NEW CLICKS HOLDINGS LIMITED

Interim Group Results for the six months ended 28 February 2006

Turnover	R5.0 billion	Headline Earnings	up 8.1%	Diluted Headline EPS	40.2 cents

Condensed Consolidated Income Statement

R'000	6 months to 28 February 2006 (unaudited)	6 months to 28 February 2005 restated (unaudited)	% change	Year to 31 August 2005 restated (unaudited)
Revenue	5 210 196	4 556 949	14.3	9 100 263
Turnover	4 997 631	4 378 101	14.2	8 714 338
Cost of merchandise	3 964 348	3 422 705	15.8	6 935 760
Gross profit	1 033 283	955 396	8.2	1 778 578
Other revenue	212 565	178 848	18.9	385 925
Expenditure	1 020 267	932 155	9.5	1 859 156
Operating expenditure	1 019 110	925 324	10.1	1 835 929
Impairment of property, plant and equipment	182	4 671		6 143
Loss on disposal of property, plant and equipment	975	2 160		270
Goodwill impairment	–	–		16 814
Profit before interest and taxation	225 581	202 089	11.6	305 347
Net interest paid	29 956	26 512	13.0	49 086
Interest paid	33 724	27 692	21.8	56 964
Interest received	(3 768)	(1 180)		(7 878)
Profit before taxation	195 625	175 577	11.4	256 261
Taxation	56 916	51 283	11.0	77 098
Profit	138 709	124 294	11.6	179 163
Undiluted earnings per share (cents)	40.6	36.5	11.2	52.7
Diluted earnings per share (cents)	40.0	35.9	11.4	51.3
Distributions per share (cents)				
Declared/paid – June/July	11.2	11.2		11.2
Paid – December				18.5

Headline Earnings Reconciliation

R'000	6 months to 28 February 2006 (unaudited)	6 months to 28 February 2005 restated (unaudited)	% change	Year to 31 August 2005 restated (unaudited)
Profit	138 709	124 294	11.6	179 163
Adjustments for				
Impairment of property, plant and equipment	129	3 316		4 362
Loss on disposal of property, plant and equipment	692	1 512		191
Goodwill impairment	–	–		16 814
Headline earnings	139 530	129 122	8.1	200 530
Undiluted headline earnings per share (cents)	40.8	37.9	7.7	59.0
Diluted headline earnings per share (cents)	40.2	37.3	7.8	57.4

Condensed Consolidated Statement of Changes in Equity

R'000	6 months to 28 February 2006 (unaudited)	6 months to 28 February 2005 restated (unaudited)	Year to 31 August 2005 restated (unaudited)
Increase in share capital and premium	38 997	47 063	57 061
Decrease in non-distributable reserve	(37)	(601)	(1 464)
Increase in treasury shares	–	(126 806)	(126 697)
Profit for the period restated	138 709	124 294	179 163
Profit for the period reported	129 233	128 938	204 633
Adjustments	9 476	(4 644)	(25 470)
Share option reserve	2 913	2 466	5 379
Distributions to shareholders	(63 533)	(75 097)	(112 465)
Net increase/(decrease) in shareholders' funds	117 049	(28 681)	977
Opening shareholders' interest restated	1 416 939	1 415 962	1 415 962
Opening shareholders' interest as previously stated	1 340 223	1 319 155	1 319 155
Adjustments	76 716	96 807	96 807
Closing shareholders' interest	1 533 988	1 387 281	1 416 939

Adjustments

Impact on profit for the period R'000	6 months to 28 February 2006	6 months to 28 February 2005	Year to 31 August 2005	Cumulative prior to 31 August 2004
Re-recognition of trademarks previously written off	–	–	–	260 400
Inventory adjustments	2 396	(3 210)	(14 046)	(113 407)
Irrecoverable debtors' balances written off	–	–	–	(25 080)
Leave pay and bonus accruals	6 836	9 687	(110)	(13 006)
Onerous leases	984	(3 222)	(2 854)	(10 697)
Other	2 173	(5 433)	(3 081)	(1 403)
Total adjustment to equity	12 389	(2 178)	(20 091)	96 807
Share options	(2 913)	(2 466)	(5 379)	(9 035)
Total adjustment to profit	9 476	(4 644)	(25 470)	87 772

The effects disclosed are net of deferred taxation at the rates prevailing during the relevant period.

The group has applied IFRS2 - Share-based payments to all options granted after 7 November 2002 which had not vested at 31 August 2004. The fair value of these options were determined at the grant date using the Binomial option pricing model. The fair value of the options that are expected to vest have been amortised over the vesting period. The cumulative value amortised at 28 February 2006 amounts to R17.3 million

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

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

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

Leave pay and bonus accruals relate to known over and underprovisions in the periods indicated.

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

As reported in the annual report for the year ended 31 August 2005, the group changed its accounting treatment in respect of operating leases subject to a fixed escalation. The group now recognises the total value of lease payments over the term of the lease on a straight-line basis. This change was effected after the results for the six-month period ended 28 February 2005 were published and the comparatives have accordingly been restated.

