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ANNUAL FINANCIAL STATEMENTS

UPD's state-of-the-art automated pharmaceutical distribution facility at Lea Glen, Gauteng

The directors have pleasure in presenting their report together with the group and company financial statements for the year ended 31 August 2009.

Nature of business

The company is an investment holding company listed in the Food and Drug Retailers sector of the JSE Limited. The name was changed from New Clicks Holdings Limited to Clicks Group Limited and the company was reclassified from the Consumer Services: General Retailers sector to the Food and Drug Retailers sector on the JSE Limited with effect from 22 June 2009. Its subsidiaries comprise the country's leading provider of health and beauty merchandise through a network of 540 stores in southern Africa. The company's subsidiaries cover the pharmaceutical supply chain from wholesale distribution to retail pharmacy as well as music, entertainment and beauty and cosmetic products.

Group financial results

The results of operations for the year are set out in the consolidated income statement on page 63. The profit attributable to ordinary shareholders for the year is R473 million (2008: R441 million – restated).

Share capital

In terms of the specific authority granted by shareholders in the general meeting held on 29 May 2009 as contemplated in section 221 of the Companies Act No. 61 of 1973 (as amended), the company elected to issue 207 850 shares for a subscription price of 1 cent and a premium thereon of R356.99 each to New Clicks South Africa (Proprietary) Limited in order to raise cash to make distributions to its shareholders.

The following ordinary shares of 1 cent each, held as treasury shares by a subsidiary of the company, were bought back by the company and cancelled.

21 500 000 cancelled on 3 February 2009

During the year under review the company continued with its share buy-back programme as set out below.

27 606 047 shares held by a subsidiary of the company as treasury shares at 1 September 2008

19 335 709 shares in terms of general repurchases between 1 September 2008 and 31 August 2009 by a subsidiary of the company

(392 876) shares utilised pursuant to the company's obligations to deliver ordinary shares to Share Trust participants in respect of share options granted

(21 500 000) shares bought back into the company and cancelled on 3 February 2009

25 048 880 held by a subsidiary of the company as treasury shares at 31 August 2009

The company resolved in general meeting on 29 May 2009 to make an offer to those shareholders holding less than 100 shares each in the ordinary shares of the company to acquire their shares by way of an odd-lot offer. The implementation of the odd-lot offer was finalised on 26 June 2009. The company purchased 5 674 shares from shareholders who accepted or were deemed to have accepted the company's offer to purchase their shares by way of the odd-lot offer. The shares were purchased by the company at R17.41 per share. These shares were delisted and restored to the status of authorised but unissued share capital. The number of Clicks shareholders was reduced by 310. The number of ordinary shares which continued to be held by odd-lot holders who elected to retain their odd-lot holdings was 2 658.

Distributions to shareholders

Interim

The directors approved a distribution of 24.5 cents per share comprising a capital reduction distribution out of share premium of 24.5 cents per share (2008: 18.8 cents per share) in lieu of a dividend ("the distribution"). The distribution was paid on 13 July 2009 to shareholders registered on 10 July 2009.

Final

The board of directors has approved a final distribution of 59.5 cents per share (2008: 42.3 cents per share). The source of such distribution

will be a capital reduction out of share premium. The dividend will be payable on 25 January 2010 to shareholders registered on 15 January 2010.

Events subsequent to balance sheet date

No significant events, other than the declaration of the final distribution, as set out above, took place between the end of the financial year under review and the date of this report.

Directors and secretary

The names of the directors in office at the date of this report are set out on pages 12 and 13, and the company secretary's details are set out on page 132.

Appointments

John Bester was appointed as an independent non-executive director on 1 October 2008. Annalize Booysen served as company secretary on an interim basis between 1 April 2009 and 30 June 2009. David Janks was appointed head of group legal counsel and company secretary with effect from 1 July 2009.

Resignations and retirement

Robert Lumb resigned as a non-executive director on 30 November 2008. Peter Eagles resigned as a non-executive director on 29 June 2009. Allan Scott retired as company secretary with effect from 31 March 2009.

Retirement and re-election of directors

In accordance with the company's articles of association David Nurek, Keith Warburton and Fatima Jakoet retire by rotation at the forthcoming annual general meeting. The retiring directors, being eligible, offer themselves for re-election.

Directors' interest in shares

Details of the directors beneficial interests in the company's issued share capital are given on page 43.

There have been no new awards of share options since August 2005. Michael Harvey during the year took delivery of and subsequently sold 375 000 shares with an option price of R6.30 which were previously allocated and exercised in August 2003. David Nurek at 31 August 2009 held 500 000 options with a delivery price of R9.30 which were previously allocated and exercised in September 2000.

The only change in these interests between the end of the company's financial year and 12 November 2009, being a date not more than 1 month prior to the date of notice of the annual general meeting, is the delivery 500 000 shares of which 300 000 shares were sold and 200 000 shares were taken delivery of via a family trust and the purchase by John Bester via a family trust of 10 000 shares.

Share incentive schemes

Information relating to the share incentive scheme is set out on page 40.

Special resolutions

Special resolutions passed at the general meeting held on 29 May 2009 and registered on 5 June 2009:

Special resolution number 1: Approval of the change of the company's name

Special resolution number 2: Amendment to the articles of association in terms of the odd-lot offer

Special resolution number 3: Adoption of amended articles of association

Special resolution number 4: Specific authority to repurchase shares

Special resolution number 5: Specific authority to issue and allot shares

Holding company

The company has no holding company.

Subsidiary companies

The names of the company's main subsidiaries and financial information relating thereto appear on page 118.

The interest of the company in the aggregate income after taxation is R473 million (2008: R442 million – restated).

The company's directors are responsible for the preparation and fair presentation of the company and group annual financial statements, comprising the balance sheets at 31 August 2009, and the income statements, the statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors' have made an assessment of the company and group's ability to continue as a going concern and have no reason to believe the businesses will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the company and group annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the annual financial statements

The group annual financial statements were approved by the board of directors on 12 November 2009 and signed on its behalf by:



DM NUREK
Chairman



DA KNEALE
Chief Executive Officer

Cape Town
12 November 2009

CERTIFICATE BY THE COMPANY SECRETARY

I certify that Clicks Group Limited has lodged with the Registrar of Companies all returns as required by a public company in terms of section 268G(d) of the Companies Act 1973, as amended, and that such returns are, to the best of my knowledge and belief, true, correct and up to date.



DW JANKS
Company Secretary

Cape Town
12 November 2009

AUDIT COMMITTEE REPORT

Introduction

The Clicks Group audit committee is a formal committee of the board which functions within documented terms of reference and complies with all relevant legislation, regulation and governance codes. The terms of reference, which are available on the group's website, are reviewed annually and the effectiveness of the committee is assessed as part of the board and committee self-evaluation process each year.

This report of the audit committee is presented to shareholders for the first time this year, in compliance with the requirements of the Companies Act as amended by the Corporate Laws Amendment Act.

Role of the committee

The role of the committee is to ensure that management has created and maintained an effective control environment in the group. In conducting its business the committee is authorised by the board to investigate any activity within its terms of reference, seek any information that it requires from any employee of the company and obtain external legal or professional advice at the company's expense.

The key functions of the committee are as follows:

- Review and approve the appropriateness of accounting policies and disclosure policies in the annual financial statements and related financial reporting;
- Assess the effectiveness of internal controls;
- Review actions taken on major accounting issues;
- Oversee the functioning of the internal audit department;
- Ensure no limitations are imposed on the scope of the internal and external audits;
- Confirm the nomination and appointment of the group's auditor and be satisfied that the auditor is independent;
- Approve the terms of engagement and fees paid to the auditor;
- Ensure the appointment of the auditor complies with relevant legislation; and
- Determine the nature and extent of any non-audit services which the auditor may provide to the company.

Composition of the committee

The committee comprises three independent non-executive directors who are all financially literate, with at least one member of the committee having recent and relevant financial experience. The chairman of the audit committee is not the chairman of the board.

The following directors served on the committee during the year under review:

- John Bester – Chairman (Appointed 1 December 2008)
- Fatima Jakoet
- David Nurek
- Robert Lumb (Resigned 30 November 2008)

Biographical details of the committee members appear on pages 12 and 13.

Fees paid to the committee members are outlined in the table of directors' remuneration on page 42 of the Remuneration Report, while the proposed fees for 2010 are detailed on page 43.

The chief executive officer, chief financial officer, head of internal audit and senior management in the finance department attend every meeting at the invitation of the committee, together with the external auditors.

The audit committee also meets separately with the external and internal auditors, without members of executive management being present.

Internal audit

Internal audit is an independent, objective appraisal and assurance function which is central to the group's audit process. The role of internal audit is contained in the internal audit charter.

Internal audit encompasses the review of the:

- Effectiveness of the systems of internal control;
- Means of safeguarding assets;
- Reliability and integrity of financial and operating information;
- Efficient management of the group's resources;
- Efficient conduct of the operations; and
- Compliance with applicable laws and regulations.

The internal audit function reports to the audit committee and has the support of the board and management. Operationally, the head of internal audit reports to the chief financial officer who in turn reports to the chief executive officer. The head of internal audit has direct and unrestricted access to the chairman of the audit committee. The head of internal audit is appointed and removed by the audit committee, which also determines and recommends remuneration for the position. The chairman of the audit committee meets with the head of internal audit on a monthly basis.

Internal control

Systems of internal control are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against misstatement or loss.

While the board of directors is responsible for the internal control systems and for reviewing their effectiveness, responsibility for their actual implementation and maintenance rests with executive management. The systems of internal control are based on established organisational structures, together with written policies and procedures, and provide for suitably qualified employees, segregation of duties, clearly defined lines of authority and accountability. They also include budgeting controls, and comprehensive management reporting.

The directors are satisfied that control systems and procedures are suitably implemented, maintained and monitored on an ongoing basis by qualified personnel, with an appropriate segregation of authority, duties and reporting lines.

External audit

KPMG Inc. served as the group's registered external auditor for the 2009 financial year.

The audit committee appraised the independence, expertise and objectivity of KPMG as the external auditor as well as approving the terms of engagement and the fees paid to KPMG. Fees paid to the external auditor are disclosed in note 6 to the annual financial statements on page 84.

The external auditor has unrestricted access to the group's records and management. The auditor furnishes a written report to the committee on significant findings arising from the annual audit and is able to raise matters of concern directly with the chairman of the committee.

The company has received confirmation from the external auditor that the partners and staff responsible for the audit comply with all legal and professional requirements with regard to rotation and independence, including the stipulation that they should not hold shares in Clicks Group Limited.

Policy on non-audit services

In terms of the group's policy on the provision of non-audit services by the external auditor, non-audit services may not exceed 25% of the total audit fee. These services should exclude any work which may be subject to external audit and which could compromise the auditor's independence. Non-audit services are required to be approved by the audit committee.

During the year KPMG received fees of R3 000 (2008: R54 000) for non-audit services, equating to 0.1% (2008: 1.6%) of the total audit fee. These services related to audit certificates on transfer of properties.

KPMG satisfied the audit committee that appropriate safeguards have been adopted to maintain the independence of the external auditor when providing non-audit services.

Review of external auditor

On the recommendation of the audit committee, the board has undertaken to review the appointment of the external auditor as a good governance practice. In accordance with the audit committee charter, the audit committee undertook to assess the tender process and make a recommendation to the board. Four auditing firms, including the incumbent auditor KPMG Inc., were invited to tender for the audit for the 2010 financial year. Following the outcome of this process, the board will propose KPMG Inc. for election as the group's external auditor at the annual general meeting in January 2010.

Activities of the audit committee

The committee meets four times annually. Members of the committee, the external auditors and the head of internal audit may request a non-scheduled meeting if they consider that one is necessary. The chairman of the audit committee will determine if such a meeting should be convened.

Minutes of the meetings of the committee, except those recording private meetings with the external and internal auditors, are circulated to all directors and supplemented by an update from the audit committee chairman at each board meeting. Matters requiring action or improvement are identified and appropriate recommendations made to the board. The chairman of the committee is also a member of the risk committee and provides feedback to the audit committee on its activities and recommendations.

The chairman of the committee attends all statutory shareholder meetings to answer any questions on the committee's activities.

In discharging its duties during the year under review, the committee performed the following activities:

- Recommended to the board the appointment of the external auditors, approved the remuneration of the external auditors and monitored their independence, objectivity and effectiveness;
- Evaluated and reviewed the audit tender process for the 2010 audit tender;
- Determined the nature and extent of any non-audit services which the auditor may provide to the group and pre-approved any proposed contracts with the auditors;
- Reviewed the company's internal financial control and financial risk management systems;
- Monitored and reviewed the effectiveness of the group's internal audit functions;
- Reviewed and recommended to the board for approval the company's annual and interim reports; and
- Evaluated the effectiveness of the committee.

Expertise and experience of the chief financial officer

In terms of the JSE Listings Requirements, the audit committee is satisfied that the expertise and experience of the chief financial officer is appropriate to meet the responsibilities of the position. This is based on the qualifications, levels of experience, continuing professional education and the board's assessment of the financial knowledge of the chief financial officer.

Approval of the report

The committee confirms that it has functioned in accordance with its terms of reference for the 2009 financial year and that its report to shareholders has been approved by the board.



JOHN BESTER

Chairman: Audit Committee

Cape Town
12 November 2009

To the members of Clicks Group Limited

We have audited the annual financial statements and the group annual financial statements of Clicks Group Limited, which comprise the balance sheets at 31 August 2009, and the income statements, the statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, as set out on pages 63 to 118 and the directors' report as set out on page 58.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including

the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Clicks Group Limited at 31 August 2009, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.



