

NEW CLICKS HOLDINGS LIMITED

Interim group results

Turnover	+23.1%
Operating Profit	+21.2%
Diluted Headline EPS	+10.4%
Improved Cash Flow	

Consolidated Income Statement

	6 months to 28 February 2003 (unaudited) R'000	6 months to 28 February 2002 (unaudited) R'000	Year to 31 August 2002 (audited) R'000	% change
Turnover	3 436 679	2 792 414	5 487 791	23.1
Operating profit	214 560	177 034	318 560	21.2
Net interest paid	(42 754)	(28 961)	(67 220)	47.6
Interest paid - excluding PM&A	(42 754)	(28 961)	(67 220)	
Interest accrued - PM&A	28 835	18 593	45 525	
Provision - PM&A interest	(28 835)	(18 593)	(45 525)	
Net profit after interest	171 806	148 073	251 340	16.0
Provision for impairment of loan	-	-	(32 475)	
Net profit before exceptional items	171 806	148 073	218 865	16.0
Exceptional item - goodwill amortised	(10 519)	(3 786)	(11 346)	
Net profit before taxation	161 287	144 287	207 519	10.4
Taxation	48 106	41 722	61 319	15.3
Profit attributable to ordinary shareholders	113 181	102 565	146 200	10.4
Adjustment for goodwill amortised	10 519	3 786	11 346	
Headline earnings	123 700	106 351	157 546	16.3
Headline earnings per share (cents)				
Undiluted	38.5	35.4	52.2	8.8
Diluted	37.0	33.5	49.7	10.4
Earnings per share (cents)				
Undiluted	35.2	34.2	48.4	2.9
Diluted	33.9	32.3	46.1	5.0
Distribution per share (cents)	10.9	9.9	10.1	24.0

Accounting policies and restatement of comparatives

These interim financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice, and the accounting policies are consistent with the prior year, other than the changes reflected in the notes below.

1. Loan to Purchase Milton & Associates (PM&A)

For the period under review, PM&A, the pharmacy chain that the group has an association with, traded at a loss of R9.2 million before the interest charge from the group, and had a shareholders' deficit of R140.8 million as at February 2003. The loan to PM&A from the group amounted to R283.1 million at the end of February 2003 after the impairment disclosed at August 2002 and the interest provision explained in note 2 below. PM&A are however forecasting a trading profit for the full year to August 2003 before interest. The directors are of the opinion that no further impairment of the loan is required on the basis of the value in use calculation, as they are pleased with the progress in the turnaround of the business and its future potential. It is anticipated that the imminent changes in healthcare legislation will allow New Clicks Holdings to acquire the business of PM&A and to consolidate its operations, subject to the relevant regulatory approvals.

2. Net interest

As PM&A traded at a loss for the period, the directors have decided to provide in full for the interest accrued on the loan to PM&A, and will continue to do this until such time as the interest is covered by trading profits.

The comparatives for the six months to February 2002 have been restated on the same basis, which has resulted in a reduction in headline earnings of R13 million and a reduction in undiluted headline earnings per share of 4.4 cents. In addition, for the year to August 2002, to achieve consistency, part of the impairment has been allocated as a provision against interest accrued, with the balance remaining as an impairment. The effect of this on headline earnings is included in note 3 below.

3. Accounting circular on headline earnings

In line with the new definition of headline earnings, any impairment in respect of the loan to PM&A must be taken into account in headline earnings. The comparative figures for the year to August 2002 have been restated in line with this. The effect of this change for the year to August 2002 is to reduce headline earnings by R54.6 million and to reduce undiluted headline earnings per share by 18.1 cents.

Consolidated Balance Sheet

	As at 28 February 2003 (unaudited) R'000	As at 28 February 2002 (unaudited) R'000	As at 31 August 2002 (audited) R'000
ASSETS			
Non-current assets	1 363 239	1 053 394	1 195 134
Property plant & equipment	691 885	584 044	617 767
Goodwill	245 924	74 987	182 502
Loans	358 018	364 247	331 755
Deferred taxation	67 412	30 116	63 110
Current assets	1 755 058	1 259 682	1 266 656
Inventories	1 288 652	1 094 058	1 055 137
Accounts receivable	466 406	162 729	196 624
Taxation prepaid	-	2 895	14 895
Total assets	3 118 297	2 313 076	2 461 790
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shareholders' interest	1 558 789	1 144 794	1 221 757
Non-current liabilities			
Interest-bearing liabilities	235 037	235 305	230 546
Current liabilities	1 324 471	932 977	1 009 487
Accounts payable	1 163 406	753 549	887 542
Short-term borrowings	139 984	179 428	108 583
Taxation payable	21 081	-	13 362
Total equity and liabilities	3 118 297	2 313 076	2 461 790

