11.2 cents per share for the six months ended 28 February 2006, which was approved by shareholders at a General Meeting held on 9 June 2006. The distribution was paid on 3 July 2006 to shareholders registered on 30 June 2006.

Final

The directors have approved a distribution of 22 cents per share comprising a final cash dividend of 6.8 cents per share and a distribution out of share premium of 15.2 cents per share, payable on 18 December 2006 to shareholders registered on 15 December 2006.

Group restructure

During the year the company completed the process of restructuring the operations of certain of its subsidiary companies. The primary objective of this restructuring is to ensure compliance with certain pharmacy regulations. As the restructuring took place between existing subsidiary companies, the financial position of the group is unaffected.

Events subsequent to balance sheet date

No significant events, other than the approval of the final distribution, as set out above, took place between the end of the financial year under review and the date of this report.

Directors and secretary

The names of the directors in office at the date of this report are set out on pages 8 and 9 and the company secretary's details are given on the inside back cover.

Appointments

On 10 April 2006 Peter Eagles and Martin Rosen were appointed as non-executive directors and Michael Harvey, David Kneale and Keith Warburton were appointed as executive directors. Roy Smither was appointed as a non-executive director on 20 September 2006.

Resignations

Raymond Godfrey resigned as an executive director on 31 December 2005. Trevor Honneysett resigned as an executive director on 23 January 2006. Peter Swartz and Allen Zimbler resigned as non-executive directors on 10 April 2006.

In accordance with the company's articles of association Messrs RL Lumb, PFK Eagles, M Rosen, RV Smither, E Osrin, DA Kneale, KDM Warburton and MJ Harvey retire at the forthcoming annual general meeting. With the exception of Mr E Osrin, who is not standing for re-election, the retiring directors, being eligible, offer themselves for re-election.

Directors' interest in shares

Details of the directors' beneficial interests in the company's issued share capital are given on page 30.

Details of the share options granted to directors are given on page 30.

Share incentive scheme

Information relating to the share incentive scheme is set out in note 18 on page 74.

Special resolutions

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

Holding company

The company has no holding company.

Subsidiary companies

The names of the company's main subsidiaries and financial information relating thereto appear on page 99.

The interest of the company in the aggregate income after taxation before goodwill amortisation and impairment of its subsidiaries is R228 million (2005: R177 million).

directors' approval

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

The financial statements have been prepared in accordance with International Financial Reporting Standards and are based on appropriate accounting policies which have been consistantly applied in all material respects, and are supported by reasonable and prudent judgements and estimates, where appropriate.

The directors, supported by the audit committee, are of the opinion, based on the information and explanations given by management and the internal auditors and on comment by the independent auditors on the results of their statutory audit, that the group's system of internal accounting controls is adequate, so that the financial records may be relied upon for preparing the financial statements and maintaining accountability for assets and liabilities.

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

Other than the information given in note 33 of the financial statements, no event, material to the understanding of this report, has occurred between the financial year-end and the date of this report.

The audited annual financial statements set out on pages 45 to 101 were approved by the board of directors and are signed on its behalf by:

DM Nurek	DA Kneale
Chairman	Chief Executive Officer

Cape Town
4 December 2006

certificate by the company secretary

I certify that New Clicks Holdings Limited has lodged with the Registrar of Companies all returns as required by a public company in terms of section 268G(d) of the Companies Act 1973, as amended, and that such returns are, to the best of my knowledge and belief, true, correct and up to date.

AA Scott
Company Secretary

Cape Town
4 December 2006

independent auditors' report

To the members of New Clicks Holdings Limited

We have audited the annual financial statements and group annual financial statements of New Clicks Holdings Limited and its subsidiaries as at 31 August 2006 and for the year then ended, set out on pages 45 to 101. 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.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and group financial statements present fairly, in all material respects, the financial position of the company and of the group at 31 August 2006 and the results of their operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.