KPMG Inc.
Registered Auditor

Per David Friedland
Chartered Accountant (SA)

Registered Auditor
Director
12 November 2009

for the year ended 31 August 2009

	Notes	2009 R'000	2008 (restated) R'000
Continuing operations			
Revenue	1	12 754 202	11 711 517
Turnover	1	12 175 312	11 193 577
Cost of merchandise sold		(9 657 930)	(8 984 267)
Gross profit		2 517 382	2 209 310
Other income	1	564 482	499 209
Expenses		(2 372 694)	(2 118 071)
Depreciation and amortisation	3	(113 665)	(95 378)
Occupancy costs	4	(352 055)	(306 488)
Employment costs	5	(1 156 928)	(986 128)
Other costs	6	(750 046)	(730 077)
Operating profit		709 170	590 448
(Loss)/profit on disposal of property, plant and equipment		(7 177)	13 925
Profit on disposal of business		–	1 244
Profit before financing costs		701 993	605 617
Net financing costs	2	(54 773)	(51 184)
Financial income	1	14 408	18 731
Financial expense		(69 181)	(69 915)
Profit before taxation		647 220	554 433
Income tax expense	8	(174 619)	(146 897)
Profit for the year from continuing operations		472 601	407 536
Discontinued operations			
Profit for the year from discontinued operations	7	–	33 538
Total profit for the year		472 601	441 074
Attributable to:			
Equity holders of the parent		472 387	441 201
Minority interest		214	(127)
		472 601	441 074
Earnings per share (cents)			
Continuing operations	9	165.6	136.7
Discontinued operations	9	–	11.3
Total	9	165.6	148.0
Diluted earnings per share (cents)			
Continuing operations	9	163.8	134.2
Discontinued operations	9	–	11.0
Total	9	163.8	145.2

CONSOLIDATED BALANCE SHEET

at 31 August 2009

	Notes	2009 R'000	2008 (restated) R'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	829 513	734 485
Intangible assets	11	302 313	302 141
Goodwill	12	96 124	85 811
Deferred tax assets	13	88 243	72 482
Loans receivable	14	45 722	58 070
Current assets		2 819 291	2 332 333
Inventories	15	1 421 496	1 370 889
Trade and other receivables	16	908 398	807 897
Loans receivable	14	11 342	8 064
Cash and cash equivalents	27.4	409 754	101 139
Derivative financial assets	17	68 301	44 344
Total assets		4 181 206	3 585 322
EQUITY AND LIABILITIES			
Equity			
Share capital	18	3 029	3 242
Share premium	18	–	121 461
Share option reserve	19	24 549	23 832
Treasury shares	18	(488 258)	(463 622)
Other reserves	20	(5 233)	39
Distributable reserve		1 588 891	1 456 506
Equity attributable to equity holders of the parent		1 122 978	1 141 458
Minority interest		2 285	146
Non-current liabilities		317 753	370 635
Interest-bearing borrowings	21	37 428	61 460
Employee benefits	22	91 134	130 866
Deferred tax liabilities	13	83 351	80 216
Operating lease liability	23	105 840	98 093
Current liabilities		2 738 190	2 073 083
Trade and other payables	24	2 408 117	1 827 998
Employee benefits	22	240 596	104 262
Provisions	25	6 254	7 630
Interest-bearing borrowings	21	29 877	54 180
Income tax payable		33 316	75 956
Derivative financial liabilities	17	20 030	3 057
Total equity and liabilities		4 181 206	3 585 322

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 August 2009

	Notes	2009 R'000	2008 (restated) R'000
Cash effects of operating activities			
Profit before working capital changes	27.1	825 407	722 059
Working capital changes	27.2	489 583	(222 516)
Cash generated by operations		1 314 990	499 543
Interest received		14 346	18 773
Interest paid		(42 683)	(61 385)
Taxation paid	27.3	(229 158)	(192 609)
Cash inflow from operating activities before distributions		1 057 495	264 322
Distributions paid to shareholders	26	(191 099)	(156 793)
Net cash effects of operating activities		866 396	107 529
Cash effects of investing activities			
Investment in property, plant and equipment and intangible assets to maintain operations		(110 161)	(88 919)
Investment in property, plant and equipment and intangible assets to expand operations		(114 464)	(85 381)
Proceeds from disposal of business	27.6	–	316 356
Acquisition of business net of cash acquired	27.7	(9 924)	(1 725)
Proceeds from disposal of property, plant and equipment		1 600	35 286
Decrease in loan receivables		14 319	7 522
Net cash effects of investing activities		(218 630)	183 139
Cash effects of financing activities			
Share cancellation expenses		(99)	(383)
Purchase of treasury shares		(337 501)	(607 041)
Proceeds from disposal of treasury shares		42 387	43 972
Interest-bearing borrowings repaid		(43 938)	(39 352)
Net cash effects of financing activities		(339 151)	(602 804)
Net increase/(decrease) in cash and cash equivalents	27.5	308 615	(312 136)
Cash and cash equivalents at the beginning of the year		101 139	413 275
Cash and cash equivalents at the end of the year	27.4	409 754	101 139

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2009

	Notes	Net number of shares in issue (Note 18) '000	Share capital (Note 18) R'000	Share premium (Note 18) R'000	Share option reserve (Note 19) R'000	Treasury shares (Note 18) R'000	Other reserves (Note 20) R'000	Distributable reserve R'000	Equity attributable to equity holders of the parent R'000	Minority interest R'000	Total equity R'000
Balance at 1 September 2007		316 115	3 360	435 991	23 786	(258 548)	(11)	1 091 610	1 296 188	–	1 296 188
As restated for the adoption of IFRIC 13 "Customer Loyalty Programmes"	36	–	–	–	–	–	–	(1 641)	(1 641)	–	(1 641)
Restated balance at 1 September 2007		316 115	3 360	435 991	23 786	(258 548)	(11)	1 089 969	1 294 547	–	1 294 547
Acquisition of subsidiary		–	–	–	–	–	–	–	–	273	273
Treasury shares cancelled		–	(118)	(165 484)	–	165 602	–	–	–	–	–
Share cancellation expenses written off		–	–	(383)	–	–	–	–	(383)	–	(383)
Net cost of own shares purchased		(25 790)	–	–	–	(389 816)	–	(47 394)	(437 210)	–	(437 210)
Treasury shares purchased		(32 086)	–	–	–	(481 182)	–	–	(481 182)	–	(481 182)
Disposal of treasury shares		6 296	–	–	–	91 366	–	(47 394)	43 972	–	43 972
Total recognised income and expenses for the year		–	–	–	46	–	50	441 201	441 297	(127)	441 170
Foreign currency translation reserve		–	–	–	–	–	50	–	50	–	50
Share option reserve		–	–	–	46	–	–	–	46	–	46
Profit for the year – as previously reported		–	–	–	–	–	–	442 435	442 435	(127)	442 308
As restated for the adoption of IFRIC 13 "Customer Loyalty Programmes"	36	–	–	–	–	–	–	(1 234)	(1 234)	–	(1 234)
Distributions to shareholders		–	–	(148 663)	–	19 140	–	(27 270)	(156 793)	–	(156 793)
Balance at 31 August 2008		290 325	3 242	121 461	23 832	(463 622)	39	1 456 506	1 141 458	146	1 141 604
Additional shares issued		208	2	74 200	–	(74 202)	–	–	–	–	–
Acquisition of subsidiary	35	–	–	–	–	–	(4 987)	–	(4 987)	1 925	(3 062)
Treasury shares cancelled		–	(215)	–	–	300 899	–	(300 684)	–	–	–
Share cancellation expenses written off		–	–	(99)	–	–	–	–	(99)	–	(99)
Net cost of own shares purchased		(14 227)	–	–	–	(270 155)	–	(24 959)	(295 114)	–	(295 114)
Treasury shares purchased		(19 336)	–	–	–	(337 501)	–	–	(337 501)	–	(337 501)
Disposal of treasury shares		5 109	–	–	–	67 346	–	(24 959)	42 387	–	42 387
Total recognised income and expenses for the year		–	–	–	717	–	(285)	472 387	472 819	214	473 033
Foreign currency translation reserve		–	–	–	–	–	(285)	–	(285)	–	(285)
Share option reserve		–	–	–	717	–	–	–	717	–	717
Profit for the year		–	–	–	–	–	–	472 387	472 387	214	472 601
Distributions to shareholders		–	–	(195 562)	–	18 822	–	(14 359)	(191 099)	–	(191 099)
Balance at 31 August 2009		276 306	3 029	–	24 549	(488 258)	(5 233)	1 588 891	1 122 978	2 285	1 125 263

OPERATIONAL SEGMENTAL ANALYSIS

Segmental income statement for the year ended 31 August 2009

	Retail *		UPD **		Intragroup elimination		Group	
	2009 R'000	2008 (restated) R'000	2009 R'000	2008 R'000	2009 R'000	2008 R'000	2009 R'000	2008 (restated) R'000
Segment revenue	8 557 963	7 423 024	5 375 224	5 137 493	(1 193 393)	(867 731)	12 754 202	11 711 614
Turnover	8 291 261	7 185 241	5 077 444	4 864 586	(1 193 393)	(856 250)	12 175 312	11 193 577
Cost of merchandise sold	(5 902 646)	(5 121 171)	(4 947 437)	(4 727 082)	1 192 153	863 986	(9 657 930)	(8 984 267)
Gross profit	2 388 615	2 064 070	130 007	137 504	(1 240)	7 736	2 517 382	2 209 310
Other income	266 702	237 783	297 780	272 907	-	(11 481)	564 482	499 209
Segment expenses	(2 118 319)	(1 861 955)	(254 375)	(256 116)	-	-	(2 372 694)	(2 118 071)
Depreciation and amortisation	(102 536)	(84 797)	(11 129)	(10 581)	-	-	(113 665)	(95 378)
Occupancy costs	(335 054)	(289 079)	(17 001)	(17 409)	-	-	(352 055)	(306 488)
Employment costs	(1 024 276)	(864 659)	(132 652)	(121 469)	-	-	(1 156 928)	(986 128)
Other costs	(656 453)	(623 420)	(93 593)	(106 657)	-	-	(750 046)	(730 077)
Operating profit	536 998	439 898	173 412	154 295	(1 240)	(3 745)	709 170	590 448
(Loss)/profit on disposal of property, plant and equipment	(6 942)	13 948	(235)	(23)	-	-	(7 177)	13 925
Profit on disposal of business	-	1 244	-	-	-	-	-	1 244
Segment result from continuing operations	530 056	455 090	173 177	154 272	(1 240)	(3 745)	701 993	605 617
Discontinued operations***							-	30 922
Net financing costs							(54 773)	(51 087)
Financial income***							14 408	18 828
Financial expense							(69 181)	(69 915)
Profit before taxation							647 220	585 452
Income tax expense***							(174 619)	(144 378)
Total profit for the year							472 601	441 074
Segmental cash flow information for the year ended 31 August 2009								
Continuing operations								
Capital expenditure	(186 540)	(162 647)	(38 085)	(11 653)			(224 625)	(174 300)
Depreciation and amortisation	110 788	92 023	11 129	10 581			121 917	102 604
Non-cash items:								
Fair value adjustment – derivative	(28 053)	22 808	-	-			(28 053)	22 808
Foreign exchange loss	16 966	3 057	-	-			16 966	3 057
Loss/(profit) on disposal of property, plant and equipment	6 942	(13 948)	235	23			7 177	(13 925)
Operating lease accrual	7 747	(5 574)	-	-			7 747	(5 574)
Equity-settled share option costs	717	46	-	-			717	46

* Retail includes the results of Clicks, Musica and The Body Shop

** Includes Direct Medicines with effect from 1 December 2008

*** Discontinued operations differs to the amount disclosed on the income statement as it excludes financial income and taxation which have been included in the individual line items

OPERATIONAL SEGMENTAL ANALYSIS

Segmental balance sheet at 31 August 2009 continued...

	Retail		UPD*		Intragroup elimination		Group	
	2009 R'000	2008 (restated) R'000	2000 R'000	2008 R'000	2009 R'000	2008 R'000	2009 R'000	2008 (restated) R'000
SEGMENT ASSETS								
Segment non-current assets	1 110 371	1 216 754	434 740	209 344	(183 196)	(173 109)	1 361 915	1 252 989
Property, plant and equipment	680 473	613 254	149 040	121 231	-	-	829 513	734 485
Intangible assets	301 358	300 811	955	1 330	-	-	302 313	302 141
Goodwill	-	-	96 124	85 811	-	-	96 124	85 811
Deferred tax assets	86 318	71 510	1 925	972	-	-	88 243	72 482
Intragroup loans	-	173 109	183 196	-	(183 196)	(173 109)	-	-
Loans receivable	42 222	58 070	3 500	-	-	-	45 722	58 070
Segment current assets	2 048 643	1 334 722	1 315 939	1 106 015	(545 291)	(108 404)	2 819 291	2 332 333
Inventories	1 051 826	1 017 984	376 512	358 506	(6 842)	(5 601)	1 421 496	1 370 889
Trade and other receivables	150 428	163 810	905 967	746 890	(147 997)	(102 803)	908 398	807 897
Intragroup loans	390 452	-	-	-	(390 452)	-	-	-
Loans receivable	11 342	8 064	-	-	-	-	11 342	8 064
Cash and cash equivalents	376 294	100 520	33 460	619	-	-	409 754	101 139
Derivative financial assets	68 301	44 344	-	-	-	-	68 301	44 344
Total segment assets	3 159 014	2 551 476	1 750 679	1 315 359	(728 487)	(281 513)	4 181 206	3 585 322
SEGMENT EQUITY AND LIABILITIES								
Segment equity	1 126 693	860 960	5 412	286 245	(6 842)	(5 601)	1 125 263	1 141 604
Share capital	3 029	3 242	-	-	-	-	3 029	3 242
Share premium	-	121 461	-	-	-	-	-	121 461
Share option reserve	24 549	23 832	-	-	-	-	24 549	23 832
Treasury shares	(488 258)	(463 622)	-	-	-	-	(488 258)	(463 622)
Other reserves	(160)	39	(5 073)	-	-	-	(5 233)	39
Distributable reserve	1 587 533	1 176 008	8 200	286 099	(6 842)	(5 601)	1 588 891	1 456 506
Equity attributable to equity holders of the parent	1 126 693	860 960	3 127	286 099	(6 842)	(5 601)	1 122 978	1 141 458
Minority interest	-	-	2 285	146	-	-	2 285	146
Segment non-current liabilities	481 045	352 444	19 904	191 300	(183 196)	(173 109)	317 753	370 635
Interest-bearing borrowings	31 764	59 609	5 664	1 851	-	-	37 428	61 460
Intragroup loans	183 196	-	-	173 109	(183 196)	(173 109)	-	-
Employee benefits	82 970	117 724	8 164	13 142	-	-	91 134	130 866
Deferred tax liabilities	77 275	77 018	6 076	3 198	-	-	83 351	80 216
Operating lease liability	105 840	98 093	-	-	-	-	105 840	98 093
Segment current liabilities	1 551 276	1 338 072	1 725 363	837 814	(538 449)	(102 803)	2 738 190	2 073 083
Trade and other payables	1 251 856	1 112 178	1 304 258	818 623	(147 997)	(102 803)	2 408 117	1 827 998
Intragroup loans	-	-	390 452	-	(390 452)	-	-	-
Employee benefits	219 654	96 273	20 942	7 989	-	-	240 596	104 262
Provisions	6 254	7 630	-	-	-	-	6 254	7 630
Interest-bearing borrowings	27 636	51 276	2 241	2 904	-	-	29 877	54 180
Income tax payable	25 846	67 658	7 470	8 298	-	-	33 316	75 956
Derivative financial liabilities	20 030	3 057	-	-	-	-	20 030	3 057
Total segment equity and liabilities	3 159 014	2 551 476	1 750 679	1 315 359	(728 487)	(281 513)	4 181 206	3 585 322

