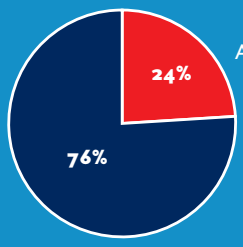
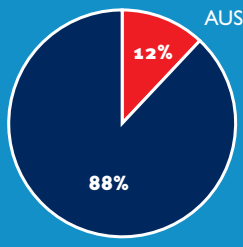
TURNOVER



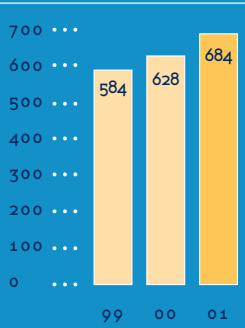
OPERATING PROFIT BEFORE TAX





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NUMBER OF COMPANY-OWNED STORES

"TO ENHANCE REGIONAL BRAND FOCUS AND GEAR UP FOR FURTHER GROWTH IN SOUTHERN AFRICA, AUSTRALIA AND THE ASIA PACIFIC REGION, WE HAVE GROUPED OUR BRANDS UNDER TWO GEOGRAPHIC ENTITIES."
Trevor Honneysett



HIGHLIGHTS

Acquisition of House, an Australian homewares franchise chain comprising 66 stores

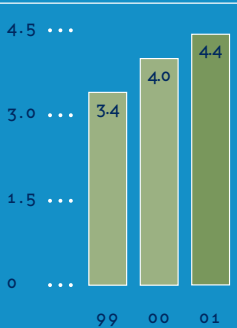
The group's investment in The Link Investment Trust was increased from 30 to 56 percent

Acquisition of Durban-based Modisons group comprising 11 company-owned and franchised stores

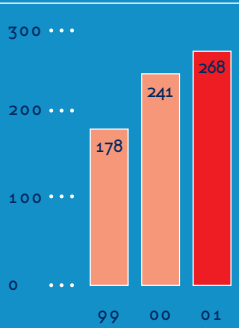
The group funded the formation of Purchase Milton and Associates, owning 67 pharmacies with projected annual turnover of R1 billion

The group opened 56 new company-owned stores, bringing the total to 684

52 TRADING WEEKS VS 53 TRADING WEEKS	
TURNOVER	+ 9.2%
OPERATING PROFIT	+11.6%
HEADLINE EARNINGS	+10.3%
HEADLINE EARNINGS PER SHARE	+8.1%
52 TRADING WEEKS VS 52 TRADING WEEKS	
TURNOVER	+11.0%
OPERATING PROFIT	+20.1%



TURNOVER (R billion)



OPERATING PROFIT (R million)

STRATEGIC REVIEW



RESULTS

We have reported positive results for the year to 31 August 2001 against the backdrop of one of the toughest periods experienced by retailers the world over.

Compared to the previous year to 31 August 2000, turnover at R4,37-billion has grown by 9,2%, and operating profit before interest and tax has increased by 11,6%. Headline earnings are up 10,3% and headline earnings per share are up 8,1% (7,6% on a diluted basis). The declaration of a final distribution of 11,2 cents brings the total to 19,8 cents, up 10% over the previous year.

The second half was impacted by the effect of a 53-week year in 2000, distorting the comparative period in the six months to August. Restating the figures to exclude this impact, turnover is up 11%, and operating profit before interest and tax is up 20,1% for the year.

It has been a busy 12 months. Our healthcare strategy has gained significant momentum since the first quarter of 2001; we made the House and Modisons acquisitions; and signed a direct franchise agreement with The Body Shop. We have addressed the positioning of the Discom brand, ramped up the growth in Australia, and have worked hard at improving our margins. The operating margin has increased to 6,15% from 6,02%.

NEW CLICKS HOLDINGS BOARD OF DIRECTORS

- **PETER SWARTZ**
  NON-EXECUTIVE DEPUTY CHAIRMAN
- **TREVOR HONNEYSETT**
  GROUP LEADER
- **RAYMOND GODFREY**
  HEAD – NEW CLICKS SOUTH AFRICA
- **DAVID NUREK**
  NON-EXECUTIVE CHAIRMAN
- **PETER GREEN**
  HEAD – GROUP FINANCE
- **ELIOT OSRIN**
  NON-EXECUTIVE DIRECTOR
- **JEFF SHER**
  HEAD – NEW CLICKS AUSTRALIA

Total company-owned stores have grown to 684 at the end of August 2001 from 628 the previous year, and franchised stores, including the Link franchise, at the end of August 2001 totalled 393. Franchising will represent an important area of our business in the future. We are rapidly building expertise through our involvement with The Link Investment Trust and House, the highly-compliant homeware franchise brand in Australia.

Splitting the performance geographically, turnover in New Clicks' southern African operations is up 9,4% and the Australian operations up 8,4%. The figure for operating profit before interest and tax is up 10,5% for southern Africa and 20,7% for Australia.

A significant rise in net interest paid, up 77,4% to R19,9-million (R11,3-million), reflects the funding of a R90-million distribution centre in Midrand and several acquisitions in line with our multibrand strategy.

Regarding distribution, total merchandise volumes through the distribution centres are now around 45% for Clicks and 65% for Discom. The group has slowed down the conversion to centralised distribution in order to manage working capital, which for the period under review reflects an initial build-up of stocks in the distribution centres necessary for automatic replenishment.

BRAND FOCUS

We compete in a marketplace made up of consumers who, through technology and access to information, are faced with abundant choices. Brand differentiation will become increasingly important in this environment.

Our objective is to ensure our brands continue to surprise and delight consumers. Much energy and planning in the period under review have gone into enhancing our ability to do so. The results of this work are evident in the new Discom stores, the flagship Compact Disc Wherehouse and The Body Shop stores that we have opened in the weeks following the financial year-end.