KPMG Inc.
Registered Auditor

Per P Farrand
Chartered Accountant (SA)
Registered Auditor
Director

4 December 2006

KPMG Cape Town
1 Mediterranean Street, Foreshore
Cape Town

analysis of shareholders

at 31 August 2006

Public and non-public shareholders	Number of holders	Percentage of holders	Number of shares	Percentage of shares
Public shareholders	3 849	99.8%	347 313 282	97.7%
Non-public shareholders				
Shares held by directors	6	0.2%	300 095	0.1%
The New Clicks Holdings Share Trust	1	0.0%	2 808 925	0.8%
Treasury stock held by New Clicks South Africa (Proprietary) Limited	1	0.0%	5 065 863	1.4%
Total non-public shareholders	8	0.2%	8 174 883	2.3%
Total shareholders	3 857	100.0%	355 488 165	100.0%

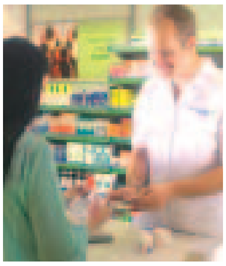
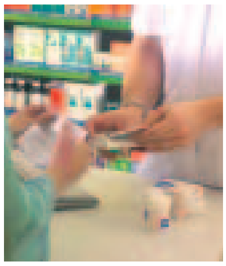
According to the company's register of shareholders, read in conjunction with the company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following shareholders held 5% or more of the issued share capital at 31 August 2006:

Major beneficial shareholders	Number of shares	Percentage of shares
Investment Solutions	33 385 720	9.4%
Corolife Special Opportunity Portfolio	22 129 971	6.2%
Public Investment Corporation	20 874 245	5.9%
Trakprops 141 (Proprietary) Limited	20 836 659	5.9%
	97 226 595	27.4%

Major institutional managers/direct holders	Number of shares	Percentage of shares
Coronation Fund Managers	79 126 542	22.3%
Allan Gray Limited	61 881 170	17.4%
RMB Asset Management	47 279 394	13.3%
Investec Asset Management	44 896 809	12.6%
Sanlam Investment Managers	41 654 358	11.7%
Oasis Asset Management	15 407 947	4.3%
	290 246 220	81.6%

Distribution of registered shareholdings	Number of holders	Percentage of holders	Number of shares	Percentage of shares
1 – 1 000	1 841	47.7%	574 405	0.1%
1 001 – 10 000	1 301	33.7%	4 512 078	1.3%
10 001 – 100 000	385	10.0%	14 204 934	4.0%
100 001 – 1 000 000	255	6.6%	83 893 133	23.6%
1 000 001 shares and over	75	2.0%	252 303 615	71.0%
	3 857	100.0%	355 488 165	100.0%

Classification of registered shareholdings	Number of holders	Percentage of holders	Number of shares	Percentage of shares
Mutual funds	164	4.3%	147 222 528	41.4%
Pension funds	269	7.0%	102 683 285	28.9%
Private companies	91	2.4%	26 952 482	7.6%
Investment companies	24	0.6%	26 923 459	7.6%
Banks	106	2.7%	17 186 430	4.8%
Insurance companies	32	0.8%	13 454 138	3.8%
Private investors	2 689	69.7%	7 536 805	2.1%
Share trusts	1	0.0%	2 808 925	0.8%
Other	481	12.5%	10 720 113	3.0%
	3 857	100.0%	355 488 165	100.0%

shareholders' diary

Dates for 2006/7

2006 Annual General Meeting	30 January 2007
Preliminary profit announcements	
Interim to February 2007	May 2007
Final to August 2007	October 2007
Publication of 2007 annual report	December 2007
Distributions	
2006 Final distribution	
Last day to trade to be eligible	8 December 2006
Date of distribution	18 December 2006
2007 Interim distribution	
Last day to trade to be eligible	June 2007
Date of distribution	June 2007
2007 Final distribution	
Last day to trade to be eligible	December 2007
Date of distribution	December 2007

STRATE Charity Shares

Shareholders with small or odd-lot holdings, or those who find the cost of selling their shares exceeds the market value of their shares, may wish to consider donating the shares to charity. An independent non-profit organisation called STRATE Charity Shares has been established to administer this process. In terms of this initiative, investors may donate their holdings, whether or not they have been converted to an electronic record of ownership in STRATE, to one or more nominated charities. The value of any shares donated may be deducted from taxable income, as the scheme is registered under section 18A of the Income Tax Act in South Africa.