* Includes Direct Medicines as at 31 August 2009

ACCOUNTING POLICIES

Clicks Group Limited is a company domiciled in South Africa. The consolidated financial statements as at and for the year ended 31 August 2009 comprise the company, its subsidiaries and other entities that it controls (collectively referred to as "the group").

Basis of preparation

The consolidated financial statements for the group and for the company are prepared in accordance with International Financial Reporting Standards ("IFRS"), its interpretations adopted by the International Accounting Standards Board ("IASB") and the South African Companies Act (Act No. 61 of 1973), as amended.

The financial statements are presented in South African Rands ("Rands"), rounded to the nearest thousand. They are prepared on the basis that the group and the company are going concerns, using the historical cost basis of measurement unless otherwise stated.

The accounting policies set out below have been applied consistently in all material respects to all periods presented in these consolidated financial statements, except for the adoption of IFRIC 13 "Customer Loyalty Programmes", the impact of which is disclosed in note 36.

The financial statements were approved by the directors on 12 November 2009.

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgements and assumptions that affect the accounting policies and the reported amounts of assets, liabilities, income and expenses. Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Significant accounting estimates and assumptions

Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below and disclosed in the relevant notes to the financial statements.

Allowance for net realisable value of inventories

The group evaluates its inventory to ensure it is carried at the lower of cost and net realisable value. Provision is made against slow moving, obsolete and damaged inventories. Damaged inventories are identified and written down through the inventory counting procedures conducted within each business. Allowance for slow moving and obsolete inventories is assessed by each business as part of their ongoing financial reporting. Obsolescence is assessed based on comparison of the level of inventory holding to the

projected likely future sales using factors existing at the balance sheet date.

Rebates received from vendors

The group enters into agreements with many of its vendors providing for inventory purchase rebates based upon achievement of specified volumes of purchasing levels, with many of these agreements applying to the calendar year. For certain agreements the rebates increase as a proportion of purchases as higher quantities or values of purchases are made relative to the prior period. The group accrues the receipt of vendor rebates as part of its cost of sales for products sold, taking into consideration the cumulative purchases of inventory to date and projected purchases through to the end of the qualifying period. Rebates are accrued for each reporting period with an extensive reassessment of the rebates earned being performed at the end of the financial year and halfway through the financial year. Consequently the rebates actually received may vary from that accrued in the financial statements.

Impairment of financial assets

At year-end and half-year reporting dates, the group assesses whether objective evidence exists that a financial asset or group of financial assets is impaired.

Trade receivables: An allowance for impairment loss is made against accounts that in the estimation of management may be impaired. The impairment is assessed monthly with a detailed formal review of balances and security being conducted at the full year and half-year. Determining the recoverability of an account involves estimation as to the likely financial condition of the customer and their ability to subsequently make payment.

Impairment of non-financial assets

Goodwill and intangible assets with an indefinite useful life are tested for impairment at least annually. Intangible assets with a finite useful life and property, plant and equipment are considered for impairment when an indication of possible impairment exists. An asset is impaired when its carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use.

Goodwill: Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable pre-tax discount rate that is reflective of the cash-generating unit's risk profile in order to calculate the present value.

Property, plant and equipment: Property, plant and equipment is depreciated over their useful lives taking into account residual values, where appropriate. Assessments of useful lives and residual values are performed annually after considering factors such as

technological innovation, maintenance programmes, relevant market information and management consideration. In assessing residual values, the group considers the remaining life of the asset, its projected disposal value and future market conditions.

Income taxes

The group is subject to income tax in numerous jurisdictions. Significant judgement is required in determining the provision for tax as there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax issues based on estimates of the taxes that are likely to become due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Provision for employee benefits

Post-retirement defined benefits are provided for certain existing and former employees. Actuarial valuations are performed to assess the financial position of the relevant funds and are based on assumptions which include mortality rates, healthcare inflation, the expected long-term rate of return on investments, the discount rate and current market conditions.

Measurement of share-based payments

The cumulative expense recognised in terms of the group's share-based payment schemes reflects the extent, in the opinion of management, to which the vesting period has expired and the number of rights to equity instruments granted that will ultimately vest. At the end of each reporting date, the unvested rights are adjusted by the number forfeited during the period to reflect the actual number of instruments outstanding. Management is of the opinion that this represents the most accurate estimate of the number of instruments that will ultimately vest.

Basis of consolidation

The group financial statements include the financial statements of the company, its subsidiaries and other entities that it controls.

Subsidiaries are those entities over whose financial and operating policies the group has the power, directly or indirectly, to exercise control, so as to obtain benefits from their activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial results of subsidiaries are included in the consolidated financial statements from the date that control was acquired and, where applicable, up to the date that control ceases.

A special purpose entity ("SPE") is consolidated if, based on an evaluation of the substance of its relationship with the group and the SPE's risks and rewards, the group concludes that it controls the SPE. SPEs controlled by the group were established under

terms that impose strict limitations on the decision-making powers of the SPEs' management and that result in the group receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to risks incidental to the SPEs' activities, or retaining the majority of the residual or ownership risks related to the SPEs or their assets.

The identifiable assets, liabilities and contingent liabilities of companies acquired are assessed and included in the balance sheet at their fair values as at the date of acquisition.

Written put option agreements and (synthetic) forward agreements that allow the group to purchase its minority interests are recognised as a liability at the present value of the expected estimated exercise price with a corresponding entry recognised in equity.

Changes in the carrying amount of the obligation arising from changes in the purchase consideration (excluding the effect of the unwinding of the discount) are recorded directly in equity in accordance with the group's accounting policy for increases or decreases of minority interest where control is retained.

Minority interests continue to be recognised as they retain present access to the economic benefits underlying ownership interests. Dividends paid to minority interests are recognised in equity as transactions with equity holders.

All intragroup transactions and balances, including any unrealised gains and losses arising from intragroup transactions, are eliminated on consolidation. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

The company carries its investments in subsidiaries at cost less accumulated impairment.

Foreign currency

Functional and presentation currency

All items in the financial statements of the group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates ("the functional currency"). The group's consolidated financial statements are presented in Rands, which is the company's functional and presentation currency.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of group entities at rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to functional currency at the rates of exchange ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to

the functional currency at the exchange rate at the date that the fair value was determined.

Foreign exchange differences arising on translation are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to South African Rand at exchange rates at the reporting date. The income and expenses of foreign operations are translated to South African Rand at exchange rates at the dates of the transactions.

Gains and losses on translation are reflected directly in equity as a Foreign Currency Translation Reserve ("FCTR").

When a foreign operation is disposed of in part or in full, the related amount in the FCTR is transferred to profit or loss.

Financial instruments

Non-derivative financial instruments are initially recognised at fair value plus directly attributable transaction costs except for financial instruments that are classified as being carried at fair value through profit and loss. Subsequent to initial recognition, these instruments are classified according to their nature and are measured at amortised cost.

Financial instruments are classified at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

The group has the following non-derivative financial instruments and financial instruments at fair value through profit or loss. The subsequent measurement of each financial instrument is explained in more detail below.

Trade and other receivables and loans receivable

Trade and other receivables and loans receivable are categorised as loans and receivables. These financial assets originate by the group providing goods, services or money directly to a debtor and are subsequent to initial measurement measured at amortised cost using the effective interest method less any accumulated impairment losses.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the group unless otherwise stated.

Outstanding cheques are included in trade and other payables.

Cash and cash equivalents are categorised in the balance sheet as loans and receivables and subsequent to initial recognition measured at amortised cost.

Derivative financial instruments

The group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investing activities, as well as market risk arising on cash-settled share-based compensation schemes and employee benefits. In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes. Subsequent to initial recognition, derivatives are measured at fair value. The gain or loss arising from a change in fair value on remeasurement is recognised in profit or loss in the period in which the change arises.

The fair value of interest rate swaps is the estimated amount that the group would receive or pay to terminate the swap at the balance sheet date. The fair value of forward exchange contracts is their quoted market price at the balance sheet date.

The fair value of option contracts is valued using the Binomial option pricing model.

Interest-bearing borrowings

Interest-bearing borrowings are financial liabilities with fixed or determinable payments. Subsequent to initial measurement these financial instruments are measured at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

Trade and other payables

Subsequent to initial recognition, trade and other payables are measured at amortised cost.

Derecognition

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the asset expire, or the rights to receive the contractual cash flows are transferred in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Where the group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Hedge of monetary assets and liabilities

Where a derivative financial instrument is used to hedge the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in profit or loss.

Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

This condition is regarded as met only when the sale is highly probable and expected to be completed within one year from classification and the asset is available for immediate sale in its present condition.

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the group's accounting policies. Thereafter assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Discontinued operations

Disposal groups are classified as discontinued operations where they represent a major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment, including owner-occupied buildings, are stated at historical cost less accumulated depreciation and accumulated impairment losses. Land is stated at cost less impairment losses.

Upon initial recognition assets subject to finance leases are recognised at the lower of fair value and the present value of the minimum lease payments.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Installation and other costs, which comprise materials and direct labour costs necessarily incurred in order to acquire property, plant and equipment, are also included in cost.

When parts of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Borrowing costs are expensed as incurred.

Gains or losses on the disposal of property, plant and equipment, comprising the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss.

Subsequent costs

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits embodied with the item will flow to the group and its cost can be measured reliably. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of the asset in order to reduce the cost of the asset to its residual value. Residual value is the amount that an entity could receive for the asset at the reporting date if the asset were already of the age and the condition that it will be in when the entity expects to dispose of it. Residual value does not include expected future inflation. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Computer equipment	3 to 7 years
Equipment	3 to 10 years
Furniture and fittings	5 to 10 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Leases

Finance leases are leases whereby substantially all the risks and rewards of ownership are passed on to the lessee. Assets acquired in terms of finance leases are capitalised and depreciated over the shorter of the useful life of the asset or the lease period, with a

corresponding liability in the balance sheet. The asset and liability are initially recognised at the lower of the fair value and the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Related finance costs are charged to income using the effective interest method over the period of the lease.

Leases of assets under which substantially all of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Minimum lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Contingent rental escalations, such as those relating to turnover, are expensed in the year in which the escalation is determined.

Intangible assets (other than goodwill)

Intangible assets (other than goodwill) are initially recognised at cost if acquired externally, or at fair value if acquired as part of a business combination. Expenditure on internally generated development activity is capitalised if the product or process is technically and commercially feasible, the group has sufficient resources to complete development, the group has intention to complete and use or sell it, it is probable that future economic benefits relating to the asset will flow to the group and the cost can be measured reliably. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the associated intangible asset. Other development expenditure is recognised in profit or loss as an expense when incurred.

No value is attached to internally developed and maintained trademarks or brand names. Expenditure incurred to maintain trademarks and brand names is recognised in profit and loss as incurred.

Intangible assets which have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment. Intangible assets that are assessed as having a finite useful life, are amortised over their useful lives on a straight-line basis from the date they become available for use and tested for impairment if indications exist that they may be impaired. Intangible assets with indefinite useful lives are not amortised and are tested annually for impairment.

The estimated useful lives of intangible assets with finite lives are as follows:

Capitalised software development	5 to 10 years
Purchased computer software	3 to 5 years
Trademarks	on the basis of the anticipated benefits expected from each trademark

Amortisation methods, residual values and remaining useful lives of intangible assets with finite useful lives are reassessed annually.

Goodwill

All business combinations are accounted for by applying the purchase accounting method.

Goodwill represents the premium on acquisition of subsidiaries arising from the difference between the purchase price paid and the group's interest in the fair value of the net identifiable assets, including contingent liabilities, acquired at the date of the transaction.

Goodwill is stated at cost less any accumulated impairment losses. It is not amortised, but is tested annually for impairment.

Negative goodwill arising on an acquisition is recognised immediately in profit or loss.

The calculation of the gain or loss on disposal of a subsidiary includes the balance of the goodwill relating to the subsidiary disposed of.