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

Condensed Consolidated Balance Sheet

R'000	As at 28 February 2006 (unaudited)	As at 28 February 2005 restated (unaudited)	As at 31 August 2005 restated (unaudited)
Assets			
Non-current assets	1 298 154	1 215 265	1 282 857
Property, plant and equipment	703 323	664 356	697 149
Trademarks	374 955	375 605	375 280
Goodwill	83 950	98 390	83 950
Deferred taxation assets	80 302	53 622	73 750
Financial assets	55 624	23 292	52 728
Current assets	2 209 757	1 987 940	2 048 822
Inventories	1 393 919	1 338 344	1 440 090
Trade and other receivables	775 107	578 084	496 073
Taxation prepaid	–	–	37 903
Cash on hand	28 259	71 512	60 311
Derivative financial assets	12 472	–	14 445
Total assets	3 507 911	3 203 205	3 331 679
Equity and liabilities			
Capital and reserves			
Ordinary shareholders' interest	1 533 988	1 387 281	1 416 939
Non-current liabilities	275 893	328 468	291 009
Financial liabilities	138 864	222 703	167 683
Deferred taxation liabilities	46 631	24 921	37 820
Lease accrual	90 398	80 844	85 506
Current liabilities	1 698 030	1 487 456	1 623 731
Short-term borrowings	458 968	131 705	13 903
Trade and other payables	1 154 710	1 265 921	1 503 431
Financial liabilities	76 119	84 022	93 024
Taxation payable	8 233	5 808	13 373
Total equity and liabilities	3 507 911	3 203 205	3 331 679

Condensed Consolidated Cash Flow Statement

R'000	6 months to 28 February 2006 (unaudited)	6 months to 28 February 2005 restated (unaudited)	Year to 31 August 2005 restated (unaudited)
Operating profit before working capital changes	290 518	268 191	454 812
Movement in working capital	(581 952)	(392 822)	(197 147)
Net interest paid	(29 956)	(26 512)	(49 086)
Taxation paid	(21 894)	(44 943)	(109 258)
Cash effects of operating activities	(343 284)	(196 086)	99 321
Distributions to ordinary shareholders	(63 533)	(75 097)	(112 465)
Net cash effects of operating activities	(406 817)	(271 183)	(13 144)
Net cash effects of investing activities	(63 573)	(66 516)	(182 660)
Net cash effects of financing activities	(6 727)	(114 184)	(149 478)
Net decrease in cash and cash equivalents	(477 117)	(451 883)	(345 282)

Segmental Analysis

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

R'000	6 months to 28 February 2006 (unaudited)	6 months to 28 February 2005 restated (unaudited)	% change
Turnover			
Clicks	2 463 073	2 295 682	7.3
Discom	541 078	491 241	10.1
Entertainment	418 257	352 978	18.5
The Body Shop	34 691	32 901	5.4
Style Studio	3 552	2 358	50.6
United Pharmaceutical Distributors	1 837 521	1 425 882	28.9
Intragroup turnover	(300 541)	(222 941)	(34.8)
Total	4 997 631	4 378 101	14.2
Profit before interest and taxation			
Clicks	186 352	168 453	10.6
Discom	30 149	19 946	51.2
Entertainment	46 401	30 484	52.2
The Body Shop	6 513	6 309	3.2
Style Studio	629	(258)	
United Pharmaceutical Distributors	52 516	40 678	29.1
Shared services	(67 574)	(56 299)	(20.0)
Group surplus shrinkage provision	(28 248)	–	
Intragroup profit	–	(393)	
Capital items	(1 157)	(6 831)	
Total	225 581	202 089	11.6

Supplementary Information

	28 February 2006	28 February 2005 restated	31 August 2005 restated
Number of ordinary shares in issue ('000)	376 738	368 554	370 260
Weighted average number of shares in issue ('000) (net of treasury shares)	341 662	340 627	339 914
Weighted average diluted number of shares in issue ('000) (net of treasury shares)	346 723	346 344	349 358
Net asset value per share (cents)	407	376	383
Depreciation and amortisation (R'000)	51 074	49 722	99 321
Capital expenditure (R'000)	63 743	72 376	170 106
Capital commitments (R'000)	78 559	130 809	164 034

Notes

Accounting policies

The group is reporting for the first time in accordance with International Financial Reporting Standards (IFRS) for the year ending 31 August 2006 and accordingly, comparative figures have been restated. The unaudited results for the half-year ended 28 February 2006 have been prepared in accordance with the group's accounting policies, which comply with IFRS. These standards are subject to ongoing review and possible amendment by interpretive guidance from the International Financial Reporting Interpretations Committee. The results may therefore be subject to change at future reporting dates. A full set of the group's accounting policies are available on request from the company's registered office. The disclosures required in terms of IFRS1 – First time adoption of IFRS concerning the transition from South African Statements of Generally Accepted Accounting Practice and the requisite changes in accounting policies are set out under the heading of Adjustments and as part of the Statement of Changes in Equity.

Commentary

Overview

The transition of New Clicks has continued over the period, with financial performance improving and turnover growing at satisfactory levels.