For further details, queries and/or donations, contact the STRATE Share Care toll-free helpline on 0800 202 363 or +27 (0)11 373 0038, or e-mail charityshares@computershare.co.za.

notice of annual general meeting

Notice is hereby given that the eleventh annual general meeting of shareholders of New Clicks Holdings Limited will be held at the Auditorium, Investec, 5th floor, 36 Hans Strijdom Avenue, Foreshore, Cape Town on Tuesday, 30 January 2007 at 11:00, at which the resolutions set out below will be considered and, if deemed fit, passed with or without amendment.

1. Ordinary resolution number 1

To receive and consider for adoption the annual financial statements of the company and the group for the year ended 31 August 2006.

2. Election of directors

2.1 Ordinary resolution number 2

To consider the re-election as a director of the company of RL Lumb who retires in accordance with the company's articles of association and being eligible, offers himself for re-election.

Robert Lumb, aged 63, is an independent non-executive director and was appointed to the board in April 2004. He is chairman of the Audit and Risk management committees and is also a member of the Nominations committee. Robert is a non-executive director of Distell Group Limited, HomeChoice Holdings Limited and non-executive chairman of Metje & Ziegler Limited.

2.2 Ordinary resolution number 3

To consider the re-election as a director of the company of PFK Eagles who retires in accordance with the company's articles of association and being eligible, offers himself for re-election.

Peter Eagles, aged 58, is a non-executive director and was appointed to the board in April 2006. He is a member of the Risk management, Remuneration and Transformation committees. Peter is professor of pharmaceutical chemistry at the University of the Western Cape and provides consultancy services to the group on its professional pharmacy and healthcare strategy.

2.3 Ordinary resolution number 4

To consider the re-election as a director of the company of M Rosen who retires in accordance with the company's articles of association and being eligible, offers himself for re-election.

Martin Rosen, aged 56, is an independent non-executive director and was appointed to the board in April 2006. He is a member of the Risk management and Remuneration committees. Martin spent 33 years with Pick 'n Pay before starting his own marketing consultancy in 2004.

2.4 Ordinary resolution number 5

To consider the re-election as a director of the company of RV Smither who retires in accordance with the company's articles of association and being eligible, offers himself for re-election.

Roy Smither, aged 61, is an independent non-executive director of the company and was appointed to the board in September 2006. He is a member of the Risk management and Audit committees. He recently retired from Tiger Brands where he served as an executive director for eight years. He is also a non-executive director of Nampak Limited.

2.5 Ordinary resolution number 6

To consider the re-election as a director of the company of DA Kneale who retires in accordance with the company's article of association and being eligible, offers himself for re-election.

David Kneale, aged 52, is the chief executive officer of the group and was appointed to the board in April 2006.

2.6 Ordinary resolution number 7
To consider the re-election as a director of the company of KDM Warburton who retires in accordance with the company's articles of association and being eligible, offers himself for re-election.

Keith Warburton, aged 48, is the chief financial officer and was appointed to the board in April 2006.

2.7 Ordinary resolution number 8
To consider the re-election as a director of the company of MJ Harvey who retires in accordance with the company's articles of association and being eligible, offers himself for re-election.

Michael Harvey, aged 37, is the managing director of Clicks and was appointed to the board in April 2006.

3. Ordinary resolution number 9
To approve fees paid to directors, as disclosed on page 28, for the year to 31 August 2006.