Inventories

Merchandise for resale is valued on the weighted average cost basis and is stated at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition and is stated net of purchase incentives. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to complete and sell the product. The cost of merchandise sold includes normal shrinkage, wastage and inventory losses. Obsolete, redundant and slow moving inventories are identified on a regular basis and are written down to their net realisable value. The carrying amount of inventory is recognised as an expense in the period in which the related revenue is recognised.

Impairment of assets

Non-financial assets

The carrying amounts of the group's non-financial assets other than inventories (see accounting policy note for inventories), and deferred tax assets (see accounting policy note for deferred tax), are reviewed at each year-end and half-year reporting date to determine whether there is any indication of impairment. If any such an indication exists, the asset's recoverable amount is estimated.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each year-end and half-year reporting date.

Whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount, an impairment loss is recognised in profit or loss.

As goodwill is not capable of generating cash flows independently of other assets, in assessing the recoverable amount of goodwill, the goodwill is allocated to cash-generating units on a reasonable and consistent basis. Where appropriate, corporate assets are also allocated to cash-generating units on a reasonable and consistent basis. The recoverable amount of the cash-generating unit (including

an allocation of goodwill and corporate assets) is assessed with reference to the future cash flows of the cash-generating unit. Where an impairment is identified for a cash-generating unit, the impairment is applied first to the goodwill allocated to the cash-generating unit and then to other assets on a pro rata basis comprising the cash-generating unit provided that each identifiable asset is not reduced to below its recoverable amount.

Recoverable amount

The recoverable amount of an asset is the greater of its fair value less cost to sell and its value in use. Recoverable amounts are estimated for individual assets or, if an asset does not generate largely independent cash flows, for a cash-generating unit. A cash-generating unit is the smallest collection of assets capable of generating cash flows independent of other assets or other cash-generating units.

The fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or cash-generating unit and from its disposal at the end of its useful life. The estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit.

Reversal of impairment losses

Impairment losses recognised in prior years are assessed at each reporting date for any indicators that the losses have decreased or no longer exist. Reversals of impairment losses recognised in prior years are recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased, either as a result of an event occurring after the impairment loss was recognised or if there has been a change in the estimates used to calculate the recoverable amount.

An impairment loss is reversed only to the extent that the carrying amount of the affected asset is not increased to an amount higher than the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in prior years. The reversal is recorded as income in profit and loss.

An impairment loss in respect of goodwill is never reversed.

Financial assets

At each balance sheet date, an assessment is made as to whether objective evidence exists that a financial asset or a group of financial assets is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying

amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss.

Share capital

Ordinary share capital

Ordinary share capital represents the par value of ordinary shares issued.

Share premium

Share premium represents the excess consideration received by the company over the par value of ordinary shares issued, and is classified as equity.

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effect.

Treasury shares

Ordinary shares in Clicks Group Limited which have been acquired by the group in terms of an approved share repurchase programme or are held by the Share Incentive Trust are classified as treasury shares. The cost of these shares is deducted from equity and the number of shares is deducted from the weighted average number of shares. Dividends received on treasury shares are eliminated on consolidation.

When treasury shares are sold or reissued, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from distributable reserves.

Upon settlement (take up) of the share options by employees, the difference between the proceeds received from the employees and the cost price of shares is accounted for directly in equity.

Capitalisation share awards and cash distributions

The full value of capitalisation share awards and cash distributions are recorded as a liability and as a deduction from equity in the statement of changes in equity when declared and paid. Upon allotment of shares in terms of a capitalisation award, the election amounts are transferred to the share capital account and share premium account.

Capital distributions received on treasury shares are recorded as a reduction in the cost of the treasury shares.

The related Secondary Tax on Companies ("STC") liability is recorded in the year of its deduction and payment.

Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised as an expense during the period in which the employee renders the related service.

Accruals for employee entitlements to wages, salaries, bonuses, annual and sick leave represent the amount which the group has a present obligation to pay as a result of employees' services provided to the balance sheet date. The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

Other long-term employee benefits

Liabilities for long-term employee benefits, other than pension plans, which are not due to be settled within twelve months, are discounted to present value using the market yields, at the balance sheet date, on high quality bonds with maturity dates that most closely match the terms of maturity of the group's related liabilities.

Defined contribution retirement funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

The group operates a retirement scheme comprising a number of defined contribution funds in South Africa, the assets of which are held in separate trustee-administered funds. The retirement schemes are funded by payments from employees and the relevant group entity. Obligations for contributions to these funds are recognised as an expense in profit or loss as incurred. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

Post-retirement medical aid benefits – defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The group's obligation to provide post-retirement medical aid benefits to certain employees is calculated by estimating the amount of future benefit that qualifying employees have earned in return for their service in the current and prior periods. This benefit is discounted to determine its present value, using a discount rate based on the market yields, at the balance sheet date, on high quality bonds with maturity dates that most closely match the terms of maturity of the group's obligation. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the group, the recognised asset is limited to the net total of any unrecognised past service costs and

present value of any future refunds from the plan or reductions in the future contributions to the plan.

The portion of benefits relating to past service by employees is recognised as an expense on a straight-line basis over the average vesting period. To the extent that the benefits are already vested, past service costs are recognised immediately.

The group recognises actuarial gains or losses from defined benefit plans immediately in profit or loss.

Equity-settled share-based compensation benefits

The group grants share options to certain employees under an employee share plan. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Binomial option pricing model, taking into account the terms and conditions under which the options were granted. The amount recognised as an expense with a corresponding increase in equity is adjusted at each reporting date to reflect the actual number of share options that vest or are expected to vest.

Cash-settled share-based compensation benefits

The group grants share appreciation rights to certain employees in terms of an incentive programme. The value of the obligation in terms of the share appreciation rights is expensed over the vesting period of the rights and the related liability is raised. These share appreciation rights are valued at fair value at each reporting date and until settlement date by an independent expert, using the Binomial option pricing model. Any change in the fair value of the liability is recognised in profit or loss.

Long-term incentive scheme

The group grants cash-settled appreciation rights to management in terms of a long-term incentive scheme. The liability which is not expected to be settled within twelve months is discounted to present value using market yields, at the balance sheet date, on high quality bonds with maturity dates that most closely match the terms of maturity of the group's related liabilities. Any difference between projected performance and actual performance is recognised through an actuarial loss/(gain) based on the projected unit credit method which is recognised in profit or loss.

Provisions

A provision is recognised when the group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is determined by discounting the anticipated future cash flows expected to be required to settle the obligation at a pre-tax rate that reflects the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and net cost of continuing with the contract. Before a provision is established, the group recognises any impairment loss on the asset associated with that contract.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Guarantees

A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

These financial guarantees are classified as insurance contracts as defined in IFRS 4 "Insurance Contracts". A liability is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the contract and a reliable estimate can be made of the amount of the obligation. The amount recognised is the best estimate of the expenditure required to settle the contract at the balance sheet date. Where the effect of discounting is material, the liability is discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The group performs liability adequacy tests on financial guarantee contract liabilities to ensure that the carrying amount of the liability is sufficient in view of estimated future cash flows. When performing the liability adequacy test, the group discounts all expected contractual cash flows and compares this amount to the carrying value of the liability. Where a shortfall is identified, an additional provision is made.

Revenue

Turnover

Turnover comprises net sales to customers and merchandise sold to franchisees through the group's supply arrangements. Turnover is measured at the fair value of the consideration received or receivable net of returns, trade discounts and volume rebates, and is stated exclusive of value-added and general sales tax. Revenue from sales is recognised when the significant risks and rewards of ownership are transferred to the buyer, there is no continuing managerial involvement, costs can be measured reliably, and receipt of the future economic benefits is probable.

Revenue recognition – ClubCard

The group operates a loyalty scheme through Clicks' ClubCard. The card allows customers to accumulate ClubCard points that

entitle them, subject to certain criteria, to vouchers that may be redeemed in-store. The fair value attributed to the credits awarded is deferred as a liability and recognised as revenue on redemption of the vouchers by customers. Refer to "Impact of new International Financial Reporting Standards" note in this section for impact of the change in policy.

Financial income

Financial income comprises interest income, dividend income and gains from changes in fair value of financial instruments at fair value through profit or loss. Interest income is recognised in profit or loss on a time proportion basis, taking account of the principal outstanding and the effective interest rate over the period to maturity, when it is probable that such income will accrue to the group. Dividend income is recognised when the right to receive payment is established.

Distribution and logistics fee income

Revenue in respect of services rendered is recognised in profit or loss as the services are rendered.

Franchise fee and other recovery income

Franchise fee and other recovery income is recognised in profit or loss when the group becomes entitled to the income or when it is virtually certain that the conditions required to be fulfilled before payment is received will be fulfilled.

Rental income

Income from operating leases in respect of property is recognised in profit or loss on a straight-line basis over the lease term.

Financial expenses

Financial expenses comprise interest payable on borrowings calculated using the effective interest rate method, unwinding of the discount on provisions and long-term employee benefits, losses from changes in fair value of financial instruments at fair value through profit or loss, and gains and losses on interest rate swaps.

The group has elected not to capitalise borrowing costs on qualifying assets.

The interest expense component of finance lease payments is recognised in profit or loss using the effective interest method.

Income taxes

Income tax expense on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity in which case the tax is recognised in equity.

Current tax is the expected tax payable on the taxable profit for the current year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

ACCOUNTING POLICIES continued...

Deferred tax is recognised using the balance sheet method. Full provision is made for all temporary differences between the tax value of an asset or liability and its carrying amount for financial reporting purposes, except the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for all deductible temporary differences and tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Secondary Tax on Companies

Secondary Tax on Companies ("STC") arising on net dividends paid is recognised as a tax charge in the same year as the liability to pay the related dividend.

Segment reporting

A segment is a distinguishable component of the group that is engaged either in providing products or services, or in providing goods or services within a particular economic environment, which is subject to risks and rewards that are distinguishable from those of other segments. The group is organised into trading business units which in turn are categorised broadly between distribution and retail and presented on this basis. The group operates exclusively within the southern African region and has therefore not presented geographical segment information.

Segment operating profit includes revenue and expenses directly attributable and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis, whether from external transactions or from transactions with other group segments. Inter-segment transfer pricing is based on cost plus an appropriate margin.

Segment assets and liabilities comprise those assets and liabilities that are directly attributable or can be allocated to the segment on a reasonable basis.

Segmental capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets.

Earnings per share

The group presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the dilutive effects of all share options granted to employees.

Recent accounting developments

Impact of new International Financial Reporting Standards

Standards, amendments and interpretations effective for 2009

Clicks Group adopted the following IFRSs and International Financial Reporting Interpretations Committee ("IFRIC") interpretations in the current financial year. Where there has been an impact on the financial statements this is described further in the table below.

Standard/Interpretation	Standard's name	Impact
IAS 39 and IFRS 7 amendment	Reclassification of Financial Assets	No financial impact
IFRIC 12	Service Concession Arrangements	No financial impact
IFRIC 13	Customer Loyalty Programmes	Financial impact disclosed in note 36
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	No financial impact

Standards, amendments and interpretations not yet effective and under review as to their effect on the group

The International Accounting Standards Board ("IASB") and IFRIC issued the following standards, amendments and interpretations with an effective date after the date of these financial statements which management believe could impact the group in future periods.

Standard/Interpretation	Standard's name	Impact
IAS 1	Presentation of Financial Statements	No financial impact but increased disclosure
IAS 23	Borrowing Costs	Immaterial financial impact anticipated
IAS 32 & IAS 1	Financial instruments: Presentation and IAS 1 Presentation of Financial Statements: Puttable Financial Instruments and Obligations arising on Liquidation	No financial impact
IAS 27	Consolidated and Separate Financial Statements	No financial impact
IAS 39	Eligible Hedged Items	No financial impact
IAS 39	Embedded Derivatives	No financial impact
IFRS 1	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	No financial impact
IFRS 2	Share-based Payment: Vesting Conditions and Cancellations	Immaterial financial impact anticipated
IFRS 3	Business Combinations	Potential financial impact (see over page)
IFRS 7	Improving Financial Disclosures about Financial Instruments	Increased disclosure
IFRS 8	Operating Segments	Increased disclosure (see over page)
IFRIC 15	Agreements for the Construction of Real Estate	No financial impact
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	No financial impact
IFRIC 17	Distributions of Non-cash Assets to Owners	No financial impact
IFRIC 18	Transfers of Assets from Customers	No financial impact
	Improvements to IFRSs 2008	Immaterial financial impact anticipated, increased disclosure
	Improvements to IFRSs 2009	Immaterial financial impact anticipated, increased disclosure

Recent accounting developments (continued)

IAS 23 (amended) "Borrowing Costs"

The revised IAS 23 eliminates the option of immediate recognition as an expense of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset and will be effective for financial periods beginning on or after 1 January 2009.

The group has evaluated the effect of this standard and does not expect the adoption thereof will materially impact the group financial statements.

IAS 38 (amended) "Intangible assets"

The revised IAS 38 was amended as part of the improvements to IFRSs issued in 2008. The amendment requires costs to be recognised when the entity has access to the goods and a supplier could demand payment. The group purchases certain marketing materials in advance of their date of use and this expenditure may have to be recognised earlier than has been the practice to date.

The group has evaluated the effect of this standard and does not expect the adoption thereof will materially impact the group financial statements.

IFRS 3 "Business Combinations", IAS 27 "Consolidated and Separate Financial Statements"

The revised IFRS 3 and IAS 27 will be adopted by the group for the first time for its financial reporting period ending 31 August 2010.

IFRS 3 applies to all new business combinations that occur after 1 July 2010. In future all transaction costs will be expensed and contingent purchase consideration will be recognised at fair value at acquisition date. For successive share purchases, any gain or loss for the difference between the fair value and the carrying amount of the previously held equity interest in the acquiree will be recognised in profit or loss.

