NEW CLICKS HOLDINGS LIMITED

Reviewed Group Results

for the year ended 31 August 2004

Turnover from continuing operations	**+28.6%**
Headline Earnings from continuing operations	**+19.4%**
Diluted Headline EPS from continuing operations	**+12.7%**
Distributions per share	**+34.6%**

Condensed Consolidated Income Statement

	Year to 31 August 2004 (reviewed) R'000	Year to 31 August 2003 (audited) R'000	% change
Continuing operations			
Revenue	7 856 534	6 149 101	27.8
Turnover	7 394 151	5 747 958	28.6
Cost of merchandise	5 856 542	4 535 799	29.1
Gross profit	1 537 609	1 212 159	26.8
Other revenue	462 383	401 143	15.3
Expenditure	1 883 808	1 287 443	46.3
Operating expenditure	1 599 225	1 279 684	24.9
Impairment of property, plant and equipment	13 496	–	
Loss on disposal of property plant and equipment	1 920	141	
Goodwill amortised	10 971	7 618	
Goodwill impaired	258 196	–	
Profit before interest and tax	116 184	325 859	(64.3)
Net interest paid	(54 470)	(57 450)	(5.2)
Interest paid – normal operations	(54 470)	(57 450)	
Interest accrued – Purchase Milton & Associates (PM&A)	24 986	59 265	
Provision against interest accrued – PM&A	(24 986)	(59 265)	
Net profit before taxation	61 714	268 409	(77.0)
Taxation	93 604	68 411	38.3
Net (loss)/profit from continuing operations	(31 890)	199 998	
Discontinued operations			
Turnover	654 651	1 619 781	
Profit before interest and tax	38 932	56 269	
Net interest paid	(5 308)	(26 667)	
Net profit before taxation	33 624	29 602	
Taxation	14 287	15 332	
Net profit from discontinued operations	19 337	14 270	
Headline earnings			
Total (loss)/profit attributable to ordinary shareholders	(12 553)	214 268	
Adjustments for			
Impairment of property, plant and equipment	9 447	–	
Profit on the sale of stores	–	(18 518)	
Profit on sale of Australian operations	(1 738)	–	
Profit on sale of Intercare	(587)	–	
Loss on disposal of property, plant and equipment	1 597	1 827	
Goodwill amortised	16 272	23 719	
Goodwill impaired	258 196	–	
Headline earnings	270 634	221 296	22.3
Comprises:			
Headline earnings from continuing operations	248 068	207 715	19.4
Headline earnings from discontinued operations	22 566	13 581	66.2
Undiluted headline earnings per share (cents)			
All operations	76.5	65.6	16.6
Continuing operations	70.2	61.5	14.0
Diluted headline earnings per share (cents)			
All operations	74.5	64.5	15.5
Continuing operations	68.3	60.6	12.7
Undiluted earnings per share (cents)			
All operations	(3.6)	63.5	
Continuing operations	(9.0)	59.2	
Diluted earnings per share (cents)			
All operations	(3.5)	62.5	
Continuing operations	(8.8)	58.3	
Distributions per share (cents)			
Paid – July	12.5	10.9	14.7
Proposed/paid – December	22.5	15.1	49.0

Condensed Consolidated Cash Flow Statement

	Year to 31 August 2004 (reviewed) R'000	Year to 31 August 2003 (audited) R'000
Net cash flow from operations	546 696	513 820
Movement in working capital	(68 400)	38 893
Net interest paid	(59 778)	(84 117)
Taxation paid	(101 732)	(87 145)
Cash effects of operating activities	316 786	381 451
Distributions to ordinary shareholders	(97 824)	(44 243)
Net cash effects of operating activities	218 962	337 208
Net cash effects of investing activities	164 523	(267 501)
Net cash effects of financing activities	(128 115)	188 949
Net increase in cash and cash equivalents	255 370	258 656