4. Ordinary resolution number 10
To approve the proposed fees, payable to directors, as disclosed on page 29, for the year to 31 August 2007.

5. Ordinary resolution number 11
To renew the directors' authority over the unissued share capital of the company until the next annual general meeting subject to this authority being limited to issuing shares in terms of the company's obligations under the staff share incentive scheme.

6. Ordinary resolution number 12
General authority to make distributions to shareholders by way of a reduction in share premium
To consider, and if deemed fit, to pass, with or without modification, the following ordinary resolution:

"Resolved that the directors of the company be hereby authorised, by way of a general authority to distribute, on a pro rata basis, to all shareholders of the company any share capital and reserves of the company in terms of section 90 of the Companies Act, No. 61 of 1973, as amended, the company's articles of association and Listings Requirements of the JSE Limited, provided that:

- the general authority shall be valid until the next annual general meeting of the company or for 15 months from the passing of this ordinary resolution (whichever period is shorter); and
- any general distribution of share premium by the company shall not exceed 20% (twenty per cent) of the company's issued share capital and reserves, excluding minority interests.

The directors of the company are of the opinion that, were the company to enter into a transaction to distribute share capital and/or reserves totalling 20% (twenty per cent) of the current issued share capital and reserves of New Clicks:

- the company and its subsidiaries ("the group") will be able to pay its debts as they become due in the ordinary course of business;
- the assets of the company and the group, fairly valued, will exceed its liabilities;
- the issued share capital of the company and the group will be adequate for the purpose of the business of the company and the group for the foreseeable future; and
- the working capital available to the company and the group will be adequate for the company and the group's resources for the foreseeable future.

7. Special resolution number 1
General authority to repurchase shares
To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

"Resolved that, the company hereby approves, as a general approval contemplated in sections 85 and 89 of the Companies Act, No. 61 of 1973, as amended ("the Companies Act"), the acquisition by the company or any of its subsidiaries from time to time of the issued shares of the 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 Companies Act and the Listings Requirements of the JSE Limited ("JSE") as presently constituted and which may be amended from time to time, and provided that:

- any such repurchase shall be implemented through the order book operated by the JSE trading system, without any prior understanding or arrangement between the company and the counterparty;
- 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;
- a press announcement will be published as soon as the company and/or its subsidiaries has repurchased ordinary shares constituting, on a cumulative basis, 3% (three per cent) of the initial number of ordinary shares, and for each 3% (three per cent) in aggregate of the initial number of shares repurchased thereafter, containing full details of such repurchases;
- acquisitions by the company and its subsidiaries of shares in the capital of the company may not, in the aggregate, exceed in any one financial year 20% (twenty per cent) of the company's issued share capital of the class of the repurchased shares from the date of the grant of this general authority;
- in determining the price at which the company's shares are acquired by the company or its subsidiaries in terms of this general authority, the maximum premium at which such shares may be acquired will be 10% (ten per cent) of the weighted average of the market price at which such shares are traded on the JSE for the 5 (five) business days immediately preceding the date the repurchase transaction is effected;
- in the case of a derivative (as contemplated in the Listings Requirements of the JSE) the price of the derivative shall be subject to the limits set out in section 5.84(a) of the Listings Requirements;
- the company's sponsor has confirmed the adequacy of the company's working capital for purposes of undertaking the repurchase of shares in writing to the JSE upon when the company entered the market to proceed with the repurchase;
- the company remains in compliance with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread after such repurchase;
- the company and/or its subsidiaries do not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements; and
- the company only appoints one agent at any point in time to effect repurchases on its behalf."