Our transnational operation requires us to develop the necessary capability to manage across cultures, to trade in multiple markets with varied regulatory environments and to ensure we achieve brand differentiation whilst being effective at integration behind the scenes.

To manage this complexity, we have introduced a networked structure, where people from different disciplines are encouraged to engage in a participative, responsible way.

To enhance regional brand focus and gear up for further growth in southern Africa, Australia and the Asia Pacific region, we have grouped our brands under two geographic entities, New Clicks South Africa (NCSA) and New Clicks Australia (NCA), with effect from 1 August 2001. Both businesses have strong corporate support platforms off which to leverage further expansion. The geographic heads are Raymond Godfrey in South Africa and Jeff Sher in Australia. They are assisted by local management forums.

The role of the local management forums for NCSA and NCA is to maintain a hard-driving brand performance, with separate brand leaders and teams for each of the brands responsible for customer focus and brand strength.

Providing leverage between the two geographies is a Strategic Forum. This forum is responsible for performance at a group level, acquisitions, succession, knowledge transfer, guarding the business culture and global strategic objectives.

WELLNESS

Population trends will affect the way we shape our business into the future. At one end of the spectrum, populations in the world's developed economies are becoming more affluent, and older. They are taking better care of their own health. These populations also have the time and money for indulgences. Distinctions between health, beauty and general fitness are merging in a broader pursuit of 'wellbeing'. Women in particular are spending more disposable income on 'looking good and feeling good.'



At the other end of the spectrum, communities in many countries, South Africa in particular, are suffering as the AIDS tragedy takes its course. Here, there is a dire need for certain drugs as well as a growing emphasis on primary and preventative healthcare. We believe we can play a role in making healthcare accessible and affordable to all.

The growing predominance of healthcare in our existing brands is aimed at helping consumers take control of their health, promoting wellness within the communities we serve.

Our healthcare strategy is discussed in more detail under Strategic Intent. In essence, we acknowledge that the solution to affordable, accessible healthcare is found not just in retail pharmacy, but rather more widely in the healthcare supply chain, in which we have built significant expertise. We plan to assist pharmacists to improve efficiencies in what up until now has been a fractured pharmacy retail environment.

RELATIONSHIPS

Quality stakeholder relationships will be a key differentiating factor in a highly competitive environment. We will tackle the challenges of tomorrow through broadening our understanding of our customers, suppliers and stakeholders and rely on quality relationships as the key to sustaining the competitive edge. We view our relationships with suppliers as key to the future as we work together for the benefit of the end-consumer. We have developed specialised category teams that interact with suppliers at a strategic level, and we are active members of the worldwide retail co-operative movement, Efficient Consumer Response.

Communication with consumers is equally important. We have already set high standards in Customer Relationship Management, communicating directly with our customers through media such as the ClubCard magazine, and we aim to grow customer loyalty yet further by stepping up levels of communication across all our brands.

BOARD

Jeff Sher has been appointed to the main board of New Clicks Holdings with effect from 1 August 2001. Born and brought up in South Africa, Jeff has lived in Australia for a number of years and joined Priceline in 1993.

OUTLOOK

We are cautiously optimistic about the year ahead. Although economic conditions in southern Africa and Australia could be affected by uncertainty stemming from the world political situation, the strategies of expanding the group organically and through acquisitions mean that enhanced levels of sales and profits are expected in the year ahead.

Our view has been to invest ahead of the growth curves, and take benefit of the opportunities that present themselves in difficult trading conditions.

New Clicks' primary opportunity lies in developing a presence in the southern hemisphere. We are confident our vision for 2005 will become a reality in terms of our expectations for our operations in southern Africa and Australasia.

We sincerely thank all those who contribute to the success of our organisation, including our suppliers, consultants, associates, business friends and, not least, our customers. We are grateful for the energy, creativity and hard work that our people display in continuing to grow the success of New Clicks into the future.

JACK GOLDIN

Jack Goldin, the founder of Clicks, passed away in Australia earlier this year at the age of 75. His absence is felt deeply by our organisation, particularly as many of our careers were shaped under his guidance.

Jack's contribution to our organisation has been enduring and significant. He had the vision to start the Clicks brand in South Africa in the late sixties, based on what he had seen of the drugstore concept in the United States. Although Clicks was prevented by pharmacy legislation from becoming a fully-fledged drugstore, it filled an important market niche in South Africa and grew rapidly on account of its unique mix of health, home and beauty products. Jack had incredibly high standards, and we pay tribute to his pioneering vision and determination which helped lay the foundations of what we are today.

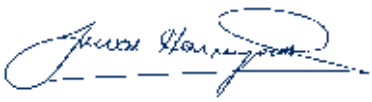
In the mid-eighties, Jack emigrated to Australia where he co-founded the Priceline brand along the same principles as Clicks, with the same unique mix of health, home and beauty products. Priceline is today one of the fastest-growing brands in Australia. In 1998, the story came full circle when Jack retired from Priceline and sold his share of the business to New Clicks Holdings.



Jack was a remarkable, self-made man who has left an indelible mark on our organisation. His death is a loss to the retailing industry, and we remember him with sincerity and warmth. Our thoughts are with his family.



DAVID NUREK
Chairman



TREVOR HONNEYSETT
Group Leader

STRATEGIC INTENT

MARKET POSITIONING

The diagram below is a graphic depiction of our multibrand strategy and market positioning. The three pillars of health, beauty and lifestyle are our core competencies.

Providing a consolidated retail offer across the three pillars are Clicks, Discom and Priceline.

Pharmacy, represented through our association with the Link brand, extends across health and beauty, adding depth to these pillars.

We have further identified the opportunity to work in singular, specialised categories. The specialist retail offers currently comprise the House, Musica and Compact Disc Wherehouse brands under Lifestyle, and The Body Shop under Beauty.

