NEW
CLICKS HOLDINGS
LIMITED

REVIEWED PRELIMINARY GROUP RESULTS

for the year ended 31 August 2008

turnover – continuing operations up
12.2%

diluted headline EPS up
28.1%

distribution per share up
26.8%

return on equity increases to
32.8%

Commentary

Overview

New Clicks posted strong real sales growth for the year, demonstrating the resilient nature of its business and product offering in a slowing consumer economy. The group's businesses all strengthened their market position and recorded market share gains in the period.

Return on shareholders' interest (ROE) increased from 24.7% to 32.8% as the group achieved all its medium-term financial targets. The group's ROE has more than doubled since 2005 while diluted headline earnings per share (HEPS) has shown a three-year compound growth rate of 32.0%.

Despite the challenging trading environment the group has continued to invest for longer-term growth.

Financial performance

Continuing operations

Turnover increased by 12.2% to R11.3 billion (2007: R10.1 billion), with selling price inflation of 3.9% for the year.

Turnover from the retail businesses of Clicks, Musica and The Body Shop rose by 11.6% and 9.2% on a comparable store basis, with price inflation of 3.8%. UPD, the group's pharmaceutical distributor and wholesaler, lifted turnover by 13.3% and reported price inflation of 3.9%.

Total income (gross profit plus other income) increased 15.0% to R2.7 billion.

The 13.5% growth in operating expenditure was contained below the growth in total income. Operating expenditure includes the costs relating to the hedge on the employee incentive schemes, with the value of the hedge moving in line with market movements. When the mark-to-market valuation of the hedge is excluded, growth in operating expenditure was held at 10.8%.

The retail operating margin improved from 5.4% to 6.1% while UPD's margin was maintained at 3.2%, resulting in an overall increase in the margin to 5.2% (2007: 4.9%). The improved margin and higher turnover growth translated into a 19.9% increase in operating profit to R592 million.

Total group

Headline earnings increased 12.3% from R357 million to R401 million.

Diluted HEPS per share increased 28.1% to 131.9 cents per share, continuing to benefit from the share buy-back programme. Diluted earnings per share were boosted by the disposal of businesses and sale of land during the year and rose 32.5% to 145.6 cents per share. This performance is in line with the earnings forecast ranges provided with the interim results and the tighter ranges communicated in the trading statement published on 6 October 2008.

Cash generated from operations increased by 16.3% to R724 million. The free cash flow (cash inflow from operating activities before distributions) of R264 million is impacted by two factors: firstly, changes to working capital funding over the past two years and secondly, timing differences attributed to cash tax payments after utilising tax losses. Management believes a normalised level of free cash flow for the period would be R643 million.

Trading performance

Clicks continued its strong performance and increased turnover by 12.1%, with real sales growth of 8.2%. Sales on a comparable store basis increased 10.2%. The key drivers of growth were the health and beauty merchandise categories which grew 19.5% and 13.0% respectively, confirming the defensive nature of the Clicks offering in a tough economic environment. Clicks extended its pharmacy network to 157 following the opening of 32 new pharmacies. Improved store processes and better buying lifted the operating margin from 5.3% to 6.0%, resulting in a 26.7% increase in operating profit.

UPD increased turnover by 13.3%, benefiting from the growth of the Link pharmacy buying group, a new distribution contract and sales to hospital groups. Overall market share increased from 25.6% to 26.4%. Despite pressure on transport costs, improved operating efficiencies resulted in a steady increase in operating profit in the second half, with growth of 11.0% for the financial year.

Musica increased turnover by 7.7% as trading slowed in the second half. DVD sales grew 19.7% and gaming 26.2%, although CD sales declined 3.0%. Musica has made a successful transition from music to an entertainment business, with sales of non-music products increasing from 41% to 46% of total turnover for the year. Tight cost control and good merchandise buying contributed to a 16.7% increase in operating profit.

The 17.5% growth in turnover in The Body Shop was driven by new store openings and the Love Your Body loyalty programme. Operating profit increased by 13.0%.

Prospects

The group's strategic objectives remain unchanged and the medium-term ROE target has been revised upwards to 35 – 40% to reflect improved prospects.

The performance over the past year has shown that the group's businesses are robust and well positioned in the current trading environment. Capital expenditure of R250 million has been committed for the year ahead.

In the absence of any marked deterioration in trading conditions, shareholders can expect continued real earnings growth in the 2009 financial year.