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

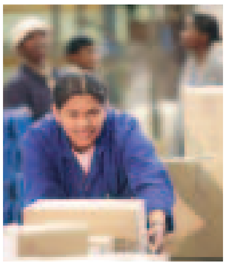
- the company will be able, in the ordinary course of business, to pay its debts;
- the consolidated assets of the company, fairly valued in accordance with generally accepted accounting practice, will exceed the consolidated liabilities of the company; and
- the company's ordinary share capital, reserves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

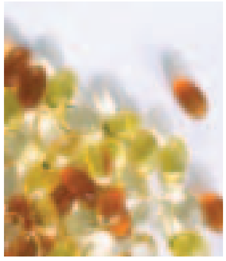
Reason and Effect of Special Resolution Number 1

The reason for special resolution number 1 is to grant the directors of the company and subsidiaries of the company a general authority in terms of the Companies Act and the JSE Listings Requirements to acquire the company's shares, subject to the terms and conditions set out in the resolution. The passing and registration of this special resolution will have the effect of authorising the directors of the company and subsidiaries of the company to acquire shares issued by the company.

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

- Directors and management – see pages 8, 9 and 14 to 23 of the annual report;
- Major beneficial shareholders – see page 104 of the annual report;
- Directors' interests in ordinary shares – see page 30 of the annual report; and
- Share capital of the company – see page 73 of the annual report.





Litigation statement

In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names appear on pages 8 and 9 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or had in the recent past, being at least the previous 12 (twelve) months, a material effect on the group's financial position or an appropriate negative statement.

Directors' responsibility statement

The directors, whose names appear on pages 8 and 9 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information.

Material changes

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

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

All shareholders of ordinary shares in the company ("shares") are entitled to attend, speak and vote at the annual general meeting. If you hold certificated shares (i.e. have not dematerialised your shares in the company) or are registered as an "own name" dematerialised shareholder (i.e. have specifically instructed your Central Securities Depository Participant ("CSDP") to hold your shares in your own name on the company's sub-register), then:

- you may attend and vote at the annual general meeting; alternatively
- you may appoint a proxy to represent you at the annual general meeting by completing the attached form of proxy and return it to the registered office of the company

Please note that if you are the owner of dematerialised shares (i.e. have replaced the paper share certificates representing the shares with electronic records of ownership under the JSE Limited's electronic settlement system, Share Transactions Totally Electronic ("STRATE")) held through a CSDP or broker and are not registered as an "own name" dematerialised shareholder, you are subject to the mandate between yourself and your CSDP or broker:

- if you wish to attend the annual general meeting you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from it; alternatively
- if you are unable to attend the general meeting but wish to be represented at the meeting, you must contact your CSDP or broker, as the case may be, and furnish it with your voting instructions in respect of the annual general meeting and/or request it to appoint a proxy. You should not complete the attached form of proxy. The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, as the case may be, within the time period required by your CSDP or broker, as the case may be.

CSDPs, brokers or their nominees, as the case may be, recorded in the company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of STRATE should, when authorised in terms of their mandate or instructed to do so by the person on behalf of whom they hold the dematerialised shares, vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the company's transfer secretaries or registered office of the company not less than 24 hours prior to the time appointed for the holding of the meeting (excluding Saturdays, Sundays and public holidays).

On a poll the holders of ordinary shares are entitled to one vote per ordinary share.

By order of the board

AA Scott
Company Secretary
4 December 2006

NEW CLICKS HOLDINGS LIMITED

Reg. No. 1996/000645/06
Share code: NCL • ISIN: ZAE000014586

Form of Proxy

For use by certificated New Clicks shareholders and "own name" dematerialised New Clicks shareholders only, at the annual general meeting of shareholders of the company to be held on Tuesday, 30 January 2007 at 11:00 at the Auditorium, Investec, 5th Floor, 36 Hans Strijdom Avenue, Foreshore, Cape Town.

I/We (full names – in block letters) ____

of (address) ____

____

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

1. ____or failing him/her
2. ____or failing him/her
3. the chairman of the meeting, as my/our proxy to attend, speak and vote on my/our behalf, as indicated below, at the annual general meeting to be held on Tuesday, 30 January 2007 at 11:00 and at any adjournment thereof.