The IAS 27 amendments will require the effects of all transactions with non-controlling interests to be reconciled in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies when control is lost any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in profit or loss.

The amendments to IAS 27 also require that losses (including negative "other comprehensive income" as detailed in the revised IAS 1) have to be allocated to the non-controlling interest even if doing so causes the non-controlling interest to be in a deficit position. The group will in future change its accounting policies on the allocation of losses to non-controlling interests.

IFRS 8 "Operating Segments"

IFRS 8 extends the scope of segmental reporting, requiring additional disclosure and will be effective for financial periods beginning on or after 1 January 2009. The standard requires the group to adopt the "management approach" to reporting segment information basing this on the group's internal management reporting data. The standard will impact group disclosure in the audited financial statements.

	Group	
	2009 R'000	2008 R'000
1 Revenue from continuing operations		
Turnover*	12 175 312	11 193 577
Financial income	14 408	18 731
Other income	564 482	499 209
Distribution and logistics fees	339 023	291 270
Rental income	2 231	4 676
Cost recoveries and other	223 228	203 263
	12 754 202	11 711 517
* Comparative figures have been restated on implementation of IFRIC 13 "Customer Loyalty Programmes". See note 36 for further details.		
2 Net financing costs		
Recognised in profit or loss		
Interest income on bank deposits	5 848	7 904
Change in fair value of financial assets designated at fair value through profit or loss	3 861	5 875
Interest income on loans and receivables measured at amortised cost	4 699	5 049
Financial income	14 408	18 828
Interest expense on financial liabilities measured at amortised cost	61 924	66 378
Cash interest paid	42 683	61 385
Non-cash interest paid	19 241	4 993
Change in fair value of financial assets designated at fair value through profit or loss	7 257	3 537
Financial expense	69 181	69 915
Net financing cost	(54 773)	(51 087)
Less: Discontinued operations (see note 7)	-	(97)
Continuing operations	(54 773)	(51 184)
3 Depreciation and amortisation		
Depreciation on property, plant and equipment	109 676	95 908
Amortisation of intangible assets	12 241	6 740
Total depreciation and amortisation	121 917	102 648
Depreciation included in cost of merchandise sold	(8 252)	(7 226)
Depreciation and amortisation included in expenses	113 665	95 422
Less: Discontinued operations (see note 7)	-	(44)
Continuing operations	113 665	95 378
4 Occupancy costs		
Lease charges		
Operating leases	327 554	297 890
Turnover rental expense	18 130	12 447
Movement in operating lease liability (see note 23)	7 747	(5 574)
Movement in provision for onerous contracts (see note 25)	(1 376)	(2 184)
Total occupancy costs	352 055	302 579
Less: Discontinued operations (see note 7)	-	3 909
Continuing operations	352 055	306 488

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 August 2009 continued...

	Group	
	2009 R'000	2008 R'000
5 Employment costs		
Directors' emoluments	21 086	15 843
Non-executive	1 983	2 131
Fees	1 683	1 531
Consulting services	300	600
Executive	19 103	13 712
Salary and bonus	17 669	12 510
Other benefits	1 434	1 202
Cash-settled share appreciation rights costs (see note 22)	18 980	(6 160)
Equity-settled share option costs (see note 19)	717	46
Long-term incentive scheme (see note 22)	43 306	54 528
Staff salaries and wages	971 200	847 252
Contributions to defined contribution plans	60 377	55 716
Leave pay costs (see note 22)	16 270	10 533
Bonuses (note 22)	82 268	67 980
Increase in liability for defined benefit plans (see note 22)	3 794	1 065
Total employment costs	1 217 998	1 046 803
Employment costs included in cost of merchandise sold	(61 070)	(53 324)
Employment costs included in expenses	1 156 928	993 479
Less: Discontinued operations (see note 7)	–	(7 351)
Continuing operations	1 156 928	986 128
For further detail of directors' emoluments refer to the Remuneration Report on page 42.		
Included in total employment costs are the following aggregate amounts (including directors' emoluments) relating to transactions with key management personnel:		
	39 760	32 617
Short-term employee benefits	20 736	17 223
Post-employment benefits	1 229	1 129
Other long-term benefits	98	100
Share-based payment	17 697	14 165
Fees and consulting services	1 983	2 131
	41 743	34 748
6 Other costs		
Other operating costs include:		
Auditor's remuneration	3 153	3 321
Audit fees	3 150	3 267
Other services and expenses	3	54
Fees paid for outside services		
Technical services	27 795	20 521
Foreign exchange (gains)/losses – realised	(20 127)	1 476
Foreign exchange losses – unrealised (see note 17)	16 537	3 057
Foreign exchange options losses – unrealised (see note 17)	429	–
Share option hedge losses – realised (see note 17)	–	10 665
Share option hedge (gains)/losses – unrealised (see note 17)	(28 053)	12 143
Impairment of trade and other receivables	12 746	9 023
Water and electricity	47 176	34 336
Retail	44 800	33 159
Distribution	2 376	1 177

	Group	
	2009 R'000	2008 R'000
7 Discontinued operations		
Turnover	–	50 140
Cost of merchandise sold	–	(36 383)
Gross profit	–	13 757
Other income*	–	1 905
Expenses	–	(8 385)
Depreciation and amortisation	–	(44)
Occupancy costs	–	3 909
Employment costs	–	(7 351)
Other costs	–	(4 899)
Operating profit	–	7 277
Loss on disposal of property, plant and equipment	–	(4)
Profit on disposal of business	–	23 649
Operating profit before financing costs	–	30 922
Finance income	–	97
Profit before tax	–	31 019
Income tax on discontinued operations (see note 8)	–	2 519
Profit for the year from discontinued operations	–	33 538

On 7 September 2007 the sale of the Discom business unit to Edgars Consolidated Stores Limited ("Edcon") became unconditional.

Set out above are the results of the Discom business unit, which as a result of meeting the definition of a discontinued operation, are required to be separately disclosed from the results of the continuing operations.

* Other income comprises cost recoveries and other.

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
8 Income tax expense				
Continuing operations				
South African normal tax				
Current tax				
Current year	178 342	143 646	–	–
Prior-year underprovision	1 112	1 261	–	–
Secondary tax on companies				
Current year	23	–	23	–
Capital gains tax				
Current year	103	3 399	–	–
Prior-year underprovision	–	3 286	–	–
Deferred tax				
Current year*	(10 211)	(3 926)	1 176	18
Prior-year (over)/underprovision	(767)	(2 086)	26	–
Change in tax rate	–	(1 961)	–	–
Foreign tax				
Current tax				
Current year	5 666	3 254	–	–
Prior-year underprovision	91	–	–	–
Withholding tax	502	618	–	–
Deferred tax				
Current year	(151)	(344)	–	–
Prior-year overprovision	(91)	(250)	–	–
	174 619	146 897	1 225	18

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 August 2009 continued...

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
8 Income tax expense (continued)				
Discontinued operations				
South African normal tax				
Current tax				
Current year	-	12 345	-	-
Capital gains tax				
Current year	-	14 315	-	-
Deferred tax				
Current year	-	(29 349)	-	-
Foreign tax				
Current tax				
Current year	-	170	-	-
		(2 519)		
Total income tax expense	174 619	144 378	1 225	18
<i>Reconciliation of rate of tax (%)</i>				
Standard rate – South Africa	28.00	28.00	28.00	28.00
Adjusted for:				
Capital gains tax	(0.29)	2.71	-	-
Change in tax rate	-	(0.33)	-	-
Disallowable expenditure	0.56	1.56	-	-
Exempt income and allowances	(1.55)	(3.90)	-	(28.00)
Foreign tax rate variations	0.12	0.11	-	-
Foreign withholding tax	0.08	0.11	-	-
Prior-year overprovision	(0.13)	(0.15)	-	-
Secondary tax on companies deferred	0.19	-	-	0.05
Sale of business	-	(3.52)	-	-
Other	-	0.08	-	-
Effective tax rate	26.98	24.67	28.00	0.05

Subsidiaries of the group have estimated computed tax losses of R23.9 million (2008: R37.9 million) available for set-off against future taxable income of those subsidiaries. A deferred tax asset of R6.7 million (2008: R10.6 million) has been recognised in respect of the total computed tax losses (see note 13).

* Comparative figures have been restated on implementation of IFRIC 13 "Customer Loyalty Programmes". See note 36 for further details.

	Group	
	2009 R'000	2008 R'000
9 Earnings per share*		
<i>Reconciliation of headline earnings</i>		
Profit attributable to equity holders of the parent	472 387	441 201
Adjustments:		
Profit from discontinued operations (see note 7)	-	(33 538)
Profit before tax from discontinued operations	-	(31 019)
Tax relating to discontinued operations	-	(2 519)
Basic earnings from continuing operations attributable to equity holders of the parent	472 387	407 663
Profit attributable to equity holders of the parent	472 387	441 201
Adjustments:		
Loss/(profit) on disposal of property, plant and equipment	6 100	(12 412)
Loss/(profit) before tax	7 177	(13 921)
Tax	(1 077)	1 509
Profit on disposal of businesses	-	(29 162)
Profit before tax	-	(24 893)
Tax	-	(4 269)
Headline earnings	478 487	399 627

	2009 cents	2008 cents
Earnings per share – continuing operations	165.6	136.7
Earnings per share – discontinued operations	-	11.3
Earnings per share	165.6	148.0
Headline earnings per share	167.7	134.0
Diluted earnings per share – continuing operations	163.8	134.2
Diluted earnings per share – discontinued operations	-	11.0
Diluted earnings per share	163.8	145.2
Diluted headline earnings per share	165.9	131.5

	2009 '000	2008 '000
<i>Reconciliation of shares in issue to weighted average number of shares in issue</i>		
Total number of shares in issue at the beginning of the year	324 139	335 957
Treasury shares held for the full year and/or cancelled	(33 814)	(19 842)
Treasury shares purchased during the year weighted for period held	(7 629)	(21 213)
Treasury shares utilised for share options weighted for period in issue	2 553	3 264
Weighted average number of shares in issue for the year	285 249	298 166
<i>Reconciliation of weighted average number of shares in issue to weighted average diluted number of shares in issue</i>		
Weighted average number of shares in issue for the year	285 249	298 166
Dilutive effect of share options and forward purchase of shares	3 100	5 681
Weighted average diluted number of shares in issue for the year	288 349	303 847

* Comparative figures have been restated on implementation of IFRIC 13 "Customer Loyalty Programmes". See note 36 for further details.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 August 2009 continued...

	Group					
	2009			2008		
	Cost R'000	Accumulated depreciation and impairment losses R'000	Net book value R'000	Cost R'000	Accumulated depreciation and impairment losses R'000	Net book value R'000
10 Property, plant and equipment						
Land	25 809	–	25 809	25 809	–	25 809
Buildings	312 671	26 983	285 688	272 193	22 972	249 221
Computer equipment	146 128	87 368	58 760	136 104	79 720	56 384
Equipment	135 321	58 344	76 977	134 911	47 059	87 852
Furniture and fittings	584 563	221 370	363 193	478 444	182 436	296 008
Motor vehicles	33 472	14 386	19 086	31 405	12 194	19 211
	1 237 964	408 451	829 513	1 078 866	344 381	734 485

A register of land and buildings containing the required statutory information is available for inspection on request at the registered office of the company.

All group property is owner-occupied.

Motor vehicles with a net book value of R1 million are encumbered in terms of a finance lease with a carrying amount of R0.5 million as detailed under note 21.

Computer equipment with a net book value of R12.2 million is encumbered under finance leases with a carrying amount of R3.2 million as detailed under note 21.

The carrying amount of the group's property, plant and equipment is reconciled as follows:

	Land R'000	Buildings R'000	Computer equipment R'000	Equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
Net book value at 1 September 2007	25 809	249 771	67 355	83 510	256 649	15 870	698 964
Additions	–	1 184	24 335	27 432	91 795	12 012	156 758
Disposals	–	–	(3 642)	(7 663)	(10 591)	(3 433)	(25 329)
Depreciation	–	(1 734)	(31 664)	(15 427)	(41 845)	(5 238)	(95 908)
Net book value at 31 August 2008	25 809	249 221	56 384	87 852	296 008	19 211	734 485
Additions	–	40 124	30 027	7 561	128 497	6 061	212 270
Disposals	–	(163)	(843)	(1 974)	(5 217)	(580)	(8 777)
Depreciation	–	(3 529)	(27 365)	(16 462)	(56 670)	(5 650)	(109 676)
Acquisition of business	–	35	557	–	575	44	1 211
Net book value at 31 August 2009	25 809	285 688	58 760	76 977	363 193	19 086	829 513

	Group					
	2009			2008		
	Cost R'000	Accumulated amortisation and impairment losses R'000	Net book value R'000	Cost R'000	Accumulated amortisation and impairment losses R'000	Net book value R'000
11 Intangible assets						
Clicks trademark	272 000	–	272 000	272 000	–	272 000
Link trademark	6 000	5 320	680	6 000	4 670	1 330
Capitalised software development	57 116	27 483	29 633	44 845	16 034	28 811
	335 116	32 803	302 313	322 845	20 704	302 141

The carrying amount of the group's intangible assets is reconciled as follows:

	Clicks trademark R'000	Link trademark R'000	Capitalised software development R'000	Total R'000
Net book value at 1 September 2007	272 000	1 980	17 359	291 339
Additions	–	–	17 542	17 542
Amortisation	–	(650)	(6 090)	(6 740)
Net book value at 31 August 2008	272 000	1 330	28 811	302 141
Additions	–	–	12 355	12 355
Amortisation	–	(650)	(11 591)	(12 241)
Acquisition of business	–	–	58	58
Net book value at 31 August 2009	272 000	680	29 633	302 313

The Link trademark has an estimated remaining useful life of one year.

