NEW CLICKS HOLDINGS LIMITED

reviewed preliminary group results for the year ended 31 August 2007

turnover up	operating profit up	diluted headline EPS up	distribution per share up	return on equity increases to
12.0%	35.8%	45.1%	45.2%	24.7%

Commentary

Overview

New Clicks has delivered a strong trading, operational and financial performance as the group continues to make encouraging progress towards achieving its medium-term performance targets.

The focus on working capital management saw the group generate cash of R420 million after repurchasing shares of R558 million and continuing to invest for long-term growth across its businesses.

Shareholder value has been enhanced with a 45.2% increase in total distributions for the year to 48.2 cents per share. The group's return on equity (ROE) continued its strong growth trend, improving from 16.7% to 24.7%.

The senior management teams in Clicks, UPD and Musica have all been strengthened to increase the depth of management talent in the group.

Following the sale of Discom, the ethnic beauty and hair care retailer, with effect from the beginning of September 2007, the group's retail brands are all now focused on middle and upper income customers.

Financial performance

Group turnover increased by 12.0% to R11.2 billion (2006: R10.0 billion), with selling price inflation ("inflation") for the period measured at 2.3%. Retail turnover increased by 13.1% and by 13.2% on a comparable store basis, with inflation of 2.5%. UPD increased turnover by 11.2% and experienced inflation of 2.0% for the year.

Retail gross margin improved to 27.3% (2006: 27.1%), resulting in retail gross profit increasing by 13.8% to R2.1 billion. UPD's total income (gross profit and other income) improved to 8.5% of turnover (2006: 8.3%).

The growth in operating expenditure of 9.0% was held below turnover growth.

Costs were impacted by higher employee incentive scheme expenses relating to improved performance, the introduction of the blueprint store renewal programme in Clicks and volume-related costs.

Operating profit increased 35.8%, reflecting the improved turnover, margin and operating efficiencies.

Headline earnings increased by 41.9% to R356.9 million (2006: R251.6 million). Diluted headline earnings per share grew 45.1% to 103.0 cents per share, in line with the earnings forecast range communicated in the group's trading statement on 3 October 2007. During the year the group sold properties at a capital profit of R28.4 million (after tax), which resulted in basic earnings per share growing by 58.5% to 113.2 cents per share.

Working capital management continued to be a priority for the group. Inventory levels were reduced by 2.8% over the previous year, despite the 12.0% growth in turnover, while inventory measured by days in stock improved from 66 to 57 days.

The improved cash generation is also reflected in the 32.1% reduction in net interest paid.

The group repurchased 14% of its issued share capital during the year, including R558 million in the open market and R125 million by forward agreement, at an average price of R13.68 per share. The group plans to continue the share repurchase programme in the new financial year and will utilise the net proceeds of the Discom sale towards this purpose.

Trading performance

Retail

Clicks has continued to realise the benefits of its focused merchandise strategy, increasing turnover by 14.3%. The performance was driven mainly by growth of 19.0% in health and 15.6% in beauty, with these two categories now accounting for 70.4% of total turnover. Comparable store sales grew by 14.3% with inflation of 2.8% for the year. Further operating efficiencies led to a 43.2% increase in operating profit to R296 million. Clicks expanded its store base to 320 and opened a further 21 dispensaries to bring the national pharmacy network to 125.

Musica has further entrenched its position as an entertainment brand and strong growth in DVD and gaming sales contributed to a 12.1% increase in turnover. Same store sales growth was 10.0% while the business experienced deflation of 1.3%. Non-music merchandise accounted for 41% of turnover (2006: 35%). Musica's operating profit increased 67.7% to R43 million.

The Body Shop increased turnover by 26.3%, boosted by the opening of four new stores and customer response to its loyalty programme. Comparable store sales grew 19.3% with inflation of 5.3%. Operating profit increased 24.7% to R14 million.

Discom lifted turnover by 7.0%, with operating profit up 17.9% to R40 million. During the year 25 stores were closed, including six which were converted to Clicks and one to Musica.

Wholesale distribution

UPD increased turnover by 11.2% and continued to diversify its client base. An automated pharmaceutical distribution facility was taken into operation late in the financial year at an investment of R43 million to further enhance efficiencies. UPD's expenses were well managed and the operating margin increased from 3.0% to 3.2%, resulting in a 21.0% increase in operating profit to R139 million.

Prospects

Management is confident that the group's strategy will provide sustainable competitive advantage. Plans have been developed to deliver the strategy, including implementing the Clicks blueprint programme, diversifying UPD's revenue base and expanding the entertainment offering of Musica. Retail space will be expanded by 5% with the planned opening of 38 to 40 new stores.

The trading environment is expected to become more challenging in 2008 and uncertainty continues to prevail over healthcare regulations.

Nevertheless, the group remains confident of delivering improvements in operating margin and continued cash generation, and anticipates achieving the ROE target of 30% in 2008. Earnings are expected to grow at a more normalised level off the higher base set in 2007.

