Interim group results

for the six months ended 28 February 2005

NEW CLICKS HOLDINGS LIMITED

Turnover from continuing operations	Profit before interest and taxation from continuing operations	Headline Earnings from continuing operations	Diluted Headline EPS from continuing operations
R4.4 bn	R209 m	R130 m	37.6 c

Condensed Consolidated Income Statement

R'000	6 months to 28 February 2005 (unaudited)	6 months to 29 February 2004 (unaudited)	% change	Year to 31 August 2004 (audited)
Continuing operations				
Revenue	**4 644 214**	3 754 892	23.7	7 856 534
Turnover	**4 378 101**	3 506 154	24.9	7 394 151
Cost of merchandise	**3 470 501**	2 761 037	25.7	5 856 542
Gross profit	**907 600**	745 117	21.8	1 537 609
Other revenue	**266 113**	248 738	7.0	462 383
Expenditure	**964 716**	771 792	25.0	1 883 808
Operating expenditure	**962 556**	766 348	25.6	1 599 225
Profit on sale of Intercare	**–**	(587)		–
Impairment of property, plant and equipment	**–**	–		13 496
Loss on disposal of property, plant and equipment	**2 160**	546		1 920
Goodwill amortised	**–**	5 485		10 971
Goodwill impaired	**–**	–		258 196
Profit before interest and taxation	**208 997**	222 063	(5.9)	116 184
Net interest paid	**(26 512)**	(30 978)	(14.4)	(54 470)
Interest paid – normal operations	**(26 512)**	(30 978)		(54 470)
Interest accrued – Purchase Milton & Associates (PM&A)	**–**	24 986		24 986
Provision against interest accrued – PM&A	**–**	(24 986)		(24 986)
Net profit before taxation	**182 485**	191 085	(4.5)	61 714
Taxation	**53 547**	58 561	(8.6)	93 604
Net profit/(loss) from continuing operations	**128 938**	132 524	(2.7)	(31 890)
Discontinued operations				
Revenue	**–**	725 929		725 929
Profit before interest and taxation	**–**	40 421		38 932
Net interest paid	**–**	(5 317)		(5 308)
Net profit before taxation	**–**	35 104		33 624
Taxation	**–**	11 012		14 287
Net profit from discontinued operations	**–**	24 092		19 337
Headline earnings				
Total profit/(loss) attributable to ordinary shareholders	**128 938**	156 616	(17.7)	(12 553)
Adjustments for				
Loss on the sale of stores	**–**	–		9 447
Profit on sale of Australian operations	**–**	(4 477)		(1 738)
Profit on sale of Intercare	**–**	(587)		(587)
Loss on disposal of property, plant and equipment	**1 512**	635		1 597
Goodwill amortised	**–**	10 786		16 272
Goodwill impairment	**–**	–		258 196
Headline earnings	**130 450**	162 973	(20.0)	270 634
Comprises:				
Headline earnings from continuing operations	**130 450**	137 804	(5.3)	248 068
Headline earnings from discontinued operations	**–**	25 169		22 566
Undiluted headline earnings per share (cents)				
All operations	**38.3**	45.9	(16.6)	76.5
Continuing operations	**38.3**	38.8	(1.3)	70.2
Diluted headline earnings per share (cents)				
All operations	**37.6**	45.2	(16.8)	74.5
Continuing operations	**37.6**	38.2	(1.6)	68.3
Undiluted earnings per share (cents)				
All operations	**37.9**	44.1	(14.1)	(3.6)
Continuing operations	**37.9**	37.3	1.6	(9.0)
Diluted earnings per share (cents)				
All operations	**37.2**	43.5	(14.5)	(3.5)
Continuing operations	**37.2**	36.8	1.1	(8.8)
Distributions per share (cents)				
Proposed/paid – June/July	**11.2**	12.5		12.5
Paid – December				22.5

Notes

Accounting policies

These interim financial statements 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 2004 annual financial statements except in the case of goodwill which is no longer amortised but is subject to an annual impairment test.