Consolidated Cash Flow Statement

	6 months to 28 February 2003 (unaudited) R'000	6 months to 28 February 2002 (unaudited) R'000	Year to 31 August 2002 (audited) R'000
Net cash flow from operations	269 051	224 238	418 834
Movement in working capital	(105 235)	(149 063)	(10 705)
Net interest paid	(42 754)	(28 961)	(67 220)
Taxation paid	(35 937)	(55 252)	(89 508)
Cash effects of operating activities	85 125	(9 038)	251 401
Distributions to ordinary shareholders	(8 596)	(16 186)	(37 736)
Net cash effects of operating activities	76 529	(25 224)	213 665
Net cash flow utilised in investing activities	(104 667)	(132 506)	(310 034)
	(28 138)	(157 730)	(96 369)
Net cash effects of financing activities	(7 186)	(8 576)	717
Net decrease in cash and cash equivalents	(35 324)	(166 306)	(95 652)

Consolidated Changes in Equity

	6 months to 28 February 2003 R'000	6 months to 28 February 2002 R'000	Year to 31 August 2002 R'000
Increase in share capital and premium	336 651	21 990	39 952
(Decrease)/increase in non-distributable reserve	(69 727)	38 189	83 611
Net profit for the period	113 181	102 565	146 200
Distributions to shareholders	(43 073)	(33 483)	(63 539)
Net increase in shareholders' funds	337 032	129 261	206 224
Opening shareholders' interest	1 221 757	1 015 533	1 015 533
Closing shareholders' interest	1 558 789	1 144 794	1 221 757
Percentage increase in closing shareholders' interest	36.2		

Segmental Analysis

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

	6 months to 28 February 2003 R'000	6 months to 28 February 2002 R'000	% change
Turnover			
Clicks	1 522 393	1 354 224	12.4
Discom	391 732	368 063	6.4
Music division	269 041	242 278	10.6
The Body Shop	24 903	12 056	106.6
Link Investment Trust	9 431	6 504	45.0
United Pharmaceutical Distributors	329 392	-	-
Southern African operations	2 545 892	1 983 125	28.4
Priceline	882 777	799 050	10.5
House	6 581	10 239	-
Price Attack	1 429	-	-
Australian operations	890 787	809 289	10.1
Total	3 436 679	2 792 414	23.1
Operating profit before interest and tax			
Clicks	139 294	140 131	-0.6
Discom	(2 214)	(13 447)	
Music division	18 625	15 532	19.9
The Body Shop	3 357	1 004	234.4
Link Investment Trust	987	(1 812)	
Intercare	(362)	(759)	
United Pharmaceutical Distributors	10 095	-	-
Southern African operations	169 782	140 649	20.7
Priceline	35 840	32 145	11.5
House	4 053	4 240	-4.4
Price Attack	4 885	-	-
Australian operations	44 778	36 385	23.1
Total	214 560	177 034	21.2

Impact of foreign currency fluctuations

The rates of exchange applied in the conversion of the Australian dollar to the rand are reflected below (rands to the Australian dollar).

	2003	2002	
Income statement items - average rate	5.31738	5.32669	
for the 6 months to 28 February	4.92580	5.37310	
Balance sheet items - rate at 28 February			
The impact of the exchange rate movement on the group's performance is reflected below by restating the turnover and operating profit for the Australian operations for the current period at the rate applied for the period ended February 2002.			
	6 months to 28 February 2003 R'000	6 months to 28 February 2002 R'000	% change
Turnover			
Southern Africa	2 545 892	1 983 125	28.4
Australia	892 346	809 289	10.3
Total	3 438 238	2 792 414	23.1
Operating profit before interest and tax			
Southern Africa	169 782	140 649	20.7
Australia	44 856	36 385	23.3
Total	214 638	177 034	21.2

Supplementary Information

	28 February 2003	28 February 2002	31 August 2002
Number of ordinary shares in issue ('000)	353 468	302 173	305 172
Weighted average number of shares in issue ('000)	321 246	300 142	301 772
Weighted average diluted number of shares in issue ('000)	334 075	317 720	317 272
Net asset value per share (cents)	441	379	400
Net tangible asset value per share (cents)	371	354	341
Depreciation (R'000)	52 418	46 150	96 426
Capital expenditure (R'000)	80 998	69 627	158 005
Capital commitments (R'000)	116 966	43 792	225 011



for the six months ended 28 February 2003

Commentary

Group results

New Clicks Holdings has continued to focus on consolidating its multi-brand retail offering in the health, beauty and lifestyle sectors. The executive team has paid particular attention to supply chain and stock management, the rejuvenation of core brands and improving overall financial management. The group has also been strategically repositioning itself to embark on a growth strategy in anticipation of the legislative changes allowing for corporate pharmacy ownership.