Shareholder distribution

The board of directors has approved a final distribution of 33.2 cents per share (2006: 22.0 cents per share) comprising a final cash dividend of 3.6 cents per share and a distribution out of share premium of 29.6 cents per share in lieu of a dividend (collectively "the distribution").

Shareholders are advised of the following salient dates relating to the distribution:

Last day to trade "cum" the distribution	Friday, 7 December 2007
Shares trade "ex" the distribution	Monday, 10 December 2007
Record date	Friday, 14 December 2007
Payment to shareholders	Tuesday, 18 December 2007

Share certificates may not be dematerialised or rematerialised between Monday, 10 December 2007 and Friday, 14 December 2007, both days inclusive.

By order of the Board

ALLAN SCOTT
Company Secretary

25 October 2007

Condensed Consolidated Balance Sheet

R'000	Note	As at 31 August 2007 (reviewed)	As at 31 August 2006 (audited)
Assets			
Non-current assets		1 188 408	1 284 722
Property, plant and equipment		698 964	696 736
Investment property		–	6 900
Intangible assets		291 339	397 450
Goodwill		83 950	83 950
Deferred tax assets		45 404	24 363
Loans receivable		68 751	75 323
Current assets		2 821 971	2 399 685
Inventories		1 191 847	1 443 161
Trade and other receivables		792 126	792 557
Income tax receivable		2 446	86 474
Loans receivable		4 616	1 481
Cash and cash equivalents		413 275	40 111
Derivative financial assets		59 391	35 901
Non-current assets held for sale	3	358 270	–
Total assets		4 010 379	3 684 407
Equity and liabilities			
Equity			
Ordinary shareholders' interest		1 296 188	1 593 949
Non-current liabilities		331 676	325 785
Interest-bearing loans and borrowings		77 681	150 855
Employee benefits		64 943	28 116
Deferred tax liabilities		91 692	45 669
Operating lease liability		97 360	101 145
Current liabilities		2 382 515	1 764 673
Bank overdraft		–	47 000
Trade and other payables		1 902 313	1 490 386
Employee benefits		127 383	105 475
Provisions		47 610	41 416
Interest-bearing loans and borrowings		203 450	62 851
Income tax payable		86 755	17 545
Liabilities classified as held for sale	3	15 004	–
Total equity and liabilities		4 010 379	3 684 407

Segmental Analysis

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

R'000	Year to 31 August 2007 (reviewed)	Year to 31 August 2006 (audited)	% change
Turnover			
Clicks	5 562 340	4 864 521	14.3
Discom	1 153 507	1 077 682	7.0
Musica	873 411	778 798	12.1
The Body Shop	82 513	65 342	26.3
Style Studio	8 632	7 120	21.2
United Pharmaceutical Distributors	4 295 013	3 863 143	11.2
Other	–	286	
Intragroup elimination	(770 536)	(656 271)	
Total	11 204 880	10 000 621	12.0
Operating profit before financing costs			
Clicks	296 204	206 906	43.2
Discom	39 961	33 905	17.9
Musica	43 001	25 635	67.7
The Body Shop	13 803	11 067	24.7
Style Studio	358	1 075	
United Pharmaceutical Distributors	138 968	114 838	21.0
Intragroup elimination	1 494	(457)	
	533 789	392 969	35.8
Capital items	26 262	(5 622)	
Total	560 051	387 347	44.6

Condensed Consolidated Income Statement

R'000	Note	Year to 31 August 2007 (reviewed)	Year to 31 August 2006 (audited)	% change
Continuing operations				
Revenue		10 529 632	9 338 713	12.8
Turnover		10 051 373	8 922 939	12.6
Cost of merchandise sold		8 153 049	7 267 010	12.2
Gross profit		1 898 324	1 655 929	14.6
Other income		462 393	404 404	14.3
Expenses		1 866 889	1 701 269	9.7
Depreciation and amortisation		81 587	83 612	(2.4)
Occupancy costs		284 605	261 924	8.7
Employment costs		891 262	805 603	10.6
Other operating costs		609 435	550 130	10.8
Impairment of property, plant and equipment		–	(3 159)	
Goodwill impairment		(250)	(1 254)	
Profit on disposal of property, plant and equipment		29 402	483	
Operating profit before financing costs		522 980	355 134	47.3
Net financing costs		(38 827)	(57 219)	(32.1)
Financial income		15 866	11 370	
Financial expense		(54 693)	(68 589)	
Profit before tax		484 153	297 915	62.5
Income tax expense		129 965	74 796	73.8
Profit for the year from continuing operations		354 188	223 119	58.7
Discontinued operations				
Profit for the year from discontinued operations	2	26 320	22 871	15.1
Total profit for the year		380 508	245 990	54.7
Undiluted earnings per share (cents)		113.2	71.4	58.5
Diluted earnings per share (cents)		109.9	69.4	58.4
Distributions per share (cents)				
– interim paid		15.0	11.2	33.9
– final declared/paid		33.2	22.0	50.9
		48.2	33.2	45.2