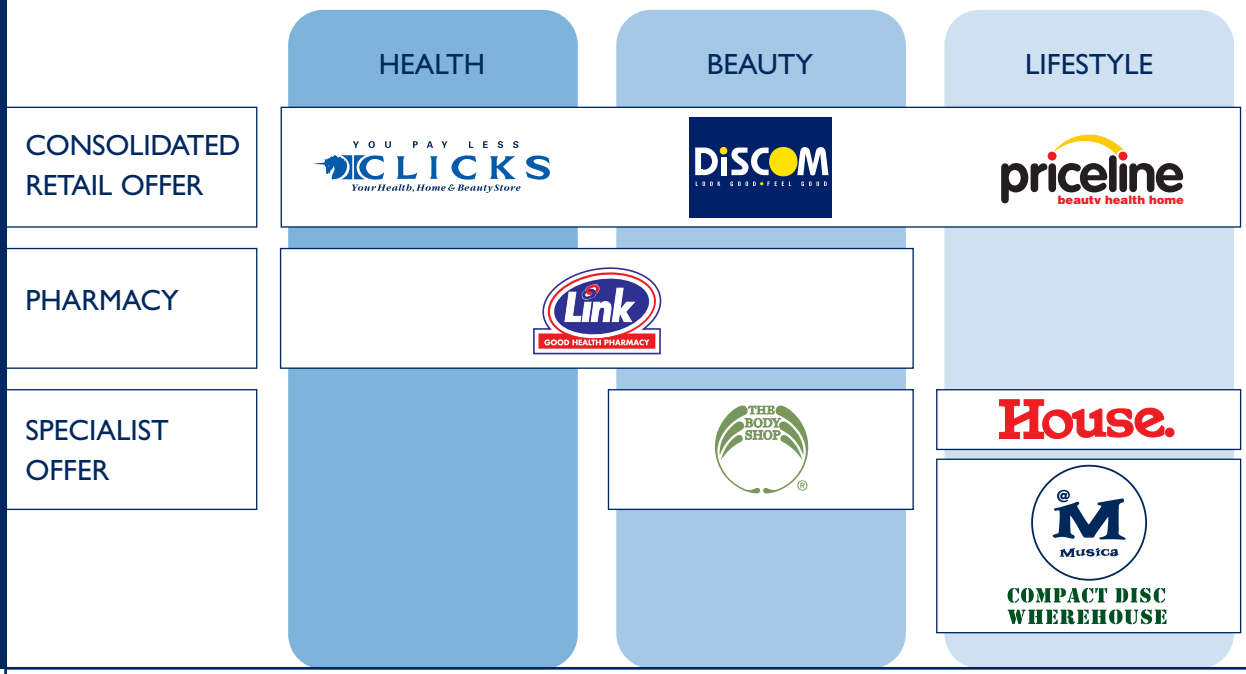
We intend to specialise further within our core competencies of Health, Beauty and Lifestyle, through acquisitions or specialist brand development.

We have invested in a substantial corporate support platform off which we can now leverage additional brands at no great cost and improve the income stream. Furthermore, our people have developed the necessary expertise in category management and merchandising to allow us to explore greater efficiencies of scale.

HEALTHCARE STRATEGY

Economic pressures are driving the trend towards consolidation in healthcare and pharmacy – between healthcare providers, retailers and other service providers. This is not a trend unique to South Africa. The local and overseas experience is to "leverage off" the know-how, expertise and facilities of others in mutually beneficial alliances and to ride in the slipstream of economies of scale. This does not impact on the rule that the professional aspects must remain the exclusive domain of the trained and registered professionals – there can be no exceptions to this.

The current restrictions in the legislation regarding ownership of and



participation in pharmacy by non-pharmacists have resulted in a fragmented pharmacy profession, inefficiencies and a dearth of pharmacies and pharmaceutical services in poorer areas. We expect that government will stick to its published legislative path and deregulate ownership and participation by non-pharmacists subject to licensing criteria which are consistent with national health and drug policies.

We believe that it is incumbent on us to pursue a healthcare strategy, given our core competencies in health and beauty, as well as our skill in supply chain management. The challenge for us was to implement a strategy that would work within the confines of the existing legislation whilst at the same time place us in an optimal position to benefit from any deregulation.

In April 2001 we issued an important statement on our strategy, the full text of which is on our website at www.newclicks.co.za. We take this opportunity to update this announcement.

Consolidation in the healthcare and pharmacy sector in South Africa is about pharmacists leveraging off best retail practices and collective buying. The imperatives are an efficient supply chain, distribution and access to information through common platforms. In addition to uplifting business and professional standards in pharmacy and reducing costs, such consolidation will break the log jam on empowerment and transformation and improve access to pharmacies across the spectrum.

Critical to our consolidation strategy has been the establishment of the right base of best practice pharmacies and pharmacists. We believe that through our funding of Purchase Milton & Associates and our investment in The Link Investment Trust which are owned and operated by the finest entrepreneurial

"CRITICAL TO OUR CONSOLIDATION STRATEGY HAS BEEN THE ESTABLISHMENT OF THE RIGHT BASE OF BEST PRACTICE PHARMACIES AND PHARMACISTS."



pharmacists with proven track records, this objective has been achieved.

Purchase Milton & Associates

Purchase Milton & Associates owns some 67 of the most sought after pharmacies countrywide with a combined annualised turnover in excess of R1 billion. Trevor Milton and his team are at the cutting edge of business and professional developments in pharmacy. With our funding support they have been able to establish a leading pharmacy chain. In a relatively short period of time they will be able to substantially improve the profitability of these pharmacies through the application of simple economy of scale strategies and efficiencies including collective buying.

We earn an interest margin on the loans to Purchase Milton & Associates. The loan repayments are subject to appropriate securities which have been disclosed to, approved and endorsed by the South African Pharmacy Council.