Change in comparatives

An amount of R17.3 million has been reallocated from cost of merchandise to sales in 2004. This amount relates to discounts granted by UPD which were previously included in cost of merchandise. The reallocation was necessary in order to correctly state the group's turnover.

An amount of R63.8 million has been reallocated from expenditure to other revenue. This amount relates to advertising recoveries that were previously included in other expenses. This reallocation was necessary in order to correctly state the group's other income and to be consistent with the 2004 annual report.

An amount of R76.2 million has been reallocated from loans payable classified as non-current liabilities to loans payable classified as current liabilities in 2004. This amount relates to the current portion of long-term loans. The reallocation was necessary in order to correctly reflect the maturity profile of the group's borrowings.

In the prior year an amount of R23.7 million was erroneously included in investing activities, this has now been corrected and is classified under financing activities.

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

Condensed Consolidated Cash Flow Statement

R'000	6 months to 28 February 2005 (unaudited)	6 months to 29 February 2004 (unaudited)	Year to 31 August 2004 (audited)
Cash effects of operating activities	**(196 086)**	34 581	316 786
Distributions to ordinary shareholders	**(75 097)**	(53 515)	(97 824)
Net cash effects of operating activities	**(271 183)**	(18 934)	218 962
Net cash effects of investing activities	**(66 516)**	157 179	164 523
Net cash effects of financing activities	**(114 184)**	28 681	(128 115)
Net (decrease)/increase in cash and cash equivalents	**(451 883)**	166 926	255 370

Condensed Consolidated Balance Sheet

R'000	As at 28 February 2005 (unaudited)	As at 29 February 2004 (unaudited)	As at 31 August 2004 (audited)
Assets			
Non-current assets	**869 929**	1 259 991	859 687
Property, plant and equipment	**674 630**	636 269	659 347
Trademarks	**3 605**	6 780	3 930
Goodwill	**98 390**	106 898	98 280
Deferred taxation assets	**70 012**	80 998	71 676
Loans	**23 292**	429 046	26 454
Current assets	**2 162 268**	1 918 157	2 273 947
Inventories	**1 504 872**	1 187 893	1 411 339
Accounts receivable	**575 880**	414 207	443 762
Taxation prepaid	**–**	–	8 442
Cash on hand	**81 516**	316 057	410 404
Total assets	**3 032 197**	3 178 148	3 133 634
Equity and liabilities			
Capital and reserves			
Ordinary shareholders' interest	**1 346 194**	1 698 700	1 372 697
Non-current liabilities			
Loans payable	**222 703**	298 392	259 730
Deferred taxation liabilities	**14 282**	27 331	18 770
Current liabilities	**1 449 018**	1 153 725	1 482 437
Short-term borrowings	**131 705**	6 944	8 710
Accounts payable and accruals	**1 227 483**	1 041 803	1 390 084
Loans payable	**84 022**	76 190	80 819
Taxation payable	**5 808**	28 788	2 824
Total equity and liabilities	**3 032 197**	3 178 148	3 133 634

Segmental Analysis

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

R'000	6 months to 28 February 2005	6 months to 29 February 2004	% change
Turnover			
Clicks (including Pharmacy)	**2 295 682**	1 693 253	35.6
Discom	**491 241**	452 164	8.6
Entertainment	**352 978**	284 333	24.1
The Body Shop	**32 901**	28 433	15.7
Style Studio	**2 358**	–	
United Pharmaceutical Distributors	**1 425 882**	1 047 971	36.1
Intragroup elimination	**(222 941)**	–	
Continuing operations	**4 378 101**	3 506 154	24.9
Discontinued operations – Australia	**–**	654 651	
Total	**4 378 101**	4 160 805	5.2
Profit before interest and taxation			
Clicks (including Pharmacy)	**127 703**	177 521	(28.1)
Discom	**14 583**	2 693	441.5
Entertainment	**23 288**	10 929	113.1
The Body Shop	**5 556**	7 282	(23.7)
Style Studio	**(258)**	–	
Intercare	**–**	(327)	
United Pharmaceutical Distributors	**40 678**	29 409	38.3
Intragroup elimination	**(393)**	–	
Capital items	**(2 160)**	(5 444)	
Continuing operations	**208 997**	222 063	(5.9)
Discontinued operations – Australia	**–**	41 606	
Capital items	**–**	(1 185)	
Total	**208 997**	262 484	(20.4)