Group turnover for the six months exceeded the R3 billion mark for the first time, increasing by 23% to R3.4 billion. Operating profit before interest and tax showed a 21% improvement to R215 million. These figures have been positively impacted by the acquisitions of Price Attack in Australia and New United Pharmaceutical Distributors (UPD). When the contribution from these acquisitions is excluded, the growth in group turnover was 11%, with operating profit posting a 13% increase. The 48% rise in interest paid by the group is a factor of the prevailing high interest rate environment, and the financing raised for the purchase of Price Attack. The increase in several balance sheet items, including goodwill, can be attributed mainly to the inclusion of UPD from January 2003.

Divisional review

New Clicks South Africa

The trading conditions during the period under review proved challenging for most brands, as sales volumes and margins were generally below expectations. More aggressive promotional programmes have been developed to stimulate sales growth. Consumer spending is likely to benefit from lower inflationary prospects. The impact of the tax concessions announced in the Budget will start to filter into the economy and interest rate cuts are expected later in the year.

Clicks

Sales of health and beauty merchandise have shown strong real growth. This has been tempered by the slowdown in sales of certain categories of higher margin lifestyle goods, which resulted in a 12% overall increase in turnover. Operating profit declined marginally, mainly due to the change in product mix from declining sales in parts of the lifestyle category. The category team has been restructured, which we believe will result in an improved buying strategy, particularly for lifestyle products. Owing to the nature of buying cycles for lifestyle goods – many of which are imported – the refocused buying process will take time to deliver results and can only realistically be expected to have an impact in the latter stages of calendar year 2003. An extensive store refurbishment programme is in progress.

Discom

After suffering major losses in 2002 during the restructuring and repositioning of the Discom brand, the business has turned around and in the period under review it has reduced its operating loss from R13.4 million to R2.2 million, which is a significant improvement of R11.2 million. The business is forecasting a profit for the year to end August 2003. Discom has traditionally focused on lower margin FMCG merchandise but has recently altered the product mix to increasingly focus on hair care and African beauty. Discom also struggled to source appropriate lifestyle products for its market. The refocusing of the category teams addresses this and should contribute to further increases in sales growth. As the brand repositioning continues, eight stores in rural areas have been closed and new stores are being planned in shopping centres which are appropriate for this re-energised and vibrant brand.

Music Division – Musica and Compact Disc Warehouse

Following a successful performance in the previous financial year, the growth rates in the Music Division have slowed down in line with general retail trading trends. Musica continues to dominate its market, and prospects remain positive as the local music and entertainment industry is in a healthy state, despite the pressures on this industry worldwide.

The Body Shop

The performance of The Body Shop continues to exceed expectations, with sales of R24.9 million and a R3.4 million contribution to operating profit in its second year. A further ten stores are planned to be opened during this calendar year.

New United Pharmaceutical Distributors (UPD)

The acquisition of UPD came into effect on 1 January 2003 and consequently the performance of UPD has been incorporated into the group results for two months. UPD continues to perform according to plan, and positions the group to maximise

potential in the healthcare market. By combining this integrated channel to market and the negotiating capabilities of the New Clicks group, UPD will make available better product and price to all of its 5 200 customers.

Link Investment Trust (LIT)

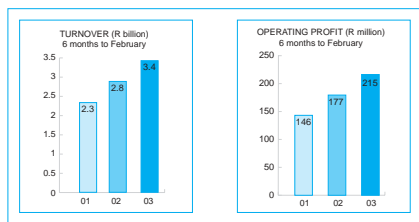
Link has shown a pleasing turnaround and management is satisfied with its operating profit level. For the first time, we are able to add significant value in sales and margins to the Link franchise through our new subsidiary, UPD.

Intercare

Intercare combines the professional services of independent doctors and pharmacy. This concept allows doctors and pharmacists to work more efficiently in the interests of their patients. The project is in its pilot phase and is progressing in line with expectations. Three more centres are planned to open during the year.