The Link Investment Trust

With over 300 members, "Link" is unquestionably the leading retail pharmacy brand in South Africa. Lead by CEO Elize van der Berg, Link has announced plans for a business format franchise which will set new standards for pharmacy in South Africa and enhance the role of the pharmacist as a healthcare practitioner. By December 2001 a pioneer group of 100 Link pharmacies around the country will be operating off a common IT platform. We anticipate that ultimately these arrangements will extend throughout the Link franchise resulting in savings, increased turnover, productivity and improved professional standards to the benefit of consumers and all stakeholders in the Link chain.

Link is furthermore finalising arrangements with certain banks and financial institutions to unlock substantial funds to pave the way for ownership of pharmacies and membership of Link by black pharmacists.

Various training courses for pharmacists and pharmacist assistants have been registered with the South Africa Pharmacy Council. Negotiations are also underway with various regional departments of health to extend the utilisation of this course material to the public sector.

Understandably, the move for change meets with resistance. A company called Van Staden & Stoltz (Proprietary) Limited, which owns a pharmacy in Centurion, Pretoria has launched an application to Court to challenge the decision of the South African Pharmacy Council to register Purchase Milton & Associates and to oppose the acquisition of pharmacies by that entity. It is obviously inappropriate to go into the merits of the matter in any detail as the matter is pending. We are confident that the considerations and decisions of the South African Pharmacy Council will be sustained by the Courts. We regret that the party in question has opted for litigation but we will not be dissuaded from our healthcare consolidation strategy.

Our funding of Purchase Milton & Associates and our investment in Link, with a combined annualised turnover of R3 billion, presents the ideal platform for future consolidation. With our retail know-how, expertise, experience and facilities as well as access to capital we believe that the stage is set for a new paradigm in pharmacy and healthcare in South Africa which will mean:

- sustained lower prices of pharmaceuticals and "front shop" products in line with Clicks' proven pricing track record;
- an expansion of pharmacies and pharmaceutical services into under serviced areas;
- an improvement in professional standards and a reinstatement of the pharmacist as community healthcare provider;
- commensurate earnings potential for the Clicks Organisation arising out of procurement, distribution and other value adding services.

"THE CHALLENGE FOR US WAS TO IMPLEMENT A STRATEGY THAT WOULD WORK WITHIN THE CONFINES OF THE EXISTING LEGISLATION WHILST AT THE SAME TIME PLACE US IN AN OPTIMAL POSITION TO BENEFIT FROM ANY DEREGULATION."

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility at New Clicks covers a broad area of activity, aimed at the general upliftment of the communities that we serve. We work constantly to enhance our reputation as a well-managed, ethical and socially-responsible company.

The New Clicks Foundation forms the basis of our corporate social responsibility work, and is responsible for identifying and co-ordinating projects. This foundation has been funded by R5-million from the company and is managed as a registered trust with trustee representatives which include two non-executive directors. The trustees allocate the income generated by the funds, based on the motivation of specific projects by the trading brands in their respective target markets.



FRIENDS OF ALEXANDRA HOME IN MOWBRAY

FOUNDATION PROJECTS

The Big Issue

Over the past year, we have provided funding for The Big Issue, the magazine for homeless people, to expand its presence nationally. New Clicks' involvement will help secure The Big Issue's position as a national, independently viable publication, and in the process create employment for hundreds of destitute people throughout South Africa. The Big Issue was founded in the United Kingdom by Gordon Roddick, co-founder of The Body Shop.

Friends of Alexandra Hospital's group home project

New Clicks is a sponsor of the group home project run by the Alexandra and Lentegeur Hospitals in Cape Town.

A group home offers the mentally disabled the opportunity to live in a family environment that is safe and stimulating. The project came about when hospitals faced major budget cuts in 1997, and psychiatric hospitals such as Valkenberg and Alexandra had to reduce their number of beds drastically. Residents are encouraged to be self-sufficient, regain their independence and re-integrate into society.



"TOGETHER WITH THE GALLO MUSIC GROUP, MUSICA EMBARKED ON A PROJECT TO PAY HOMAGE TO SOLOMON LINDA, THE LATE SOUTH AFRICAN MUSICIAN AND COMPOSER OF THE WORLD-FAMOUS TUNE 'THE LIONS SLEEPS TONIGHT'."

Other projects

National Business Initiative

New Clicks Holdings is also a donor member of the National Business Initiative (NBI) which was launched in 1995 to enhance the contribution made by the private sector to post-apartheid development of South Africa. The NBI is a business initiative, with companies as members, involvement by community leaders and acceptance by government.

Our people

We believe that corporate social responsibility starts at home and, in line with our ongoing focus on people development, we have for many years run a successful education scheme that allows employees to apply for loans and bursaries to further their education.

Solomon Linda

Together with the Gallo Music Group, Musica embarked on a project to pay homage to Solomon Linda, the late South African musician and composer of the world-famous tune "The Lion Sleeps Tonight". Some $15 million in songwriter royalties and associated revenues were lost to Linda, who died penniless in 1962.

Musica and Gallo have re-released a CD containing the original recording, with all profits from CD sales to go to Linda's family through the Solomon Linda Trust Fund.

THE GROUP AT A GLANCE

New Clicks Holdings Limited, an investment holding company, was listed in March 1996 on the JSE Securities Exchange South Africa, subsequent to acquiring the businesses of the Clicks Group Limited in November 1995.

New Clicks is a transnational organisation, with operations currently in southern Africa and Australia. Its core competencies lie in the retailing of Health, Beauty and Lifestyle products and services. As a large retail organisation with skill and infrastructure in supply chain management and centralised distribution, the organisation is able to supply goods, funding and support services to stores, be these wholly-owned, operated as joint ventures, or franchised.

Trading brands for New Clicks South Africa currently comprise Clicks, Discom, Musica, Compact Disc Wherehouse, and The Body Shop. Trading brands for New Clicks Australia currently comprise Priceline and House.

New Clicks also has a 56% interest in The Link Investment Trust, which comprises pharmacists and other members who co-operate in the operation and development of 307 Link-branded pharmacies in South Africa.