Supplementary Information

	28 February 2005	29 February 2004	31 August 2004
Number of ordinary shares in issue ('000)	**368 554**	359 186	361 205
Weighted average number of shares in issue ('000) (net of treasury shares)	**340 627**	355 092	353 571
Weighted average diluted number of shares in issue ('000) (net of treasury shares)	**346 993**	360 429	363 046
Net asset value per share (cents)	**365**	473	380
Net tangible asset value per share (cents)	**338**	441	351
Depreciation and amortisation (R'000)	**52 449**	60 071	109 021
Capital expenditure (R'000)	**69 568**	91 109	160 349
Capital commitments (R'000)	**203 185**	124 635	225 669

Condensed Consolidated Changes in Equity

R'000	6 months to 28 February 2005 (unaudited)	6 months to 29 February 2004 (unaudited)	Year to 31 August 2004 (audited)
Increase in share capital and premium	**47 063**	23 679	33 025
Decrease in non-distributable reserve	**(601)**	(35 689)	(35 480)
Increase in treasury shares	**(126 806)**	–	(122 981)
Net profit/(loss) for the period	**128 938**	156 616	(12 553)
Prior period adjustment	**–**	(901)	–
Distributions to shareholders	**(75 097)**	(53 515)	(97 824)
Net (decrease)/increase in shareholders' funds	**(26 503)**	90 190	(235 813)
Opening shareholders' interest	**1 372 697**	1 608 510	1 608 510
Closing shareholders' interest	**1 346 194**	1 698 700	1 372 697
Percentage decrease in closing shareholders' interest	**(20.8)**		

Commentary

Financial performance

The group increased turnover from continuing operations by 24.9% to R4.4 billion in the six-month period, with the retail brands growing 29.2% and wholesale distribution increasing by 36.1% including sales to group companies. The year-on-year comparison of the group's performance has been impacted by the inclusion of the pharmacy operations for the current period and not for the corresponding period in 2004.

However, the results were adversely impacted by a 28.1% decline in operating profit in the core Clicks brand from R177.5 million to R127.7 million. This is attributable to a loss in pharmacy of R38.0 million for the period, turnover growth being slightly below expectations, higher than budgeted stock shrinkage and increased expenses.

The pharmacy losses are mainly in the smaller and non-integrated pharmacies and can largely be ascribed to the reduction in margin from the low dispensing fee prescribed by the medicine pricing regulations.

Discom continued its return to sustainable profitability and the Entertainment Division more than doubled operating profit in the period.

New United Pharmaceutical Distributors (UPD), the group's wholesale distributor, also achieved a strong increase in earnings.

The Clicks performance contributed to a decline in the group's operating profit from continuing operations of 5.9% from R222.1 million to R209.0 million.

Diluted earnings per share for the group declined 14.5% to 37.2 cents per share and diluted headline earnings per share reduced by 16.8% to 37.6 cents per share. The results of New Clicks Australia were included for four months in the previous year.

This performance is in line with the trading statement issued on 6 April 2005.

Trading performance

Retail brands

Turnover in Clicks, including pharmacy, increased by 35.6% for the six-month period. When the contribution from the pharmacy operations is excluded, the core Clicks brand increased turnover by 8.4%.

Margins in Clicks declined owing to the lower than budgeted turnover growth, higher than expected shrinkage, as well as the change in the margin mix with the introduction of lower margin dispensary and healthcare products and slower sales of high margin imported lifestyle merchandise.

Pharmacy turnover held steady but continues to report trading losses owing to the impact of the pricing regulations referred to above and the under-performance of smaller pharmacies that have not yet been integrated into Clicks stores.

The pharmacy model is proving successful in the large Clicks stores where dispensaries have been introduced, reflected in higher front shop turnover through increased footfall. The group is continuing to implement its pharmacy plans and has to date integrated 37 stores. A further 23 are expected to be operational by the end of the financial year.