Condensed Consolidated Changes in Equity

	Year to 31 August 2004 (reviewed) R'000	Year to 31 August 2003 (audited) R'000
Increase in share capital and premium	33 025	340 187
Increase in treasury shares held	(122 981)	–
Decrease in non-distributable reserve	(35 480)	(86 097)
Net (loss)/profit for the period	(12 553)	214 268
Distributions to shareholders	(97 824)	(81 605)
Net (decrease)/increase in shareholders' funds	(235 813)	386 753
Opening shareholders' interest	1 608 510	1 221 757
Closing shareholders' interest	1 372 697	1 608 510
Percentage decrease in closing shareholders' interest	(14.7)	

Supplementary Information

	31 August 2004	31 August 2003
Number of ordinary shares in issue ('000)	361 205	354 118
Weighted average number of shares in issue ('000)	353 571	337 587
Weighted average diluted number of shares in issue ('000)	363 046	342 906
Net asset value per share (cents)	380	454
Net tangible asset value per share (cents)	351	388
Depreciation and amortisation (R'000)	108 021	103 726
Capital expenditure (R'000)	180 959	203 005
Capital commitments (R'000)	225 669	286 183

Condensed Consolidated Balance Sheet

	As at 31 August 2004 (reviewed) R'000	As at 31 August 2003 (audited) R'000
Assets		
Non-current assets	859 687	1 452 501
Property, plant and equipment	659 347	747 263
Trademarks	3 930	4 580
Goodwill	98 280	235 288
Deferred taxation assets	71 676	81 363
Loans	26 454	384 007
Current assets	2 273 947	2 001 329
Inventories	1 411 339	1 401 061
Accounts receivable	443 762	417 305
Taxation prepaid	8 442	3 754
Cash on hand	410 404	179 209
Total assets	3 133 634	3 453 830
Equity and liabilities		
Capital and reserves		
Ordinary shareholders' interest	1 372 697	1 608 510
Non-current liabilities		
Loans payable	259 730	343 273
Deferred taxation liabilities	18 770	15 252
Current liabilities	1 482 437	1 486 795
Short-term borrowings	8 710	33 005
Accounts payable	1 390 084	1 373 743
Loans payable	80 819	69 259
Taxation payable	2 824	10 788
Total equity and liabilities	3 133 634	3 453 830

Segmental Analysis

The split per brand of turnover and profit is as follows:

	Year to 31 August 2004 R'000	Year to 31 August 2003 R'000	% change
Turnover			
Clicks	3 266 065	2 997 226	9.0
Discom	878 703	771 441	13.9
Entertainment	544 221	482 287	12.8
The Body Shop	51 276	45 781	12.0
Pharmacy	523 242	–	
New United Pharmaceutical Distributors	2 309 539	1 451 223	59.1
Shared Services	5 825	–	
Intragroup elimination	(184 720)	–	
Continuing operations	7 394 151	5 747 958	28.6
Discontinued operations – Australia	654 651	1 619 781	
Total	8 048 802	7 367 739	9.2
Profit before interest and tax			
Clicks	304 175	259 281	17.3
Discom	5 733	(5 571)	
Entertainment	20 594	25 675	(19.8)
The Body Shop	10 258	10 017	2.4
Pharmacy	(5 526)	–	
New United Pharmaceutical Distributors	75 600	51 592	48.5
Shared Services unallocated	(7 567)	(7 376)	
Capital items	(284 583)	(7 759)	
Intragroup elimination	(2 500)	–	
Continuing operations	116 184	325 859	
Australia	43 625	49 347	(11.6)
Intercare	(1 356)	(962)	(41.0)
Capital items	(3 337)	7 884	
Discontinued operations	38 932	56 269	
Total	155 116	382 128	(59.4)

Notes

Accounting policies

These reviewed financial results have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, and the accounting policies used are consistent with those applicable for the 2003 annual financial statements except in the case of accounting for the Share Trust. These results have been reviewed by KPMG Inc. and their unqualified review report is available for inspection at the company's registered office.