COMPANY-OWNED OUTLETS

SOUTHERN AFRICA	CLICKS	DISCOM	MUSIC DIVISION	TOTAL
NAMIBIA	3	3	3	9
SOUTH AFRICA	224	198	131	553
SWAZILAND	2	1	–	3
	229	202	134	565

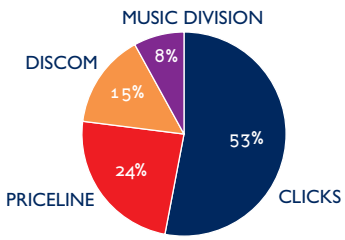
AUSTRALIA	PRICELINE	HOUSE	TOTAL
	117	2	119

FRANCHISED OUTLETS

SOUTHERN AFRICA	CLICKS	DISCOM	LINK	TOTAL
SOUTH AFRICA	–	3	307	310
ZIMBABWE	11	4	–	15
	11	7	307	325

AUSTRALIA	HOUSE	TOTAL
	68	68

DIVISIONAL SALES SPLIT



PROFILE NEW CLICKS SOUTH AFRICA

Clicks Stores, South Africa's leading specialist retailer of health, home and beauty products, operates from 240 outlets, including eleven franchised stores, in southern Africa. Clicks caters for the middle to upper income market. It is a leader in Customer Relationship Marketing, and was the first South African mass retailer to establish successfully a non-credit customer loyalty card.

The Discom brand has been aggressively re-launched targetting the beauty, health and lifestyle market under the banner "Discom – Look Good Feel Good", with ethnic beauty as the core business. The new brand portrays a modern and progressive image and operates from 209 outlets including seven franchise stores..

The Music Division comprises Musica and the Compact Disc Wherehouse. With 134 outlets, Musica is southern Africa's largest retail distributor of compact discs, tapes and allied products. The brand appeals to a diverse customer base in the mainly young, middle to upper income market. Compact Disc Wherehouse is a specialised destination store offering unsurpassed choice and service to music lovers.

The Link Investment Trust operates a franchise comprising 307 Link pharmacies in southern Africa. A business format franchise which will set new standards for pharmacy in South Africa and enhance the role of the pharmacist as a healthcare provider is currently being rolled out.

SUPPORT SERVICES

Through specialised support services high levels of skills and expertise are provided to the trading brands. This allows the trading brands to focus strongly on their core functions and the leverage created brings about efficiencies to the group.

These specialised support services include finance and administration, information technology, logistics and replenishment, marketing, organisational development, advertising, property and store design.

KEY FACTS

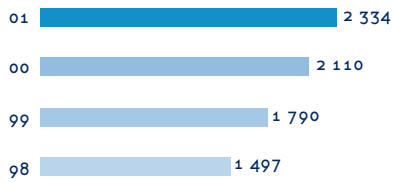
Sales (R'000)	2 333 644
Sales growth (%)	10.6
Stores' trading profit before the allocation of net costs of support structures (R'000)	244 399
Allocation of net costs of support structures (R'000)	(28 335)
Operating profit before interest and after allocation of net costs of support structures (R'000)	216 064
Number of stores at year end:	
Owned	229
Franchised	11
Net increase in stores during the year:	
Owned	20
Franchised	3
Number of full-time permanent employees at year end	2 785
Trading area (m^2) at year end	130 774
Net increase in trading area during the year (%)	6.4
Weighted annual sales per m^2 (R)	18 203

Sales (R'000)	642 848
Sales growth (%)	5.8
Stores' trading profit before the allocation of net costs of support structures (R'000)	26 451
Allocation of net costs of support structures (R'000)	(17 186)
Operating profit before interest and after allocation of net costs of support structures (R'000)	9 265
Number of stores at year end:	
Owned	202
Franchised	7
Net increase in stores during the year:	
Owned	10
Franchised	3
Number of full-time permanent employees at year end	1 568
Trading area (m^2) at year end	54 068
Net increase in trading area during the year (%)	7.9
Weighted annual sales per m^2 (R)	12 296

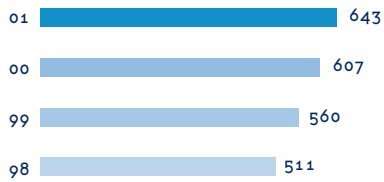
Sales (R'000)	351 840
Sales growth (%)	8.8
Stores' trading profit before the allocation of net costs of support structures (R'000)	41 222
Allocation of net costs of support structures (R'000)	(29 479)
Operating profit before interest and after allocation of net costs of support structures (R'000)	11 743
Number of stores at year end	134
Net increase in stores during the year	8
Number of full-time permanent employees at year end	466
Trading area (m^2) at year end	14 789
Net increase in trading area during the year (%)	10.5
Weighted annual sales per m^2 (R)	24 282

SALES

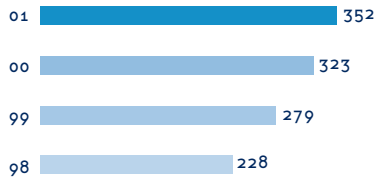
SALES IN MILLIONS (RM)



SALES IN MILLIONS (RM)



SALES IN MILLIONS (RM)



NEW CLICKS SOUTH AFRICA



New Clicks South Africa has operated within a challenging retail environment over the past 12 months. The benefits of reduced interest rates on disposable income were outweighed by rising fuel prices, increased unemployment and structural changes in spending patterns, particularly at the lower end of the market. Retail spending as a proportion of national consumer spending in South Africa declined from 29,1% in 1999 to 27,4% in 2000 and is expected to be only 25% in the current year.

We are therefore satisfied with the performance of New Clicks South Africa, in which total turnover growth across all brands on a comparable basis is 11.3% and reported growth is 9.4% compared to the previous year to August 2000. A breakdown of sales and profit per brand is given on the preceding pages.