	Number of shares		
	For	Against	Abstain
1. Adoption of the financial statements			
2. Election of directors			
2.1 Mr RL Lumb			
2.2 Mr PFK Eagles			
2.3 Mr M Rosen			
2.4 Mr RV Smither			
2.5 Mr DA Kneale			
2.6 Mr KDM Warburton			
2.7 Mr MJ Harvey			
3. Approval of directors' fees for the year to August 2006			
4. Approval of proposed directors' fees for the year to August 2007			
5. Directors' control over unissued shares (limited to shares obligated under the employee share scheme)			
6. General authority to make distributions to shareholders by way of a reduction in share premium			
7. General authority to repurchase shares			

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

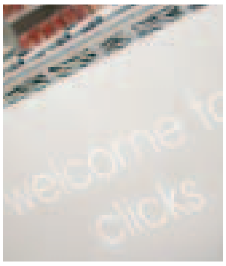
Signed by me/us this ____________________ day of ____________________

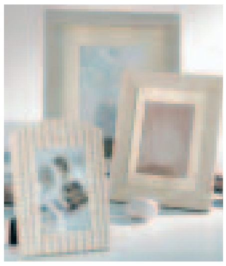
____

Signature(s)

Notes:

1. On a poll, a shareholder is entitled to one vote for every share held.
2. Any alteration or correction made on this form must be initialled by the signatory/ies.
3. This proxy form must be lodged with the company's transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) or at the registered office of the company, Cnr Searle and Pontac Streets, Cape Town, no later than 24 hours before the commencement of the meeting or posted to the company secretary at PO Box 5142, Cape Town 8000, to arrive no later than 24 hours before the commencement of the meeting. (excluding Saturdays, Sundays and public holidays).
4. A proxy need not be a shareholder of the company.
5. If this proxy is signed under the power of attorney or on behalf of a company, such powers of authority, unless previously registered with the company, must accompany it.
6. If you are a dematerialised shareholder and are not an own name dematerialised shareholder and you are unable to attend the annual general meeting, you must contact your Central Securities Depository Participant ("CSDP") or broker, as the case may be, and furnish it with your voting instructions in respect of the annual general meeting in accordance with the mandate between yourself and the CSDP or broker, as the case may be. You should not complete the attached form of proxy. If your CSDP or broker does not obtain your voting instructions from you in respect of the annual general meeting, it will be obliged to act in terms of your mandate, or if your mandate is silent, to abstain from voting. The instruction must be provided within the time period required by your CSDP or broker, as the case may be.





definitions

Cash flow	
Financing activities	Activities that result in changes to the capital structure of the group.
Investing activities	Activities relating to the acquisition, holding and disposal of capital assets and long-term investments.
Operating activities	Activities that are not financing or investing activities that arise from the operations conducted by the group.
Comparable stores turnover growth	Sales growth expressed as a percentage of growth for stores that have been operating for the full period during the current and previous financial years.
Current ratio	Current assets at year-end divided by current liabilities at year-end.
Distribution cover	Undiluted headline earnings per share for the year divided by the distribution per share for the year.
Distribution per share	Distribution per share is the actual interim cash dividend and/or capital distribution paid and the final cash dividend and/or capital distribution declared expressed as cents per share.
Earnings per share	
Basic earnings per share	Profit for the year divided by the weighted average number of shares in issue for the year.
Diluted earnings per share	Profit for the year divided by the weighted average diluted number of shares in issue for the year.
Headline earnings per share	Headline earnings divided by the weighted average number of shares in issue for the year.
Diluted headline earnings per share	Headline earnings divided by the weighted average diluted number of shares in issue for the year.
Effective tax rate	The tax charge in the income statement as a percentage of profit before tax.
Free float	The number of shares that are freely tradable on the JSE Limited, excluding treasury shares and shares held by directors and employee share schemes.
Gross profit margin	Gross profit expressed as a percentage of turnover.
Headline earnings	Profit for the year adjusted for the after tax effect of goodwill impairment and other capital items.
Headline earnings per employee	Headline earnings divided by the number of permanent employees in service at the year-end.
IFRS	International Financial Reporting Standards, as adopted by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Reporting Interpretations Committee ("IFRIC") of the IASB. New Clicks Holdings' consolidated financial statements are prepared in accordance with IFRS.
Interest-bearing debt to shareholders' interest at the end of the year	Interest-bearing debt (including bank overdraft) at the end of the year divided by shareholders' interest at the end of the year.
Inventory turn	Turnover for the year divided by the closing inventory at year-end.
JIBAR	Johannesburg Inter-Bank Agreement Rate, which is the rate that South African banks charge each other for wholesale money.