Shareholder distribution

The board of directors has approved a distribution of 42.3 cents per share (2007: 33.2 cents per share) comprising a final cash dividend of 3.7 cents per share and a capital reduction distribution out of share premium of 38.6 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, 5 December 2008
Shares trade "ex" the distribution	Monday, 8 December 2008
Record date	Friday, 12 December 2008
Payment to shareholders	Monday, 15 December 2008

Share certificates may not be dematerialised or rematerialised between Monday, 8 December 2008 and Friday, 12 December 2008, both days inclusive.

By order of the board
Allan Scott
Company Secretary

23 October 2008

Consolidated Income Statement

R'000	Note	Year to 31 August 2008 (reviewed)	Year to 31 August 2007 (audited)	% change
Continuing operations				
Revenue		11 799 096	10 529 632	12.1
Turnover		11 281 156	10 051 373	12.2
Cost of merchandise sold		(9 070 132)	(8 153 049)	11.2
Gross profit		2 211 024	1 898 324	16.5
Other income		499 209	462 393	8.0
Expenses		(2 118 071)	(1 866 889)	13.5
Depreciation and amortisation		(95 378)	(81 587)	16.9
Occupancy costs		(306 488)	(284 605)	7.7
Employment costs		(986 128)	(891 262)	10.6
Other costs		(730 077)	(609 435)	19.8
Operating profit		592 162	493 828	19.9
Profit on disposal of property, plant and equipment		13 925	29 402	
Profit on disposal of business		1 244	–	
Goodwill impairment		–	(250)	
Profit before financing costs		607 331	522 980	16.1
Net financing costs		(51 184)	(38 827)	31.8
Financial income		18 731	15 866	
Financial expense		(69 915)	(54 693)	
Profit before taxation		556 147	484 153	14.9
Income tax expense		(147 377)	(129 965)	13.4
Profit for the year from continuing operations		408 770	354 188	15.4
Discontinued operations				
Profit for the year from discontinued operations	2	33 538	26 320	
Total profit for the year		442 308	380 508	16.2
Attributable to:				
Equity holders of the parent		442 435	380 508	16.3
Minority interest		(127)	–	
		442 308	380 508	
Earnings per share (cents)		148.4	113.2	31.1
Diluted earnings per share (cents)		145.6	109.9	32.5
Distributions per share (cents)				
Interim paid		18.8	15.0	25.3
Final declared/paid		42.3	33.2	27.4
		61.1	48.2	26.8

Headline Earnings Reconciliation

R'000	Year to 31 August 2008 (reviewed)	Year to 31 August 2007 (audited)	% change
Total profit for the year attributable to equity holders of the parent	442 435	380 508	
Adjustments for			
Profit on disposal of property, plant and equipment	(12 412)	(23 836)	
Profit on disposal of business	(29 162)	–	
Goodwill impairment	–	250	
Headline earnings	400 861	356 922	12.3
Headline earnings per share (cents)	134.4	106.1	26.7
Diluted headline earnings per share (cents)	131.9	103.0	28.1

Segmental Analysis

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

R'000	Year to 31 August 2008 (reviewed)	Year to 31 August 2007 (audited)	% change
Turnover			
Clicks	6 235 213	5 562 340	12.1
Musica	940 650	873 411	7.7
The Body Shop	96 957	82 513	17.5
Style Studio	–	8 632	
United Pharmaceutical Distributors	4 864 586	4 295 013	13.3
Intragroup elimination	(856 250)	(770 536)	11.1
Continuing operations	11 281 156	10 051 373	12.2
Discontinued operations	50 140	1 153 507	
Total	11 331 296	11 204 880	1.1
Operating profit			
Clicks	375 300	296 204	26.7
Musica	50 178	43 001	16.7
The Body Shop	15 602	13 803	13.0
Style Studio	532	358	
United Pharmaceutical Distributors	154 295	138 968	11.0
Intragroup elimination	(3 745)	1 494	
Continuing operations	592 162	493 828	19.9
Discontinued operations	7 277	39 961	
Total	599 439	533 789	12.3

Condensed Consolidated Balance Sheet

R'000	Note	As at 31 August 2008 (reviewed)	As at 31 August 2007 (audited)
Non-current assets		1 252 989	1 188 408
Property, plant and equipment		734 485	698 964
Intangible assets		302 141	291 339
Goodwill		85 811	83 950
Deferred tax assets		72 482	45 404
Loans receivable		58 070	68 751
Current assets		2 332 333	2 821 971
Inventories		1 370 889	1 191 847
Trade and other receivables		805 935	792 126
Income tax receivable		1 962	2 446
Loans receivable		8 064	4 616
Cash and cash equivalents		101 139	413 275
Derivative financial assets		44 344	59 391
Assets held for sale	3	–	358 270
Total assets		3 585 322	4 010 379
Equity and liabilities			
Total equity		1 144 479	1 296 188
Non-current liabilities		371 753	331 676
Interest-bearing loans and borrowings		61 460	77 681
Employee benefits		130 866	64 943
Deferred tax liabilities		81 334	91 692
Operating lease liability		98 093	97 360
Current liabilities		2 069 090	2 382 515
Trade and other payables		1 780 089	1 902 313
Employee benefits		104 262	127 383
Provisions		51 546	47 610
Interest-bearing loans and borrowings		54 180	203 450
Income tax payable		75 956	86 755
Derivative financial liabilities		3 057	–
Liabilities held for sale	3	–	15 004
Total equity and liabilities		3 585 322	4 010 379