Strategy

Our strategy is to continue improving our brands in southern Africa by enhancing the focus on our customers in the health, home/lifestyle and beauty markets. We will use our skill in data management to interpret and anticipate these needs, and we will further develop the communication channels we have established to talk to our customers.

The progress we have made in centralised distribution will improve the way in which we work behind the scenes in order to improve the customer's shopping experience.

Highlights

The past year has seen new activity on several fronts. In January 2001, we acquired Modisons and subsequently undertook a careful process of research and preparation to reposition the Discom brand, combining the best of both formats to enhance merchandising and leverage off the corporate infrastructure of NCSA.

The power of the brand was once again brought home strongly to us when we announced the signing of a direct

YOU PAY LESS
CLICKS
Your Health, Home & Beauty Store

"WE ARE CONFIDENT THAT THE REJUVENATED DISCOM, LAUNCHED ON 6 SEPTEMBER 2001, WILL IMPROVE THE PERFORMANCE OF THIS BRAND . . ."



franchise agreement with The Body Shop in June. The local market reacted very favourably to this development which, although small for us in terms of volumes and sales, associates our organisation with one of the world's most trusted and well-known brands. By the time of this report going to press, we will have opened the first few stores.

Our in-house advertising agency was relaunched under a new name, Beyond the Blue, and we developed our own radio broadcasting stations for Clicks and Musica.

Supply chain management

A natural progression of the group's supply chain strategy is the integration of category management and procurement functions for products that overlap across the health and beauty categories within NCSA. From a competitive point of view, we need to build expertise in category management as the market grows in complexity and sophistication.

We have therefore moulded our structures to keep pace with centralised distribution, and category management teams now span the health and beauty merchandise functions for both Clicks and Discom.

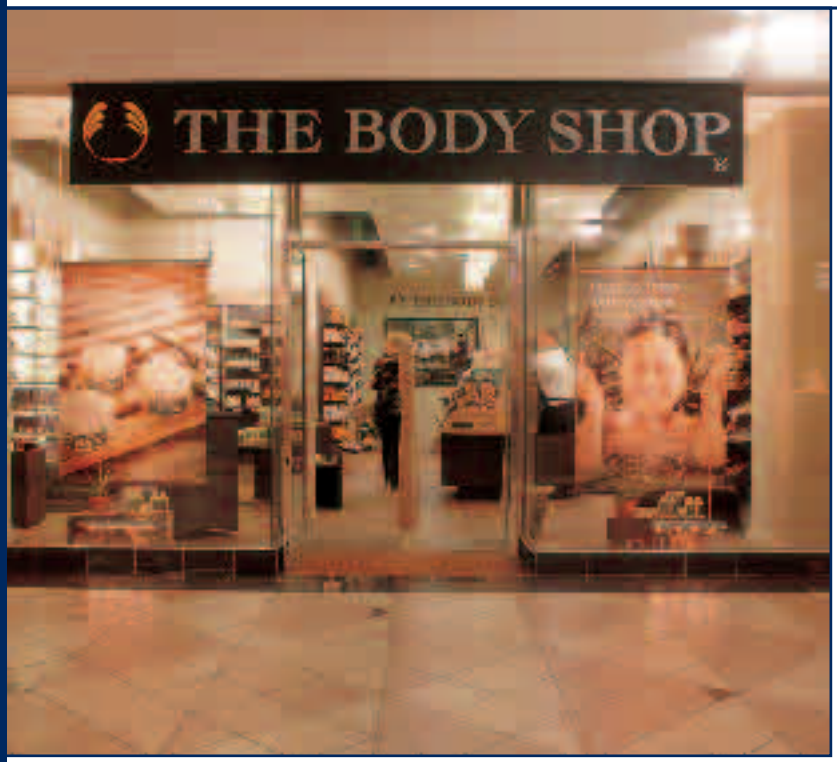
Brand differentiation vs integration

Integration happens behind the scenes to create an efficient platform from which to serve our markets better.

But consumers are not concerned with how the product arrives at the store. They need to know that they can shop conveniently, find the products they need in-stock, and get preferential service. They will choose to shop at the destination that provides all this and more, and they will be attracted to the destination that differentiates itself from the rest.

Brand focus is therefore more important than ever, and we will continue to conduct strong and innovative marketing to differentiate our brands.

DiSCOM
LOOK GOOD • FEEL GOOD



The brand teams are the custodians of differentiation. They are responsible for driving their particular business, implementing the business plan, and growing market share.

CLICKS

Brand leader: Trevor Vroom

As part of the group's healthcare initiatives, Clicks has moved significantly in the direction of wellness and preventative healthcare through its merchandise and customer communication.

Another area of growth is communications, for which we offer ClubCard points on all purchases, including cellphone recharge cards. The ClubCard continues to be a leader in Customer Relationship Management in South Africa, with a total of 3-million members at the end of August 2001. Our custom-published ClubCard magazine has the fourth-highest circulation of magazines in the country. Private label is doing well, representing over 12% of sales. We continue with the roll-out of the Clicks Essentials sub-brand, and we have piloted new large-format stores in Bloemfontein and Canal Walk. Making good use of colour, light, and merchandise display, these new-look stores will be rolled out as we renovate and open new stores.

DISCOM

Brand leader: Trevor Edwards

Discom is South Africa's premier retailer in the ethnic haircare category, yet it has in the past typically been perceived as a general dealer. We are closing this perception gap through a complete make-over of the brand and aggressively targeting the R8,9-billion beauty market, with a particular focus on the high-growth area of ethnic hair- and skincare.

We are confident that the rejuvenated Discom, launched on 6 September 2001, will improve the performance of this brand that in recent years has been affected by structural changes in spending patterns.

Our research revealed that the consumer profile has changed. The typical Discom customer has urbanised, she is a woman between 18 and 36, aspirational, trendy, discerning, and proud to be South African. She wants to look good and she wants to feel good.