The group previously consolidated companies that were controlled by the group. The group now consolidates all entities over whose financial and operating policies the group has the power to exercise control. Consequently, the group now consolidates its Share Trust. The change was effected in order to comply with JSE Securities Exchange Listings Requirements and AC132 – Consolidated financial statements. The change in policy has not been applied retrospectively as the changes required to comparative financial information are not material.

Discontinued operations

It was announced on 5 January 2004 that New Clicks Holdings Limited and its wholly-owned subsidiary New Clicks International Holdings NV ("New Clicks") had entered into an agreement to dispose of New Clicks' interest in New Clicks Australia (Proprietary) Limited ("NCA") to Synapse Holdings (Proprietary) Limited, a company owned by a consortium of private equity funders (the "consortium").

The sale proceeds were Australian $107 million. Out of these proceeds, New Clicks retired certain bank debts and financial lease liabilities as at 28 December 2003, amounting to Australian $19.7 million; and the consortium and NCA redeemed redeemable preference shares held by New Clicks for a redemption consideration of Australian $67.2 million.

New Clicks received Australian $87.3 million as net sales proceeds from the disposal, including the redemption consideration in respect of the preference shares, and a preference dividend of Australian $1.5 million, which was declared and paid prior to the completion date of 13 February 2004. This represents a surplus over the ungeared tangible net assets as at 31 August 2003. These proceeds were received on 17 February 2004, realising a profit on sale of R1.7 million. The profit on sale of R4.4 million reported at interim was adjusted for final expenses of R2.7 million.

The results of the NCA operations were incorporated in the New Clicks results until 31 December 2003, and have been disclosed separately in the income statement as discontinued operations.

With effect from 1 March 2004 the group disposed of its 80% holding in Intercare Managed Healthcare (Proprietary) Limited ("Intercare"). A profit of R0.6 million was realised on the disposal. The results of Intercare were incorporated in the New Clicks results until 29 February 2004, and have been disclosed separately in the income statement as discontinued operations.

Change in comparatives

An amount of R34.7 million has been reallocated from other expenses to gross profit in 2003. This amount relates to discounts granted by New United Pharmaceutical Distributors ("NUPD") which were previously included in operating expenses.

An amount of R69.3 million has been reallocated from loans payable classified as non-current liabilities to loans payable classified as current liabilities in 2003. This amount relates to the current portion of long-term liabilities. The reallocation was necessary in order to correctly reflect the maturity profile of the group's borrowings.

For segmental reporting purposes, Link Investment Trust and NUPD, which were previously reported as separate segments, have been combined into a single segment referred to as NUPD. Comparatives have been restated accordingly.

Commentary

Financial performance

- New Clicks Holdings increased group headline earnings by 22.3% to R271 million, with diluted headline earnings per share showing a 15.5% increase to 74.5 cents per share.
- Turnover from continuing operations increased by 28.6% to R7.4 billion, with the core retail brands growing by 10.5% to R4.7 billion.
- The group increased profit before capital items, interest and taxation from continuing operations by 20.4% from R333.6 million to R401.8 million.
- The ongoing uncertainty around the implementation of the medicine pricing regulations and single exit pricing has resulted in the group writing off the goodwill of R258 million relating to the acquisition of Purchase Milton & Associates ("PM&A").
- New Clicks' return on equity (RoE) increased from 15.6% to 18.2%, benefiting from the write-off of goodwill in PM&A.

Year-on-year comparison of the group's performance is impacted by:

– the inclusion of NUPD in the results for the full 12-month period (compared with 8 months in the previous year);

– the results of NCA, which was sold earlier in the year, are included for only four months (as opposed to the full 12 months in 2003);

– the incorporation of PM&A for the second six months of 2004.

Trading performance

The group's core retail brands have underperformed management's expectations in the second half of the year, impacted by an increasingly challenging FMCG retail market and the deflationary environment.

Turnover in the core Clicks brand increased by 9% for the year. Turnover for August in the previous financial year was boosted by the Clicks 35th birthday promotion and the same level of growth was not repeated this year. The brand also experienced higher than expected shrinkage, mainly in cellular airtime. Higher margin homewares merchandise continue to grow satisfactorily.