The Clicks trademark is considered to have an indefinite useful life. There is no apparent legal or other restriction to the use of the trademark or risk of technical or other obsolescence. Given the strategic importance of the trademark to the future sustainability of the group, the group's intention is to continue to use the trademark indefinitely. The directors consider that there is no foreseeable limit to the period over which this asset is expected to generate cash inflows for the group and, on this basis, the directors have concluded that the indefinite useful life assumption is appropriate.

In accordance with the group's accounting policy, an impairment test was performed on the carrying values of intangible assets with indefinite useful lives at year-end.

Budgeted operating cash flows for the related business units were projected and discounted at the group's weighted average pre-tax cost of capital. The impairment calculations performed indicated that the trademarks were not impaired.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 August 2009 continued...

	Group	
	2009 R'000	2008 R'000
12 Goodwill		
Balance at the beginning of the year	85 811	83 950
Additional goodwill payments	10 313	1 861
Balance at the end of the year	96 124	85 811
Goodwill comprises:		
New United Pharmaceutical Distributors (Proprietary) Limited ("UPD") (see note 12.1)	83 950	83 950
Kalahari Medical Distributors (Proprietary) Limited ("Kalahari") (see note 12.2)	1 861	1 861
Clicks Direct Medicines (Proprietary) Limited and Direct Patient Support (Proprietary) Limited ("Direct Medicines") (see note 12.3)	10 313	-

The additional goodwill acquired relates to the excess of the purchase consideration over the fair value of the Direct Medicines businesses acquired by the group during the year.

In accordance with the group's accounting policies, an impairment test of goodwill has been performed.

12.1 The goodwill relating to UPD is attributable to the wholesale and distribution business of UPD as a cash-generating unit.

The recoverable amount was determined based on the value in use.

The following key assumptions were made in determining the value in use:

- A forecast horizon of ten years was used as the business is considered likely to operate for at least this period (ignoring any potential change to medicine regulations or other legislation).
- A fair rate of return of 23.1%, being the prime rate of interest, adjusted for an investor's estimated marginal tax rate and the risk in variability of the final valuation which includes consideration of industry and country risk.
- Selling costs of 1.0% of the gross valuation based on consultations with valuation experts.
- The net asset value of the business will be realised on disposal.

12.2 The same assumptions were applied to Kalahari as this company is in the same business as UPD and accordingly none of the assumptions would change significantly. The fact that Kalahari operates out of Botswana was considered but this is also not expected to change the assumptions.

The tests performed on all entities did not indicate any impairment as at year-end.

Based on the valuation performed by management the impairment was not sensitive to any of the above assumptions.

12.3 The goodwill relating to Direct Medicines is attributable to the Direct Medicines business unit as a cash-generating unit.

The recoverable amount was determined based on the value in use.

The following key assumptions were made in determining the value in use:

- Budgeted sales and margin for 2010
- Conservative growth of 5% per annum from 2011 to perpetuity
- Discount rate of 15.5% per annum

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
13 Deferred tax assets/(liabilities)				
Deferred tax assets	88 243	72 482	-	1 203
Deferred tax liabilities*	(83 351)	(80 216)	-	-
	4 892	(7 734)	-	1 203
Balance at the beginning of the year	(7 734)	(46 288)	1 203	1 221
Acquisition of business	1 406	-	-	-
Current deferred tax charge/(credit)	11 220	38 554	(1 203)	(18)
Balance at the end of the year	4 892	(7 734)	-	1 203
Arising as a result of:				
Capital gains tax	(27 795)	(25 850)	-	-
Employee obligations	90 206	65 107	-	-
Income and expense accrual*	27 151	30 389	-	-
Inventory	19 653	14 753	-	-
Onerous leases	1 751	2 136	-	-
Operating lease liability	29 721	27 553	-	-
Prepayments	(4 907)	(179)	-	-
Property, plant and equipment	(58 783)	(57 703)	-	-
STC credits	528	1 611	-	1 203
Tax losses	6 699	10 621	-	-
Trademarks	(76 172)	(76 172)	-	-
Other	(3 160)	-	-	-
Balance at the end of the year	4 892	(7 734)	-	1 203

The capital gains deferred tax liability arises on the revaluation of a forward purchase of shares by the company in a subsidiary company.

In respect of the deferred tax assets recognised by two subsidiary companies, the directors consider that sufficient future taxable income will be generated by those subsidiary companies to utilise the deferred tax assets recognised.

The tax loss relates primarily to two (2008: one) subsidiaries.

* Comparative figures have been restated on implementation of IFRIC 13 "Customer Loyalty Programmes". See note 36 for further details.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 August 2009 continued...

	Group	
	2009 R'000	2008 R'000
14 Loans receivable		
New Clicks Foundation Trust (see note 14.1)	5 021	5 021
Intercare Managed Healthcare (Proprietary) Limited (see note 14.2)	1 140	1 434
Intercare Managed Healthcare (Proprietary) Limited (see note 14.3)	40 156	47 467
New Clicks Holdings Share Trust ("the Share Trust") participants (see note 14.4)	3 991	8 900
Sign and Seal Trading 205 (Proprietary) Limited (see note 14.5)	3 256	3 312
Vuwa Health Pharmaceuticals (Proprietary) Limited (see note 14.6)	3 500	–
Total loans receivable	57 064	66 134
Short-term portion included in current assets	(11 342)	(8 064)
Non-current loans receivable	45 722	58 070

14.1 The loan to New Clicks Foundation Trust is unsecured, interest free and no fixed date for repayment has been determined.

14.2 The loan to Intercare Managed Healthcare (Proprietary) Limited ("Intercare") is unsecured, bears interest at prime less 1% and is repayable by December 2011.

14.3 The loan to Intercare was settled on 31 August 2006. Intercare was previously a partially-owned subsidiary of the group. In order for Intercare to settle the loan, it was necessary for the group to guarantee certain facilities amounting to R40 million (2008: R47 million) that Intercare has with its bankers. As the group has substantially retained the risks and rewards related to the financial instrument by issuing the above-mentioned guarantee, the group continues to recognise the financial asset. A corresponding financial liability amounting to R40 million (2008: R47 million) has been raised (see note 21).

The terms of the loan between Intercare and its bankers include a fixed repayment schedule over the next two years.

R19 million of the loan is subject to fixed interest at 11.9% and the remainder at a floating rate of prime less 1%.

The amortisation of the loan receivable and the related interest will be congruent with settling of the loan payable by Intercare to its bankers.

In the event that Intercare defaults on its loan with its bankers, the group would be required to settle any remaining obligation. The group has a general notarial bond over certain movable assets belonging to Intercare as partial security in respect of this receivable.

14.4 The Share Trust loan with participants is unsecured, interest free and no fixed date for repayment has been determined.

14.5 The loans to Sign and Seal Trading 205 (Proprietary) Limited ("Style Studio") consists of a loan of R3.2 million repayable over five years at the prime interest rate with the last instalment due in August 2012, as well as a loan at a face value of R800 000 which is interest free and repayable in August 2012.

A general notarial bond over the inventories and property, plant and equipment of Style Studio, pledge of ordinary shares in the holding company, as well as personal suretyship by the directors, serve as security for the loan.

14.6 The loan to Vuwa Health Pharmaceuticals (Proprietary) Limited is secured by shares held in Direct Medicines by the sellers of Clicks Direct Medicines (Proprietary) Limited, is interest free and is repayable in August 2011.

	Group	
	2009 R'000	2008 R'000
15 Inventories		
Inventories comprise:		
Goods for resale	1 378 950	1 330 136
Goods in transit	42 546	40 753
	1 421 496	1 370 889
Inventories stated at net realisable value	61 004	46 570

The value of inventories stated at net realisable value is determined on management's best estimate of the likely selling price at which the inventories in question could be sold in the ordinary course of business less the directly attributable selling costs.

16 Trade and other receivables

Trade and other receivables comprise:

Trade receivables	774 409	685 080
Less: impairment of trade receivables	(16 139)	(30 618)
Trade receivables – net	758 270	654 462
Prepayments	34 996	5 719
Other income accruals	80 744	144 454
Income tax receivable	2 769	1 962
Other	31 619	1 300
	908 398	807 897

The carrying amount of trade and other receivables approximate their fair value. Trade and other receivables are predominantly non-interest bearing.

17 Derivative financial instruments

Derivative financial assets

Balance at the beginning of the year	44 344	59 391
Realised gain on interest rate swap contracts recognised in profit and loss	(4 096)	(4 477)
Unrealised gain on interest rate swap contracts recognised in profit and loss	–	4 090
Realised gain on forward exchange contracts recognised in profit and loss	–	(1 349)
Purchase of share option hedge	–	26 327
Proceeds from disposal of share option hedge	–	(16 830)
Change in fair value of share option hedge recognised in profit and loss	28 053	(22 808)
Balance at the end of the year	68 301	44 344

Derivative financial liabilities

Balance at the beginning of the year	3 057	–
Realised loss on forward exchange contracts recognised in profit and loss	(3 057)	–
Unrealised loss on forward exchange contracts recognised in profit and loss	16 537	3 057
Unrealised loss on interest rate swap contracts recognised in profit and loss	3 064	–
Unrealised loss on foreign exchange options recognised in profit and loss	429	–
Balance at the end of the year	20 030	3 057

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 August 2009 continued...

	Group 2009		Group 2008	
	Assets R'000	Liabilities R'000	Assets R'000	Liabilities R'000
17 Derivative financial instruments (continued)				
Interest rate swap contracts	–	(3 064)	4 096	–
Forward exchange contracts	–	(16 537)	–	(3 057)
Share option hedge	68 301	–	40 248	–
Foreign exchange option	–	(429)	–	–
Total	68 301	(20 030)	44 344	(3 057)

All derivatives noted above are classified as held for trading.

For currency and interest rate derivatives, fair values are calculated using standard market calculation conventions with reference to the relevant closing market spot rates, forward foreign exchange and interest rates. The notional principal amounts of the outstanding forward foreign exchange contracts at 31 August 2009 was R297 million (2008: R163 million). The notional principal amounts of the outstanding interest rate swap contracts at 31 August 2009 was R100 million (2008: R100 million).

The share option hedge serves as a hedge in respect of the group's obligation in terms of share appreciation rights granted to employees and the 2008 tranche of the long-term incentive scheme appreciation rights.

Of the current valuation of the hedge, R38.8 million serves as a hedge of the share appreciation rights as described in note 22.2 and the balance serves as a hedge of the long-term incentive as described in note 22.1.

The derivative has been valued by an independent external valuator using the Binomial option pricing model. Refer to note 22.2 for significant assumptions used in the Binomial option pricing model.

	Group and Company	
	2009 R'000	2008 R'000
18 Share capital and share premium		
Authorised – group and company		
600 million (2008: 600 million) ordinary shares of one cent each	6 000	6 000
Issued ordinary shares – group and company		
302.841 million (2008: 324.139 million) ordinary shares of one cent each	3 029	3 242
Share premium – group	–	121 461
Share premium – company	10 748	135 967
The unissued shares are under the control of the directors until the next annual general meeting, subject to an undertaking by the directors that such authority will only be used to issue shares in terms of the company's obligations under the staff share option scheme (see note 19).		
The company and the group have different values for share premium due to preliminary expenses of R2.1 million which were written off against the share premium of a subsidiary company on the acquisition of certain businesses in 1996. The balance of the difference is due to the difference in value between the cancellation of shares at a holding company level at market value while on consolidation the cancellation is carried out at cost.		
	'000	'000
<i>Reconciliation of total number of shares in issue to net number of shares in issue</i>		
Total number of shares in issue at the end of the year	302 841	324 139
Treasury shares held at the end of the year	(26 535)	(33 814)
Net number of shares in issue at the end of the year	276 306	290 325
Of the shares in issue, the group holds the following treasury shares:	R'000	R'000
Shares purchased by a subsidiary – 25.049 million (2008: 27.606 million) ordinary shares of one cent each – cost	479 592	393 597
Shares purchased by the Share Trust – 1.486 million (2008: 6.208 million) ordinary shares of one cent each – cost	8 666	70 025
	488 258	463 622

During the year the group cancelled 21 505 674 (2008: 11 818 017) ordinary shares of one cent each. 21 500 000 shares (2008: 11 818 017) were held as treasury shares by a subsidiary and 5 674 shares were purchased in the open market in terms of an odd-lot offer to the shareholders of Clicks Group Limited. Of the total cost of R300.899 million on cancellation, R0.215 million was deducted from share capital and R300.684 million from distributable reserves of the company and the group.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

In respect of the company's shares held by the group, all voting rights are suspended until those shares are reissued.

19 Share option reserve

The group granted options to qualifying employees based on performance at an option price which was not less than the market price of the share at the date of the grant.

The options are subject to a three-year and five-year vesting period. Upon vesting, options, may be exercised at any time until the 10th anniversary.

No further grants of options under the share option plan have been made subsequent to August 2005.

New Clicks Holdings Share Trust ("the Share Trust")

The aggregate number of shares and share options that may be utilised for the purposes of the Share Trust is 20% of the aggregate of the company's issued share capital and the number of share options granted.