A new-store and store-conversion programme is underway, which will see Discom open 19 new stores around the country, including the conversion of nine Modisons stores to the Discom brand, and rebadge a large number of the existing Discom stores by the end of December 2001. The remaining stores will be rebadged during the first half of next year.

THE BODY SHOP®

MUSIC DIVISION

Brand leader: Lara Bryant

The local music market has been under severe pressure during the year under review. The Musica and Compact Disc Wherehouse (CDW) brands have however outperformed the market and continued to grow their share of the market to an estimated 37%.

The CDW brand continues to draw music lovers in their droves to the two Johannesburg stores. During the year, the original CDW store was relocated to The Zone in Rosebank. A few weeks after our financial year-end, the Music Division opened its flagship CDW store in Cape Town, at a premier location in the V&A Waterfront. Trading has been very encouraging in what is proving to be a destination venue with a difference.

During the year under review, Musica opened flagship stores at the V&A Waterfront, Canal Walk and Menlyn Park.

THE BODY SHOP

In its initial phase, The Body Shop will be operated as a stand-alone brand, with support from the Clicks brand team.

The first stores opened in October at Cavendish Square in Cape Town and Tyger Valley in Bellville. A further three stores will be opened before Christmas in Sandton, Menlyn Park and Rosebank, Johannesburg. These are wholly-owned, stand-alone stores, for which the group holds the direct franchise. We held a highly successful The Body Shop product launch to the media in August, and there is palpable excitement in the market about this prestigious brand finally arriving in South Africa. Although the product is directly imported, we have endeavoured to keep prices below those that South Africans would have to pay were they to buy the product in the United Kingdom.

OUTLOOK

We plan to open 50 new stores across the South African trading brands in the year to August 2002.

Although the initial performance of the rebranded Discom brand has been very encouraging, the full benefits will only be realised in the 2002/2003 year following the completion of rebranding and the technology roll-out.

The country has much in its favour compared to many other emerging markets. The fundamentals remain sound, and there is a strong will to get things right, on the part of both the public and private sectors.

I would like to thank all the people in New Clicks South Africa for their hard work and dedication. Our culture is one of learn and adjust, and I am proud of the way our people have strived to achieve this in what has been a difficult trading environment.

We are an energetic, innovative team and we are looking forward to enhancing our brands in this part of the world.

RAYMOND GODFREY
Head – New Clicks South Africa

"THE COUNTRY HAS MUCH IN ITS FAVOUR COMPARED TO MANY OTHER EMERGING MARKETS. THE FUNDAMENTALS REMAIN SOUND, AND THERE IS A STRONG WILL TO GET THINGS RIGHT, ON THE PART OF BOTH THE PUBLIC AND PRIVATE SECTORS."

Musica

COMPACT DISC WHEREHOUSE

PROFILE NEW CLICKS AUSTRALIA

Priceline, founded in 1982, is Australia's leading specialist retailer of beauty, health and home products. Acquired from 1 July 1998, Priceline is on a rapid new-store drive and operates from a current total of 117 stores. Priceline trades along similar lines to the Clicks chain, catering for a similar market segment.

House is Australia's foremost franchised homeware brand and was acquired effective from December 2000. It operates through 2 company-owned and 68 franchised stores.

SUPPORT SERVICES

The acquisition of House has led to the separation of the specialist support services from the trading brands. The leverage created leads to enhanced efficiencies. The infrastructure created will support further expansion.

Through specialised support services, high levels of skills and expertise are provided to the trading brands. This allows the trading brands to focus strongly on their core functions and the leverage created brings about efficiencies to the group.

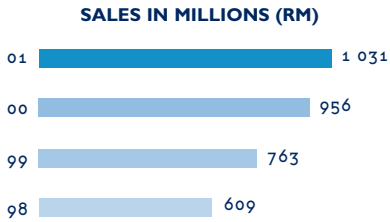
These specialised support services, include finance and administration, information technology, logistics and replenishment, marketing, organisational development, advertising, property and store design.

KEY FACTS

Sales (R'000)	1 030 894
Sales growth (%)	7.8
Stores' trading profit before the allocation of net costs of support structures (R'000)	88 153
Allocation of net costs of support structures (R'000)	(61 111)
Operating profit before interest and after allocation of net costs of support structures (R'000)	27 042
Number of stores at year end	117
Net increase in stores during the year	16
Number of full-time permanent employees at year end	673
Trading area (m^2) at year end	56 258
Net increase in trading area during the year (%)	12.1
Weighted annual sales per m^2 (R)	19 332

Sales (R'000)	5 977
Stores' trading profit before the allocation of net costs of support structures (R'000)	560
Income and allocation of net costs of support structures (R'000)	3 798
Operating profit before interest and after allocation of net costs of support structures (R'000)	4 358
Number of stores at year end:	
Owned	2
Franchised	68
Number of full-time permanent employees at year end	24
Trading area (m^2) at year end	391

SALES



NEW CLICKS AUSTRALIA



The past financial year was a period of difficulty, intensity and complexity. The most significant impact on the retail landscape came from the introduction of the General Sales Tax (GST) in July 2000, which has affected margins and consumer confidence.

In October 2000, it became apparent that the economy was slowing, mainly in response to the effects of interest rate increases, escalating fuel costs, a downturn in the building industry post-GST, the introduction of the GST itself, the after-effects of the Olympics, and a declining Australian dollar.

The GST brought about a classic margin squeeze. The product cost reductions that were projected by the government to emerge through the supply chain did not materialise. Instead, most suppliers sought to increase prices, given the costs associated with the introduction of the tax. Furthermore, the Australian Competition and Consumer Commission restricted price movements by ensuring that in all cases net dollar margins were maintained through the transition. Input costs boosted by higher oil prices and the weaker Australian dollar rose two to three times as fast as output prices. The result was that retailers were left to carry part of the cost of the GST.