Condensed Consolidated Cash Flow Statement

R'000	Year to 31 August 2008 (reviewed)	Year to 31 August 2007 (audited)
Operating profit before working capital changes	723 773	622 366
Working capital changes	(224 230)	520 810
Net interest paid	(42 612)	(36 383)
Taxation (paid)/received	(192 609)	37 504
Cash inflow from operating activities before distributions	264 322	1 144 297
Distributions paid to ordinary shareholders	(156 793)	(121 286)
Net cash effects of operating activities	107 529	1 023 011
Net cash effects of investing activities	183 139	(103 982)
Proceeds on disposal of business	316 356	–
Other investing activities	(133 217)	(103 982)
Net cash effects of financing activities	(602 804)	(498 865)
Purchase of treasury shares	(607 041)	(557 576)
Other financing activities	4 237	58 711
Net (decrease)/increase in cash and cash equivalents	(312 136)	420 164

Condensed Consolidated Changes in Equity

R'000	Year to 31 August 2008 (reviewed)	Year to 31 August 2007 (audited)
Opening balance	1 296 188	1 593 949
Acquisition of subsidiary – minority interest	273	–
Increase in share capital and premium	–	2 402
Share cancellation expenses written off	(383)	–
Net cost of own shares purchased	(437 210)	(562 505)
Increase/(decrease) in non-distributable reserve	50	(629)
Profit for the year	442 308	380 508
Share option reserve	46	3 749
Distributions to shareholders	(156 793)	(121 286)
Total	1 144 479	1 296 188

Supplementary Information

	31 August 2008	31 August 2007
Number of ordinary shares in issue ('000)	324 139	335 957
Number of ordinary shares in issue (net of treasury shares) ('000)	290 325	316 115
Weighted average number of shares in issue (net of treasury shares) ('000)	298 166	336 266
Weighted average diluted number of shares in issue (net of treasury shares) ('000)	303 847	346 372
Net asset value per share (cents)	394	410
Net tangible asset value per share (cents)	261	260
Depreciation and amortisation (R'000)	102 648	104 401
Capital expenditure (R'000)	174 300	154 622
Capital commitments (R'000)	246 600	176 000

Notes

1. **Auditor's preliminary report**

KPMG Inc, the group's independent auditor, 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. The accounting policies have been applied consistently with those used in the annual financial statements for the financial period ended August 2007 with the following exception: With the introduction of new accounting statement IFRS 7: "Financial Instruments: Disclosures" and the amendment to IAS 1: "Presentation of Financial Statements". The application of these statements have had no significant effect on the group's results.

2. **Discontinued operations**

R'000	Year to 31 August 2008 (reviewed)	Year to 31 August 2007 (audited)
Revenue from discontinued operations	52 142	1 192 255
Turnover	50 140	1 153 507
Cost of merchandise sold	(36 383)	(828 873)
Gross profit	13 757	324 634
Other income	1 905	38 748
Expenses	(8 385)	(323 421)
Depreciation and amortisation	(44)	(16 758)
Occupancy costs	3 909	(51 322)
Employment costs	(7 351)	(148 939)
Other operating costs	(4 899)	(106 402)
Operating profit	7 277	39 961
Loss on disposal of property, plant and equipment	(4)	(2 890)
Profit on disposal of business	23 649	–
Profit before financing costs	30 922	37 071
Finance income	97	–
Profit before tax	31 019	37 071
Income tax	2 519	(10 751)
Profit for the year from discontinued operations	33 538	26 320

In the prior year agreement was reached to sell the Discom business to Edgars 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 assets and related liabilities held for sale**

R'000	Year to 31 August 2008 (reviewed)	Year to 31 August 2007 (audited)
Property, plant and equipment	–	46 250
Trademark	–	100 000
Inventory	–	211 267
Trade and other receivables	–	753
	–	358 270
Liabilities related to assets held for sale		
Operating lease liabilities	–	6 307
Employee benefits	–	8 697
	–	15 004

The assets and liabilities held for sale pertain to the Discom business which was transferred to Edcon during September 2007.

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