	Group	
	No. of shares 2009 '000	No. of shares 2008 '000
Shares allocated and options granted to employees		
Shares		
Balance at the beginning of the year	–	78
Delivered to participants	–	(78)
Balance at the end of the year	–	–
Options		
Balance at the beginning of the year	8 806	16 236
Delivered to participants	(5 109)	(6 296)
Options forfeited by participants	(978)	(1 134)
Balance at the end of the year	2 719	8 806

Details of share option allocations:

Grant date	Option price	Balance at the beginning of the year	Granted during the year	Delivered during the year	Forfeited during the year	Balance at the end of the year
October 1998	R3.50	–	–	(27 000)	27 000	–
January 1999	R5.35	1 010 100	–	(684 999)	(325 101)	–
July 1999	R7.80	909 000	–	(1 039 000)	130 000	–
September 2000	R9.30	2 280 000	–	(1 276 000)	(295 000)	709 000
April 2001	R7.40	770 000	–	(650 000)	80 000	200 000
July 2002	R6.70	325 000	–	–	(325 000)	–
October 2002	R5.70	–	–	–	–	–
January 2003	R6.50	15 000	–	(195 000)	330 000	150 000
June 2003	R5.90	–	–	–	–	–
August 2003	R6.30	1 483 000	–	(602 500)	(230 000)	650 500
October 2003	R7.10	430 000	–	(430 000)	–	–
June 2005	R7.50	955 000	–	(85 000)	(320 000)	550 000
August 2005	R8.32	629 000	–	(120 000)	(50 000)	459 000
Total		8 806 100	–	(5 109 499)	(978 101)	2 718 500

The share option scheme operates on a deferred delivery basis, with participants entitled to take delivery of 50% of the shares after three years and the balance after five years, subject to a maximum of 10 years.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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19 Share option reserve (continued)

Fair value of share-based payments in respect of options

Options granted after 7 November 2002 that had not vested at 1 January 2005 have been valued using the Binomial option pricing model by an independent, external valuator. The fair value of the options determined at the grant date are amortised over the vesting period to the extent that the options are ultimately exercised or are expected to be exercised.

The assumptions used in estimating the fair values at grant date are listed below:

	Share price at grant date	Risk-free rate (%)	Expected dividend yield (%)	Expected volatility (%)	Expected exercise rate (%)
January 2003 – 5-year vesting period	R6.50	10.70	2.7	36.0	72.0
June 2003 – 5-year vesting period	R5.80	9.64	3.1	37.0	100.0
August 2003 – 5-year vesting period	R6.64	9.66	3.2	37.0	35.0
October 2003 – 5-year vesting period	R7.00	8.75	3.4	36.0	100.0
June 2005 – 3-year vesting period	R7.60	7.53	3.7	30.0	50.0
June 2005 – 5-year vesting period	R7.60	7.84	3.7	32.0	40.0
August 2005 – 3-year vesting period	R8.40	7.68	3.7	30.0	78.3
August 2005 – 5-year vesting period	R8.40	7.93	3.7	32.0	78.3

The risk-free rate is the implied yield available on zero-coupon South African Government bonds, with a remaining term equal to the expected term of the option being valued (based on the option's remaining contractual life and taking into account the effects of expected early exercise). Bond yields used are those published by the Bond Exchange of South Africa.

The dividend yield is the historical two-year average dividend yield as of the grant date, which has been converted to a continuously compounded dividend yield.

The expected volatility is the historic annualised standard deviation of the continuously compounded rates of return on the share, based on the most recent period as of the grant date that is commensurate with the expected term of the share option.

The expected exercise rate is based on the historic trend of option forfeitures and excludes options already exercised. The options already exercised are reflected in the share option reserve in addition to the value of options that are expected to be exercised based on the expected exercise rate.

The share option reserve recognises the cost at fair value of options issued to employees as accrued over the vesting period.

	Group	
	2009 R'000	2008 R'000
Share option reserve		
Balance at the beginning of the year	23 832	23 786
Share option cost charged to profit	717	46
Balance at the end of the year	24 549	23 832
Represented by:		
Estimate of options not yet vested but expected to vest	2 798	3 163
Options vested and not forfeited	21 751	20 669
	24 549	23 832

20 Other reserves

Foreign currency translation reserve

Unrealised (loss)/gain on the translation of assets and liabilities of subsidiaries whose financial statements are denominated in foreign currencies

(246) 39

Acquisition of subsidiary

Acquisition of option in subsidiary (see note 35)

(4 987) –

(5 233) 39

	Group	
	2009 R'000	2008 R'000
21 Interest-bearing borrowings		
Non-current		
Bank borrowings	–	14 434
Unsecured liability	5 576	3 092
Finance leases (see note 23)	1 801	3 660
Financial liability (see note 21.1)	30 051	40 274
	37 428	61 460
Current		
Bank borrowings	16 040	41 773
Unsecured liability	1 801	–
Finance leases (see note 23)	1 931	5 214
Financial liability (see note 21.1)	10 105	7 193
	29 877	54 180
Total borrowings	67 305	115 640

The contractual terms of the group's interest-bearing borrowings are detailed below.

More information about the group's treasury, foreign exchange and interest-rate risk policies is given in note 29.

	Contractual interest rate	Year of maturity	Carrying amount 2009 R'000	Carrying amount 2008 R'000
Secured bank loan – This loan is secured by a pledge of shares in a subsidiary company	15.4%	August 2010	16 040	29 938
Secured bank loan – This loan is secured by mortgage over certain property (see note 10)	prime less 1%	August 2009 September 2009	–	112
Unsecured loan	11.7%	2009 – 2010	–	26 157
Unsecured loan	prime	2009 – 2010	1 801	3 092
Put/call option liability relating to Direct Medicines	15.0%	August 2011	5 576	–
Finance lease liabilities – These lease liabilities are secured by the related leased items (see note 10)	6.1%	August 2010	3 204	7 324
Finance lease liabilities – These lease liabilities are secured over certain assets (see note 10)	prime less 2%	2009 – 2010	528	1 550
Financial liability (see note 21.1)				
Portion – fixed	11.9%	December 2011	18 853	23 353
Portion – variable	prime less 1%	2011 – 2012	21 303	24 114
Total interest-bearing borrowings			67 305	115 640
Amount repayable within one year included in current liabilities			(29 877)	(54 180)
Non-current interest-bearing borrowings			37 428	61 460

21.1 Financial liability

The financial liability has been recognised in respect of a loan advanced to Intercare by its bankers. Although the loan receivable detailed in note 14.3 has been settled, as the group still retains substantially all of the risks and rewards relating to the receivable through the issuance of a guarantee, the receivable has not been derecognised. The proceeds received on the settlement of the receivable have thus been recognised as a financial liability. The repayment terms of this loan are the same as the terms applicable to the receivable.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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	Group			Total R'000
	Long-term incentive scheme (note 22.1) R'000	Share appreciation rights (note 22.2) R'000	Post-retirement medical obligations (note 22.3) R'000	
22 Employee benefits				
Long-term employee benefits				
Balance at 1 September 2007	28 767	12 864	23 312	64 943
Change in fair value of cash-settled obligation taken to profit	–	3 530	–	3 530
Current service cost	46 378	–	1 065	47 443
Interest cost	6 634	–	1 509	8 143
Actuarial loss	8 150	–	–	8 150
Reclassification to short-term employee benefits	–	(1 343)	–	(1 343)
Balance at 31 August 2008	89 929	15 051	25 886	130 866
Change in fair value of cash-settled obligation taken to profit	–	20 323	–	20 323
Current service cost	74 398	–	1 029	75 427
Benefit payments	–	–	(637)	(637)
Interest cost	16 836	–	2 142	18 978
Actuarial (gain)/loss	(31 092)	–	2 765	(28 327)
Reclassification to short-term employee benefits	(91 920)	(33 576)	–	(125 496)
Balance at 31 August 2009	58 151	1 798	31 185	91 134

22.1 Long-term incentive scheme

During 2009, the group issued 5.2 million (2008: 6.9 million) cash-settled appreciation rights to management. The value of these appreciation rights are linked to the performance of diluted headline earnings per share ("HEPS") over a three-year period. The amount to be provided in the current year is based on a three-year projection of diluted HEPS.

Any difference between projected performance and actual performance is recognised through an actuarial (gain)/loss based on the projected unit credit method which is taken to profit or loss.

The exercise price of each appreciation right was determined as R15.83 (2008: R12.36) per right ("base value"). In order to determine the amount to be provided a fixed factor of 12 is applied to the HEPS at the end of the three-year period. The differential between the factor x HEPS and the base value is the amount that will be paid out per right.

Should employees leave during the vesting period the rights will be forfeited.

22.2 Share appreciation rights

During 2005, the group made six million share appreciation rights available to certain employees. Three million of these rights vested during 2008 and the remaining three million vest after a period of five years from the grant date. During 2006, the group made a further one million share appreciation rights available to certain employees.

In the 2007 financial year, 450 000 share appreciation rights relating to the second issue of share appreciation rights were cancelled, leaving 550 000 of this issue to vest. Of these rights, 275 000 expired in the current year when the performance conditions were not met.

The remaining 275 000 vest after a period of five years from the grant date.

The "exercise price" of the share appreciation rights varies depending on the performance of the company's share price on the JSE and is more fully detailed below.

	7 April 2005 tranche			11 May 2006 tranche**		
	Share price on vesting date	Exercise price	Exercise price	Share price on vesting date	Exercise price	Exercise price
Three-year rights*	greater than	R12.71	R8.36	greater than	R16.04	R10.55
	greater than	R14.45	R4.18	greater than	R18.23	R5.27
	greater than	R16.33	R0.01	greater than	R20.61	R0.01
Five-year rights	greater than	R16.81	R8.36	greater than	R21.22	R10.55
	greater than	R20.80	R4.18	greater than	R26.25	R5.27
	greater than	R25.51	R0.01	greater than	R32.20	R0.01

22 Employee benefits (continued)

22.2 Share appreciation rights (continued)

As the group's liability in respect of these share appreciation rights is dependent on the future performance of the company's share price on the JSE, a derivative hedge has been acquired to limit the extent of the exposure. The hedging instrument covers all exposure where the notional exercise price is R4.18 per share or above or R5.27 per share or above in respect of the 7 April 2005 and 11 May 2006 tranches respectively.

In addition to the cost of the hedge detailed in note 17, in the event that the highest target share price is achieved, the group's maximum further exposure in terms of the share appreciation rights is R14.0 million.

The obligation in respect of these cash-settled share-based payments has been computed based on the fair value of the notional options at year-end as determined by independent external professional valuers using the Binomial option pricing model, amortised over the vesting period of the rights.

The following key assumptions have been made:

- The expected volatility is the historic annualised standard deviation of the continuously compounded rates of return on the share, based on the most recent period as of the grant date that is commensurate with the expected term of the share option.
- The risk-free rate on the valuation date of the financial institution who performed the valuation's swap rate for the expected life of the option.
- A dividend yield of 3.35% was assumed.
- The volatilities were considered appropriate for the duration of the options value and an employee exit rate prior to and post vesting date of 0%.

* The rights relating to the three-year 7 April 2005 tranche vested during the previous year and payment made.

** The rights relating to the 11 May 2006 tranche expired during the year when the performance conditions were not met. Accordingly, no payment was made.

22.3 Post-retirement medical obligations

The group subsidises a portion of the medical aid contributions of certain retired employees.

An actuarial valuation of the Clicks post-retirement medical aid scheme has determined that the unfunded liability in respect of pensioner post-retirement medical benefits amounts to R31.2 million (2008: R25.9 million). Provision has been made for the full unfunded liability.

The principal actuarial assumptions at the last valuation date (31 August 2009) are:

- A discount rate of 9.2% per annum
- General increases to medical aid contributions of 7.2%
- A retirement age of 65
- Husbands are on average three years older than their spouses
- Mortality of pensioners determined in accordance with PA90 ultimate tables
- Mortality of in-service members determined in accordance with SA 85-90 ultimate table, with females rated down three years

The post-retirement medical aid provision is sensitive to assumptions around medical aid inflation and retirement age. A change in either of those factors would have a significant impact on the amount to be provided (expense/(credit) to profit or loss):

	Group R'000
– Medical aid inflation increases by 1% per annum over assumptions made	(4 754)
– Medical aid inflation decreases by 1% per annum over assumptions made	6 181
– Retirement age increases by five years	(4 702)
– Retirement age decreases by five years	10 539

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for the year ended 31 August 2009 continued...

	Group						Total R'000
	Long-term incentive scheme (Note 22.1) R'000	Share appreciation rights (Note 22.2) R'000	Leave pay accrual (Note 22.4) R'000	Bonus accrual (Note 22.5) R'000	Overtime accrual (Note 22.6) R'000		
22 Employee benefits (continued)							
Short-term employee benefits							
Balance at 1 September 2007	–	24 977	40 855	59 714	1 837	127 383	
Reclassification from long-term employee benefits	–	1 343	–	–	–	1 343	
Benefit payments	–	(15 287)	(9 806)	(68 961)	(2 194)	(96 248)	
(Release)/charge included in profit	–	(9 690)	10 533	67 980	2 961	71 784	
Balance at 31 August 2008	–	1 343	41 582	58 733	2 604	104 262	
Reclassification from long-term employee benefits	91 920	33 576	–	–	–	125 496	
Acquisition of business	–	–	888	1 205	–	2 093	
Benefit payments	(4 817)	–	(9 455)	(74 795)	(1 729)	(90 796)	
(Release)/charge included in profit	–	(1 343)	16 270	82 268	2 346	99 541	
Balance at 31 August 2009	87 103	33 576	49 285	67 411	3 221	240 596	

22.4 The leave pay accrual is based on actual leave days by employee multiplied by the employee's current total daily cost to company.

22.5 The bonus accrual includes a guaranteed thirteenth cheque and an incentive bonus based on the group's performance. The bonus is provided for all employees who qualify in respect of the expected cash payment.

22.6 The overtime accrual is in respect of overtime worked in August 2009 which is paid in September 2009.

Pension and provident funds

Four funds, which are registered and governed in terms of the Pension Funds Act, 24 of 1956, are operated by the group.

These funds are:

- the Clicks Group Retirement Fund;
- the Clicks Group Negotiated Pension Fund;
- the Clicks Group Negotiated Provident Fund; and
- the New UPD Corporate Selection Pension Fund.

In addition to the above funds, employees of UPD can elect to join the SACCAWU National Provident Fund or Chemical Industries National Provident Fund, which are not operated by the group.

These are retirement umbrella funds. Employees who were members of the Rainmaker Pension or Provident Fund are now members of one of the three Clicks Group funds.