Uncertainty, arising from the introduction of the GST, led to a dramatic collapse in consumer confidence and a compression of discretionary spend. Unfortunately the response by many of our competitors, particularly in the post-Christmas period, was to sacrifice price to clear excess stock. It was very difficult to build sales in such a price-driven environment.

The combination of these issues caused us to review our business model and focus on managing our expense base more tightly, whilst ensuring that our service delivery was maintained in a growth phase.

We are therefore satisfied with the Priceline sales which reflected a 7.8% growth, in an inflation environment of around 2.5%. If adjusted to a like-against-like comparison, to exclude the GST impact on reported sales, the overall sales growth was 15.9%.

Prior to the introduction of the GST, we were tracking at rates of 7.4% comparable and 21% overall growth. From a House perspective, moving annual turnover sales increased across the brand by 21.3%.

Despite the business model changes, we have remained focused on the long term and continued to invest ahead of the growth curves. Our culture requires us to take a long-term view rather than react to the short term.

Merchandise positioning

Part of our response to the current climate has been a strategic focus on product and market differentiation. Given the market concentration in Australia where success depends on growth of market share, we have sought to ensure that speed to market and flexibility remain central to our merchandise positioning. To augment this strategy, we have started redefining our relationship with key stakeholders and suppliers using our data capability to become more strategic.

priceline
beauty health home

"HOUSE . . . THE NEW-STORE FORMAT HAS BEEN WIDELY ACCLAIMED AS THE BEST HOMEWARE OFFER IN THE COUNTRY."



A key focus during the year has been the adjustment to our merchandise strategy.

For both our brands we have determined that product differentiation is important to our growth strategies, and we therefore intend further developing our import and private-label programmes to ensure we maintain our comparative and competitive advantage.

HOUSE

Brand leader: Alan Wein

The most significant highlight of the year was the acquisition of the 66-store House business in December 2000. House is the foremost national franchised homeware brand in Australia, targeted at the middle to upper income market. It comes to the New Clicks stable with high brand equity, and unique competencies and capability in the lifestyle category.

Founders Alan and Bradley Wein have remained in the business, bringing a strong working synergy and an inherent knowledge of franchising that will be beneficial to the group generally. During the nine months since the acquisition, we opened 4 new stores and refurbished another 11, bringing to life the new-store format that has been widely acclaimed as the best homeware offer in the country.

We have spent time developing defined criteria for product selection in relation to brands carried, price points and product categories that can offer differentiation. This has been necessary due to the erosion of the value of some of the top homeware brands available, and the discounting promotional activity that our competitors have conducted in order to maintain sales levels and market share.

Feedback from franchisees confirms that they are experiencing the support from NCA positively, and working more systematically as a result of successful integration particularly in the areas of accounting, marketing and logistics. House is further benefiting from NCA's import programme, and we are looking to implement a loyalty programme in the near future.

PRICELINE

Brand leader: Amanda Brook

Highlights for the period under review include the opening of 17 stores, and the initial launch of a ClubCard programme

House.

in the state of Victoria, which in the first three months attracted some 200 000 members.

We will know the purchase history of our ClubCard customers and, through our sophisticated technology platform, tailor promotional campaigns to their preferences. The next phase of our strategy is to roll out the ClubCard programme to other states. We are confident that this will enhance our relationship with our customers.

Regarding merchandise, we have sought to move our home category from a more functional to a non-grudge, 'for me' gift positioning. The new ranges have started to emerge on the shelves and will be fully apparent this Christmas. Furthermore, the cosmetics category has been reviewed, resulting in a repositioning of brands that move us further from the discount variety stores and provide compelling reasons for beauty customers to shop at Priceline first. Finally, the Health category has started to take shape and our intention is to have this category correctly aligned by the end of the year.

Supply chain and support services

We have made several gains in this area over the past year. We will commission a 25 000 m^2 distribution centre in Melbourne in March 2002. This facility will be leased, not funded.

We have continued our investment in technology, rolling out a new point-of-sale solution, which will enable us to understand customer behaviour better, and enhance communication to stores. Furthermore, we have installed a derivative of the Clicks data warehouse to manage the ClubCard programme and installed a performance tracking system which will enable us to measure our merchandise performance.

To enable the expansion of both businesses to be effective and managed within economic considerations, we have continued leveraging off New Clicks Holdings, and sought synergies and efficiencies through our integrated corporate support platform which now provides service to both brands. One example of this has been the establishment of an ISDN link to our internal advertising agency in Cape Town. This agency generates all the creative work for our catalogues and point-of-sale material and downloads the outcome to our store support centre in Melbourne. The consequence of this networked structure has led to significant cost savings and provided opportunity for transnational learning.

People

We have continued to invest in our people. Reflecting on the year, it has been one in which learning was the key outcome. Our culture is enriched around a set of values, which at their core enable each person the opportunity to explore his or her potential. By seeking to create a participative and inclusive environment, our desire is to work in a non-hierarchical way systematically influencing the overall result of the business.

The culture we are aspiring to is starting to take hold and I am confident that we are putting foundations in place for the long term. New Clicks Australia is starting to be viewed as an employer of choice. The key differentiating factor lies in how we do things, and I believe we now have the right platform off which we can ramp up our growth.

Prospects

In looking ahead, we are adopting a cautiously optimistic view, particularly as a result of the worldwide events that have impacted on us all. Furthermore, the election in November created some uncertainty, but we have the right strategies in place to increase our market share.

Our forward strategy is to continue organic growth in our brands in Australia, with a view to expanding in both New Zealand and the Pacific Rim. We have the corporate support platform in place from which to leverage this growth, and bolt on appropriate acquisitions as they present themselves.

I am particularly proud to be working with such a hard-working, committed group of people, who have proven that with a dedicated focus and a rich culture we are capable of outperforming our own expectations. The collective efforts of our people have ensured that New Clicks Australia will remain at the forefront of retailing in this country, and for this I thank them all sincerely.

JEFF SHER
Head – New Clicks Australia