The decisive management action taken in Clicks over the past year is starting to reflect in an improved operating performance, evidence that the business is stabilising. Discom, the Entertainment division (Musica and CD Wherehouse) and wholesale distributor, UPD, continued to deliver strong performances.

Following the appointment of David Kneale as chief executive officer in January 2006, a new executive team was formed to lead the group, comprising Kneale, Keith Warburton as chief financial officer and Michael Harvey as managing director of Clicks. In addition, Peter Eagles and Martin Rosen were appointed as non-executive directors with effect from 10 April 2006.

During the reporting period the following resigned as directors: Raymond Godfrey as an executive director on 31 December 2005; Trevor Honneysett as an executive director on 23 January 2006; and Peter Swartz and Allen Zimbler as non-executive directors on 10 April 2006.

Management has focused on embedding the new information systems platform implemented during 2005, with business processes being adapted accordingly and the quality of management information starting to improve.

Financial performance

Group turnover increased by 14.2%. UPD maintained its strong performance with growth of 28.9%. Retail turnover increased by 9.0% (9.5% on a comparable store basis) despite a benign inflationary environment.

Total income (gross profit and other revenue) grew by 9.8%, with gross profit up 8.2% and other revenue up by 18.9%. Gross margin declined by 1.1% to 20.7% as a result of the increased proportion of UPD within the mix. Retail operations maintained a stable margin despite the inclusion of a group surplus shrinkage provision of R28 million. Management has taken the prudent view that this amount should not be released to income until the year-end inventory count has been concluded.

Operating expenses grew by 10.1%.

Profit before interest and taxation, despite the inclusion of the group surplus shrinkage provision, grew by 11.6%.

Interest paid increased by R3.4 million on the previous year, reflecting the higher levels of borrowings to support additional working capital requirements.

Headline earnings grew by 8.1% with diluted headline earnings per share up by 7.8% to 40.2 cents.

Capital expenditure in the group decreased to R63.7 million from R72.4 million in the last six months, while working capital needs increased by R582 million in the period. This increased requirement is primarily attributable to additional funding of accounts receivable in UPD following the acquisition of hospital supply contracts and timing differences in the levels of funding provided by suppliers.

Inventories increased by 4.2% despite the 14.2% increase in turnover, reflecting the greater focus on stock management. Consequently inventory turn increased to 6.7 times from 6.5 times in 2005.

Trading performance

Clicks increased turnover by 7.3%, with comparable stores increasing by 10%. This reflects the impact of the closure or conversion of most of the remaining non-integrated pharmacies, with only 12 left at the end of February and this has since been further reduced to six.

13 new Clicks stores opened in the period, bringing the total store base to 308, including 92 dispensaries. Clicks opened its 100th dispensary in late April.

Despite current pharmacy pricing, healthcare sales grew by 9.1% with pharmacy sales building to plan. Operating profit of R186.4 million is an improvement of 10.6% on last year.

Discom increased turnover by 10.1%, with comparable stores growing by 5.7%. The total number of stores at end-February 2006 was 183, a net increase of three over the six months. Operating profit grew by 51.2% to R30.1 million, with operating margin improving from 4.1% to 5.6%.

The Entertainment division enjoyed another successful trading period and increased turnover by 18.5%, with comparable stores growing by 12.2%. The contribution of DVD, gaming and lifestyle merchandise continues to increase with these categories now accounting for 33% of total sales. A net two stores were opened, with stores totalling 141 at period-end. Operating profit of R46.4 million was up 52.2% on last year.

The Body Shop turnover increased by 5.4%, with comparable stores up 1.6%. Operating profit was up by 3.2%.

UPD's turnover growth of 28.9% was driven mainly by the new hospital supply contracts and 35% growth in sales to Clicks stores. Gross margins are lower on the hospital business, although this was offset by improved efficiencies. Operating profit grew by 29.1%.

Prospects

- Trading in March and April has been in line with management's expectations and is anticipated to continue at current levels for the remaining four months of the financial year.
- 21 new stores are planned to be opened by the financial year-end.
- The pharmacy rollout in Clicks will continue, but at a more measured pace as the business focuses on building volume and improving operating efficiencies.
- Management will continue to focus on embedding the new systems into the business to provide the foundations for future operations.
- Improvements in working capital will be generated from the ongoing focus on inventory management.
- The directors and management are confident that the continued improvement in the operating performance will result in increased profitability for the full year.

Distribution

The directors have proposed a cash distribution by way of a reduction of share premium of 11.2 cents per ordinary share for the six months ended 28 February 2006 ("the distribution"), subject to the approval of shareholders at a General Meeting to be held on Friday, 9 June 2006.

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

Last day to trade "cum" the distribution	Friday, 23 June 2006
Shares trade "ex" the distribution	Monday, 26 June 2006
Record date	Friday, 30 June 2006
Payment to shareholders	Monday, 3 July 2006

Share certificates may not be dematerialised or rematerialised between Monday, 26 June 2006 and Friday, 30 June 2006, both days inclusive.

By order of the Board

ALLAN SCOTT
Company Secretary
4 May 2006

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

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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