Discom lifted turnover by 13.9%, with strong growth in FMCG sales and a pleasing comeback in homeware merchandise. This contributed to Discom returning to profitability for the first time in several years, reversing an operating loss of R5.6 million in 2003 and recording an operating profit of R5.7 million. The brand continues to entrench its dominant position in the African beauty and hair care market.

The Entertainment division, comprising Musica and CD Wherehouse, recorded strong growth in the second half of the year through an aggressive promotional strategy, and increased turnover for the year by 12.8%. However, operating profit for the year was down 19.8% to R20.6 million mainly as a result of the poor first half results. The repositioning to a broader entertainment offering is realising benefits and sales of DVDs, gaming and lifestyle merchandise have increased from 11.3% to 18.2% of turnover.

Turnover in The Body Shop grew by 12.0% for the year. Operating profit rose by only 2.4% to R10.3 million, with a poor performance in the second half of the year reversing the profit growth of the first six months. The brand was impacted by high expense growth relating mainly to new stores and marketing costs. Stock turn continues to improve.

NUPD increased turnover strongly during the year to R2.3 billion, and posted an operating profit of R75.6 million, an increase of 21% over the previous 12 months. The wholesale distributor continued to grow turnover from PM&A stores, independent pharmacies and single channel distributors. Costs were tightly managed and the business generated strong cash flows.

The retail pharmacy environment came under intense pressure following the introduction of the medicine pricing regulations which capped the dispensing fee levied by pharmacists. New Clicks challenged the new legislation in court, and litigation continues.

During the second half of the year, 21 PM&A stores were converted to the Clicks brand, including the opening of dispensaries in three large format Clicks stores. Turnover in the large format stores has been encouraging and supports the business model that both front and back shop sales will increase once a dispensary is introduced into a Clicks store.

Capital management

During the year the group initiated a share repurchase programme, buying back 13 million shares for R99.5 million at an average price of R7.65 per share. Management aims to continue the repurchase programme. The board decided to reduce dividend cover from 2.5 to 2.2 times, reflecting a 34.6% increase in the dividend declared over the prior year.

Prospects

Despite trading in a deflationary environment, the group remains committed to the strategy and value proposition of the Clicks brand. Steps have been taken to address shrinkage and the short-term decline in sales. The turnover growth trend has been restored, with sales for the first seven weeks of the new financial year increasing by 11.0% over the corresponding period last year.

The outlook for the other retail brands is encouraging, with improved performances expected from Discom, the Entertainment division and The Body Shop.

The group continues to integrate the pharmacy offering into the larger format Clicks stores and, based on the performance of the stores that have been converted to date, the prospects for increased turnover in both the front shop and the dispensary are positive.

NUPD is well-positioned to increase volumes and capitalise on rationalisation in the pharmaceutical market.

The group remains committed to improving expense control and focusing on stock distribution and financial management systems.

Dividend declaration

The board of directors has declared a final cash dividend of 22.5 cents per share payable on Monday, 20 December 2004 to shareholders recorded in the books of the company at the close of business on Friday, 17 December 2004. The last day to trade ("cum" the dividend) in order to participate in the dividend will be Thursday, 9 December 2004 and the shares will trade "ex dividend" from the commencement of business on Friday, 10 December 2004. The record date will be Friday, 17 December 2004.

Share certificates may not be dematerialised or rematerialised between Friday, 10 December 2004 and Friday, 17 December 2004, both dates inclusive.

By order of the Board

ALLAN SCOTT
Company Secretary

20 October 2004

Registered address Cnr Searle and Pontac Streets, Cape Town 8001, PO Box 5142, Cape Town 8000 **Directors** D.M. Nurek* (Chairman), T.C. Honneysett, R.B. Godfrey, E. Osrin*, R.L. Lumb*, L.A. Swartz*, P.E.I. Swartz*, A. Zimbler* * non-executive
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This information, together with additional detail is available on the New Clicks Holdings website: http://www.newclicks.co.za

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