Headline Earnings Reconciliation

R'000	Year to 31 August 2007 (reviewed)	Year to 31 August 2006 (audited)	% change
Profit for the year	380 508	245 990	
Adjustments for			
Impairment of property, plant and equipment	–	3 159	
Goodwill impairment	250	1 254	
Profit/(loss) on disposal of property, plant and equipment	(23 836)	1 209	
Headline earnings	356 922	251 612	41.9
Undiluted headline earnings per share (cents)	106.1	73.1	45.1
Diluted headline earnings per share (cents)	103.0	71.0	45.1

Condensed Consolidated Changes in Equity

R'000	Year to 31 August 2007 (reviewed)	Year to 31 August 2006 (audited)
Opening shareholders' interest	1 593 949	1 416 939
Increase in share capital and premium	2 402	74 394
Net cost of own shares purchased	(562 505)	(46 784)
(Decrease)/Increase in non-distributable reserve	(629)	110
Profit for the year	380 508	245 990
Share option reserve	3 749	5 623
Distributions to shareholders	(121 286)	(102 323)
Closing shareholders' interest	1 296 188	1 593 949
Percentage decrease in closing shareholders' interest	(18.7)	

Condensed Consolidated Cash Flow Statement

R'000	Year to 31 August 2007 (reviewed)	Year to 31 August 2006 (audited)
Cash generated by operations	622 366	505 930
Working capital changes	520 811	(154 666)
Net interest paid	(36 383)	(60 003)
Taxation received/(paid)	37 503	(71 301)
Cash effects of operating activities	1 144 297	219 960
Distributions to shareholders	(121 286)	(102 323)
Net cash effects of operating activities	1 023 011	117 637
Net cash effects of investing activities	(103 982)	(101 543)
Net cash effects of financing activities	(498 865)	(69 391)
Net increase/(decrease) in cash and cash equivalents	420 164	(53 297)

Supplementary Information

	31 August 2007	31 August 2006
Number of ordinary shares in issue ('000)	335 957	355 488
Number of ordinary shares in issue (net of treasury shares) ('000)	316 115	347 613
Weighted average number of shares in issue ('000)	336 266	344 337
Weighted average diluted number of shares in issue ('000)	346 372	354 365
Net asset value per share (cents)	410	459
Net tangible asset value per share (cents)	260	320
Depreciation and amortisation (R'000)	104 401	108 602
Capital expenditure (R'000)	154 622	162 315
Capital commitments (R'000)	176 000	160 600

Notes

1. KPMG Inc, the group's independent auditors, has reviewed the preliminary financial statements contained in this preliminary report, and has expressed an unmodified conclusion on the preliminary financial statements. Their review report is available for inspection at the company's registered office.

   These preliminary financial statements have been prepared in accordance with the recognition and measurement requirements of IFRS and the disclosure requirements of IAS 34. Accounting policies are consistent with those of the prior years.

2. **Discontinued operations**

R'000	Year to 31 August 2007 (reviewed)	Year to 31 August 2006 (audited)	% change
Revenue from discontinued operations	1 192 255	1 122 999	6.2
Turnover	1 153 507	1 077 682	7.0
Cost of merchandise sold	828 873	780 035	6.3
Gross profit	324 634	297 647	9.1
Other income	38 748	45 317	(14.5)
Expenses	323 421	309 059	4.6
Depreciation and amortisation	16 758	19 770	(15.2)
Occupancy costs	51 322	55 000	(6.7)
Employment costs	148 939	136 761	8.9
Other operating costs	106 402	97 528	9.1
Loss on disposal of property, plant and equipment	(2 890)	(1 692)	
Profit from discontinued operations	37 071	32 213	15.1
Income tax expense	10 751	9 342	15.1
Profit for the year from discontinued operations	26 320	22 871	15.1

During the year agreement was reached to sell the Discom business to Edcon Consolidated Stores Limited ("Edcon").

Set out above are the results of the Discom business unit which, as a result of meeting the definition of a discontinued operation, are required to be separately disclosed from the results of the continuing operations.

3. **Analysis of non-current assets and related liabilities held for sale**

R'000	Year to 31 August 2007 (reviewed)	Year to 31 August 2006 (audited)
Property, plant and equipment	46 250	–
Trademark	100 000	–
Inventory	211 267	–
Trade and other receivables	753	–
	358 270	–
Liabilities classified as held for sale		
Operating lease liabilities	6 307	–
Employee benefits	8 697	–
	15 004	–

The non-current assets and liabilities held for sale pertain to the Discom business, which has been transferred to Edcon subsequent to year end.

Registered address Cnr Searle and Pontac Streets, Cape Town 8001
PO Box 5142, Cape Town 8000
Directors D.M. Nurek* (Chairman), P.F.K. Eagles*, M.J. Harvey,
D.A. Kneale† (Chief Executive Officer), R.L. Lumb*, M. Rosen*, R.V. Smither*, L.A. Swartz*,
K.D.M. Warburton (Chief Financial Officer)
* non-executive † British

Transfer secretaries Computershare Investor Services 2004 (Proprietary) Limited,
70 Marshall Street, Johannesburg 2001. PO Box 61051, Marshalltown 2107
Sponsor Investec Bank Limited
This information, together with additional detail is available on the New Clicks Holdings website: http://www.newclicks.co.za
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