South African healthcare update

It is anticipated that the long-awaited changes to legislation governing pharmacy ownership will be promulgated within the next month. We expect that as a result of the changes, New Clicks will be able to implement the purchase agreement of Purchase Milton & Associates and to allow pharmacists to operate in Clicks stores, subject to licensing criteria and the approval of the competition authorities. We look forward to the change in legislation, which will lead to more affordable healthcare being accessible to a broader range of South Africans. The group is committed to the healthcare industry and will ensure that the process is implemented to the benefit of all stakeholders, including the public and pharmacists.



New Clicks Australia

Consumer confidence has declined and shopping habits have been dampened by continuing unfavourable news emanating from the business sector and on the international front. Management is, however, confident that consumers are well positioned to drive moderate spending growth, given positive economic data and the historic low levels of interest rates. In light of this environment, we are pleased with the sustained market share gains by our Australian businesses.

Priceline

Priceline achieved a sales increase of 10.5%, with seven new stores opened during the six month period. Priceline.ClubCard signed its millionth member in March, just seven months after launch, and more than 12 000 members are joining each week. Two Priceline Pharmacy franchisee stores have been opened, and a further eight are planned in the current year.

House

House has delivered a pleasing performance and while operating profit has declined, this can be attributed to the disposal of two company-owned stores to franchisees during the year. Franchisee stores in this environment generate a better return on capital. The newly appointed leadership team is creating a fresh positioning for the brand, particularly in the face of an increasingly competitive environment which has seen several new entrants into the market. Eight new franchisee stores have been opened and four more are planned in the next six months.

Price Attack

Price Attack reinforced its position as Australia's leading salon hair care franchise chain through aggressive promotions and innovative area marketing to deliver a strong result. Franchisees have benefited from the shared service structure of New Clicks Australia. Four new franchisee stores have been opened in the last six months and a further six will be opened before August 2003.

Prospects

During the past few years several areas of the business have been restructured and strategies have been implemented to increase the focus on core areas of performance and growth. The outcome of these initiatives has resulted in the group being well positioned for future growth and the directors are confident that this will lead to an improved performance from the core brands. New Clicks has also invested considerable resources in planning and gearing up for the potential that exists when the laws governing pharmacy ownership in South Africa are changed. The group's healthcare model – aimed at providing more affordable healthcare in the pharmacy arena – presents widespread opportunities. These factors are expected to contribute to an improved performance in the second half of the year when compared to the corresponding period last year.

Capitalisation award with interim dividend option

The Board has resolved to award capitalisation shares to ordinary shareholders recorded in the share register of the company at the close of business on Friday, 4 July 2003 ("the record date"). The rounded number of capitalisation shares to which a shareholder will be entitled in terms of the capitalisation award will be determined by multiplying the number of ordinary shares held by the shareholder by a ratio. This ratio will be determined by multiplying 10.9 cents per share by 1.05 and dividing the result by the weighted average trading price of the ordinary shares of the company on the JSE Securities Exchange South Africa ("the JSE") for the three days ending Wednesday, 18 June 2003 ("the issue price") which ratio will be announced on Thursday, 19 June 2003. The last day to trade New Clicks' shares on the JSE "cum" the capitalisation award to ensure a purchaser appears as the owner on the record date, will be Friday, 27 June 2003. Shareholders will be given the opportunity to decline the award of capitalisation shares in respect of all or part of their shareholding and instead may elect to receive a cash dividend of 10.9 cents per share ("the cash election"). Documentation in respect of the capitalisation award and the cash election will be posted to shareholders on or about Monday, 26 May 2003. In order to be valid, completed forms of election for certificated shareholders wishing to receive the cash election will need to be received by the company's transfer secretaries by no later than 12:00 on Friday, 4 July 2003. In the case of dematerialised securities, Central Securities Depository Participants ("CSDP") or brokers should be notified of beneficial owner elections in sufficient time for the CSDP to inform the company by 12:00 on Friday, 4 July 2003, as to their election. Application will be made to the JSE for the maximum number of capitalisation shares to be listed with effect from the commencement of business on Monday, 30 June 2003 when the price of the company's securities will be quoted "ex" the capitalisation award. The number of shares listed will be adjusted on or about Tuesday, 8 July 2003. Cheques and share certificates (where required) in respect of new ordinary shares will be posted to shareholders on Monday, 7 July 2003. Shareholders' accounts in respect of dematerialised securities will be credited by their CSDPs or brokers on Monday, 7 July 2003. Share certificates may not be dematerialised or rematerialised between Monday, 30 June 2003 and Friday, 4 July 2003, both days inclusive.

By order of the Board

ALLAN SCOTT
Company Secretary
10 April 2003



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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

Beyond the Blue