The legislative uncertainty in the pharmacy sector continues and the group has continued to follow the legal process in order to obtain a more equitable arrangement for retail pharmacy. We await the outcome of the Constitutional Court hearing which took place in mid-March. During the period the group adopted the R26/26% dispensing fee in order to meet competitive pressures.

African beauty and hair care specialist, Discom, increased turnover by 8.6%. The strong increase in profit from R2.7 million in the previous year to R14.6 million was driven by improved margin, reduced shrinkage and tight expense control. The brand increased sales of higher margin toiletries and electrical appliances.

The Entertainment division, comprising Musica and CD Wherehouse, recorded a 24.1% increase in turnover, which was boosted by a particularly strong performance over the festive season. Operating profit increased 113.1% to R23.3 million, despite margin pressure owing to the top 20 CD pricing strategy and a change in mix to lower margin DVD and gaming merchandise.

The Body Shop lifted turnover by 15.7%, although comparable store growth was down 3.3%. The opening of new stores has negatively affected turnover of stores in nearby locations. Operating profit declined 23.7% owing to increased expenses and reduced margins.

Wholesale distribution

UPD increased turnover by 36.1% to R1.4 billion. This strong growth can be attributed to increased support from independent pharmacies that have moved away from single channel distributors, continued growth from Clicks Pharmacy and increased sales to private hospitals. Operating profit increased by 38.3% to R40.7 million. Although the margin was impacted by the introduction of single exit pricing, this was largely neutralised by increased sales volumes. UPD continues to be well managed, evidenced by the increase in expenses being contained to 4.4%.

Capital management

The group recommenced its share repurchase programme from the start of the new financial year in September 2004, buying back an additional 13.9 million shares for R126.5 million. The last trade was conducted on 20 December 2004. A total of 26.9 million shares have been repurchased for R225.3 million at an average price of R8.37 since the programme was initiated and these shares are being held in a subsidiary company as treasury shares. The share repurchase programme has positively impacted headline earnings per share and the group's return on equity.

Prospects

Addressing the performance of Clicks and Pharmacy is the main priority for the group. Areas of under-performance in Clicks have been identified by the new management team under the leadership of Michael Harvey and strategies are being implemented to address each of these issues. However, it will take time before the full benefit of these actions is reflected in the performance of the brand.

The performance of the integrated Clicks/pharmacy stores supports the pharmacy business model that both front and back shop sales will increase once a dispensary is introduced into a Clicks store.

The integration process is being accelerated and the long-term aim of the group is to open a dispensary in most Clicks stores. This is dependent on the granting of licences.

Discom is expected to improve profitability as it further entrenches its value proposition and positioning as the leading African beauty and lifestyle retailer. The Entertainment division will continue its aggressive pricing and promotional strategy, and the brand is developing further innovative strategies to grow turnover following the anniversary of the implementation of the top 20 CD pricing strategy in April.

UPD will be actively pursuing volume growth and expansion of its client base as it looks to capitalise on consolidation in the industry. The outlook for increased profitability is positive.

The re-engineering of the enterprise-wide information systems is scheduled to be completed by the end of 2005. The new systems platform will lead to more efficient merchandise management – including stock flow, availability and shrinkage control – and is expected to enhance both brand performance and customer service. The implementation will also lead to improved and more timeous reporting by the group.

Dividend declaration

The board of directors has declared an interim cash dividend of 11.2 cents per share payable on Monday, 27 June 2005 to shareholders recorded in the register of the company at the close of business on Friday, 24 June 2005. The last day to trade ("cum" the dividend) in order to participate in the dividend will be Friday, 17 June 2005 and the shares will trade "ex dividend" from the commencement of business on Monday, 20 June 2005. The record date will be Friday, 24 June 2005.

Share certificates may not be dematerialised or rematerialised between Monday, 20 June 2005 and Friday, 24 June 2005, both dates inclusive.

By order of the Board

ALLAN SCOTT
Company Secretary
20 April 2005

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
Transfer Secretaries Computershare Investor Services 2004 (Pty) 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

Registration Number 1996/000645/06 Share Code: NCL ISIN: ZAE000014585