definitions (continued)

Market capitalisation	The market price per share at year-end multiplied by the number of shares in issue at year-end.
Net asset value per share	Net assets at year-end divided by the number of shares in issue at year-end (net of treasury shares).
Net tangible asset value per share	Net assets at year-end less intangible assets and goodwill, divided by the number of shares in issue at year-end (net of treasury shares).
Operating profit	Operating profit before financing costs as reported in the consolidated income statement, adjusted to exclude goodwill impairment, impairment of property, plant and equipment and profit/loss on disposal of property, plant and equipment.
Operating profit margin	Operating profit expressed as a percentage of turnover.
Percentage of shares traded	The number of shares traded on the JSE Limited during the year as a percentage of the weighted average number of shares in issue.
Price earnings ratio	The market price per share at year-end divided by undiluted headline earnings per share for the year.
Product price inflation	The change in the weighted average selling price of a sample of products for the year relative to the previous year expressed as a percentage of the weighted average selling price of the same sample of products for the previous year. Only products sold in both the current and previous years are included in the sample.
Return on assets managed	Operating profit/loss expressed as a percentage of average property, plant and equipment, inventory, investment properties, intangible assets (excluding goodwill and trademarks) and trade and other receivables for the year. Trade and other receivables are not allocated to retail business units.
Return on shareholders' interest	Headline earnings expressed as a percentage of the average ordinary shareholders' interest for the year.
Return on total assets	Headline earnings expressed as a percentage of the average total assets for the year.
Segmental reporting	
Operational segment	A distinguishable type of operation within the group.
Trading segment	A distinguishable trading brand or component of the group.
Shareholders' interest	Ordinary share capital and share premium (reduced by the cost of treasury shares), and other reserves comprising equity.
Treasury shares	Ordinary shares in New Clicks Holdings Limited acquired by a group company in terms of an approved share repurchase programme or held by the New Clicks Holdings Share Trust.
Weighted average number of shares	The number of shares in issue, increased by shares issued during the year and decreased by treasury shares purchased or shares cancelled during the year, weighted on a time basis for the period during which they have participated in the income of the group.
Weighted average diluted number of shares	The weighted average number of shares, adjusted for the effects of all dilutive potential ordinary shares.

notes

notes

corporate information

New Clicks Holdings Limited

Registration number:	1996/000645/06
JSE share code:	NCL
ISIN:	ZAE000014585

Registered address

Cnr Searle and Pontac Streets
Cape Town 8001

Website

www.newclicks.co.za

Company secretary

AA Scott CA (SA)

Business address:	Cnr Searle and Pontac Streets, Cape Town 8001
Postal address:	PO Box 5142, Cape Town 8000
e-mail address:	allan.scott@newclicks.com

Attorneys

Edward Nathan Sonnenbergs

Auditors

KPMG Inc.

Principal bankers

The Standard Bank of South Africa

JSE sponsor

Investec Bank Limited

Transfer secretaries

Computershare Investor Services 2004 (Proprietary) Limited

Business address:	70 Marshall Street, Johannesburg 2001
Postal address:	PO Box 61051, Marshalltown 2107
Telephone:	+27 (0)11 370 5000

Investor relations contacts

Tier 1 Investor Relations

Telephone:	+27 (0)21 702 3102
e-mail address:	ir@tier1ir.co.za

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