All permanent full-time staff members are obliged to join, at their choice, one of the funds.

The funds are all defined contribution funds.

Employee and company contributions to the above funds are included in employment costs detailed in note 5.

	Group					
	2009 R'000	2008 R'000				
23 Lease commitments						
Operating lease liability						
Operating lease liability	105 840	98 093				
Operating leases with fixed escalations are charged to the income statement on a straight-line basis.						
The associated provision will reverse during the latter part of each lease term when the actual cash flow exceeds the income statement charge.						
Operating lease commitments						
The group leases all its retail premises and certain of its pharmaceutical distribution centre sites under operating leases. The lease agreements provide for minimum payments together, in certain instances, with contingent rental payments determined on the basis of achieving a specified threshold turnover.						
Future minimum lease payments under non-cancellable operating leases due:						
– Not later than 1 year	279 762	260 446				
– Later than 1 year, not later than 5 years	788 248	750 251				
– Later than 5 years	274 156	280 268				
	1 342 166	1 290 965				
Future minimum lease payments receivable under non-cancellable operating leases due:						
– Not later than 1 year	11 923	12 229				
– Later than 1 year, not later than 5 years	57 053	57 709				
– Later than 5 years	27 979	44 110				
	96 955	114 048				
Of the future minimum lease payments receivable disclosed above, the following amounts receivable relate to Intercare Management Healthcare (Proprietary) Limited:						
– Not later than 1 year	11 427	12 229				
– Later than 1 year, not later than 5 years	56 962	57 709				
– Later than 5 years	27 979	44 110				
	96 368	114 048				
The net future minimum lease payments under non-cancellable operating leases due:						
– Not later than 1 year	267 839	248 217				
– Later than 1 year, not later than 5 years	731 195	692 542				
– Later than 5 years	246 177	236 158				
	1 245 211	1 176 917				
Generally, leases are taken out on a ten-year lease term with an option to extend for a further five years in the instance of Clicks while shorter periods are committed to for Musica and The Body Shop.						
Finance lease liability						
The finance lease liability is payable as follows:						
	Group					
	Future minimum lease payments 2009 R'000	Interest 2009 R'000	Present value of minimum lease payments 2009 R'000	Future minimum lease payments 2008 R'000	Interest 2008 R'000	Present value of minimum lease payments 2008 R'000
– Not later than 1 year	2 292	361	1 931	5 860	646	5 214
– Later than 1 year, not later than 5 years	1 950	149	1 801	4 287	627	3 660
	4 242	510	3 732	10 147	1 273	8 874

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for the year ended 31 August 2009 continued...

	Group	
	2009 R'000	2008 R'000
24 Trade and other payables*		
The following are included in trade and other payables:		
Trade payables	2 078 130	1 462 966
ClubCard deferred income (see note 24.1)	58 921	47 909
Non-trade payables and accruals	271 066	317 123
	2 408 117	1 827 998
24.1 ClubCard deferred income		
The deferred income relating to ClubCard discount is determined based on the value of unredeemed vouchers in issue as well as the value of discount on qualifying sales that have not been converted into vouchers.		
Based on the historic redemption rate, it is assumed that 85% of all vouchers in issue are ultimately redeemed.		
Estimates are made based on historic trends regarding the value of discount on qualifying sales that will ultimately convert into vouchers issued.		
* Comparative figures have been restated on implementation of IFRIC 13 "Customer Loyalty Programmes". See note 36 for further details.		
25 Provisions		
Provision for onerous contracts		
Balance at the beginning of the year	7 630	9 814
Movement in provision during the year recognised in occupancy costs	(1 376)	(2 184)
Balance at the end of the year	6 254	7 630
Onerous contracts are identified where the present value of future obligations in terms of the contracts in question exceeds the estimated benefits accruing to the group from the contracts.		
The provision relates to certain leases where the site is either vacant or the commercial activity on the site is incurring losses.		
Future cash flows are determined in accordance with the contractual lease obligations and are adjusted by market-related sub-let rentals and discounted at the group's risk adjusted pre-tax weighted average cost of capital rate.		
The provision is further reduced to the extent that an operating lease liability has already been recognised (see note 23).		
26 Distributions to shareholders		
Previous year final cash distribution – 42.3 cents per share paid 15 December 2008 comprising 3.7 cents per share cash dividend and 38.6 cents per share out of share premium (2008: 33.2 cents per share paid 18 December 2007)	137 111	111 538
Current year interim cash distribution out of share premium – 24.5 cents per share paid 13 July 2009 (2008: 18.8 cents per share paid 23 June 2008)	74 202	61 280
Total distributions to shareholders	211 313	172 818
Distributions on treasury shares	(20 214)	(16 025)
Distributions paid outside the group	191 099	156 793
On 20 October 2009, the directors approved the final proposed distribution of 59.5 cents per share.		
The source of such a distribution will be a capital reduction out of share premium.		
Distribution policy		
The board of directors has reduced distribution cover from 2.2 times to 2.0 times.		
For further details refer to the Directors' Report on page 58 and shareholders' diary on page 120.		

	Group	
	2009 R'000	2008 R'000
27 Cash flow information		
27.1 Profit before working capital changes		
Profit before taxation	647 220	585 452
Adjustment for:	123 414	85 520
Depreciation and amortisation	121 917	102 648
Reversal of previous unrealised foreign exchange (losses)/gains	(3 057)	1 349
Unrealised foreign exchange loss	16 966	3 057
Movement in operating lease liability	7 747	(5 574)
Loss/(profit) on disposal of property, plant and equipment	7 177	(13 921)
Profit on disposal of businesses	–	(24 893)
Fair value adjustment – derivatives	(28 053)	22 808
Equity-settled share option costs	717	46
Net financing costs	54 773	51 087
	825 407	722 059
27.2 Working capital changes		
Increase in inventories	(43 460)	(116 656)
Increase in trade and other receivables	(99 543)	(3 434)
Acquisition of derivative financial instruments	–	(26 327)
Disposal of derivative financial instruments	–	16 830
Increase/(decrease) in trade and other payables	556 108	(123 439)
Increase in employee benefits	77 854	31 839
Decrease in provisions	(1 376)	(1 329)
	489 583	(222 516)
27.3 Taxation paid		
Income tax payable at the beginning of the year	(73 994)	(84 309)
Acquisition of business	128	–
Current tax provided	(185 839)	(182 294)
Income tax payable at the end of the year	30 547	73 994
	(229 158)	(192 609)
27.4 Cash and cash equivalents		
Current accounts	409 754	101 139
	409 754	101 139
27.5 Discontinued operations		
Net cash effects of operating activities	–	63 385
Net cash effects of investing activities	–	313 322
Cash flow for discontinued operations	–	376 707
Cash flow from continuing operations	308 615	(688 843)
Net increase/(decrease) in cash and cash equivalents	308 615	(312 136)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 August 2009 continued...

	Group	
	2009 R'000	2008 R'000
27 Cash flow information (continued)		
27.6 Proceeds from disposal of business		
During the prior year, the group sold its Discom business to Edcon.		
Trademark	–	100 000
Inventories	–	149 267
Property, plant and equipment	–	49 324
Other	–	(5 884)
Net assets disposed of	–	292 707
Profit on sale (see note 7)	–	23 649
Proceeds on disposal	–	316 356
27.7 Acquisition of business		
27.7.1 During the prior year the group acquired 90% of the shares of Kalahari Medical Distributors (Proprietary) Limited ("Kalahari"), a pharmaceutical wholesaler in Botswana, effective 1 January 2008, for an amount of R4.3 million.		
Total identifiable assets acquired and liabilities assumed	–	2 729
Goodwill on acquisition	–	1 861
Cost of business combination	–	4 590
Settled by way of cash	–	1 725
The total cost of the business combination comprised the following:		
Cash paid	–	1 725
Purchase consideration still owing	–	2 808
Foreign exchange adjustments arising on transaction	–	(215)
Total cost of acquisition	–	4 318
27.7.2 The group acquired 60% of the shares of Clicks Direct Medicines (Proprietary) Limited and Direct Patient Support (Proprietary) Limited, effective 1 December 2008, for an amount of R13.2 million.		
Total identifiable assets acquired and liabilities assumed	2 887	–
Goodwill on acquisition	10 313	–
Cost of business combination	13 200	–
The net cost of the business combination comprised the following:		
Cash paid	13 200	–
Less: cash acquired as part of business combination	3 276	–
	9 924	–

28 Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures.

The group treasury functions within the parameters of the treasury policy and reports to a sub-committee of management as outlined in the Risk Management Report.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The group buys and sells derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks.

Currency risk

The group is exposed to foreign exchange risk through its imports of merchandise.

The currencies in which these transactions primarily are denominated are Euro, USD and GBP.

The group's treasury risk management policy is to take out forward exchange contracts, to cover committed exposures and anticipated exposures.

The impact of a 10% strengthening or weakening of the currency against the USD, Euro and GBP with all other variables held constant is disclosed in note 29. This would arise as a result of the outstanding forward foreign exchange contracts held by the group at year-end.

Two options have been taken out whereby a USD amount is accrued where the spot rate remains below the barrier rate. If the spot rate on settlement date is below the strike rate, the group has the obligation to purchase twice the initial contract amount at the strike rate.

The details of the contracts are as follows:

	USD500 000	USD300 000
Purchase amount:		
Accrual start date:	29 May 09	20 July 09
Accrual end date:	28 Oct 09	19 July 10
Strike rate:	8.05	8.14
Barrier rate:	9.45	11.00

The value of currency purchases at 31 August 2009 was: USD307 000 USD37 000

Interest rate risk

As the group has no significant interest-bearing assets, the group's income and operating cash flows are substantially independent of changes in market interest rates.

The group's interest rate risk arises from long-term and short-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. During 2008 and 2009, the group's borrowings at variable rates were denominated in Rand.

The impact of a 1% increase/decrease in variable interest rates on borrowings is disclosed in note 29.

Price risk

The group is exposed to equity securities price risk due to certain derivative investments held by the group related to the share price of Clicks Group Limited. This derivative is primarily held to fund the share appreciation rights and the long-term incentive scheme. Due to the nature of the recognition of the liability, over a period of time there may be a mismatch between the derivative and the liability, however on realisation of the liability, the derivative and liability should not be significantly different. With respect to the derivative all gains and losses must be recognised immediately whereas the liabilities are recognised over the period which they accrue.

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28 Financial risk management (continued)

Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

The impact of a 10% strengthening or weakening of the Clicks Group Limited share price at the balance sheet date is disclosed below, along with the corresponding impact on the related liability.

	2009 R'000	2008 R'000
Share price increases by 10%		
Derivative financial asset	18 734	12 370
Share appreciation rights	(10 006)	(5 160)
Net gain	8 728	7 210
Share price decreases by 10%		
Derivative financial asset	(13 466)	(11 983)
Share appreciation rights	7 767	4 998
Net loss	(5 699)	(6 985)

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the group's receivables. Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Trade and other receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In relation to the retail business trade receivables primarily relate to recoverables from vendors with which the group has a trading relationship and medical aids with respect to pharmacy recoverables, while in wholesale, customers (excluding intercompany) are primarily with hospitals and independent pharmacists.

In relation to the wholesale business, the risk management has been delegated to the management of the subsidiary business. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers.

Lombard Insurance Company is utilised to cover the majority of customers with a credit balance over a certain amount.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the group may have a secured claim. The group requires collateral in respect of certain trade and other receivables.

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are specific loss components that relate to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics of similar financial assets.

The group has furnished guarantees to external parties – see note 32.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due.

The group's approach is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the group's reputation. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by holding availability through credit lines.

See note 29.6 for details for maturity analysis of the group's financial liabilities.

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The group's target of maintaining a ratio of shareholders' interest to total assets is in the range of 30% to 35%. This is obtained through achieving the group's earnings targets, management of working capital and through share buy-backs and distributions.

In 2009 the shareholders' interest to total assets was 26.9% (2008: 31.8%).

29 Financial instruments

29.1 Treasury risk management

The treasury committee meets on a regular basis to analyse currency and interest rate exposures and re-evaluate treasury management strategies. In the prior year the group entered into an interest rate swap agreement in respect of certain floating rate short-term borrowings. The group has measured this instrument at fair value and included the value in derivative financial instruments (see note 17).

29.2 Foreign exchange risk management

The group is exposed to foreign currency risk as it imports merchandise. This risk is partially mitigated by entering into forward exchange contracts. These contracts are matched with anticipated future cash flows in foreign currencies.

The group does not use forward exchange contracts for speculative purposes.

The group has measured these instruments at fair value (see note 17).

	31 August 2009			31 August 2008		
	Euro '000	USD '000	GBP '000	Euro '000	USD '000	GBP '000
Exposure to currency risk						
Estimated forecast purchases	4 307	38 766	2 952	3 933	37 400	2 633
Forward exchange contracts	2 998	27 593	2 053	1 375	16 360	1 120
Net exposure	1 309	11 173	899	2 558	21 040	1 513

The following significant exchange rates applied during the year:

	Average rate		Reporting date mid-spot rate	
	2009	2008	2009	2008
USD	9.05	7.41	7.78	7.75
GBP	14.09	14.73	12.61	14.12
Euro	12.20	11.11	11.00	11.30

Foreign exchange rate sensitivity analysis

The following table details the group's sensitivity to a 10% strengthening in the South African Rand against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and their adjusted translation for a 10% change in foreign currency rates.

	USD impact		GBP impact		Euro impact	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Loss	(23 439)	(12 887)	(2 755)	(1 714)	(3 479)	(1 662)

For a 10% weakening of the South African Rand against the relevant currency, there would be an equal but opposite increase in profit.

29.3 Interest rate risk

The group is exposed to interest rate risk as entities in the group borrow funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix of fixed and floating rate borrowings and by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite ensuring optimal hedging strategies are applied.

The group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for both derivative and non-derivative financial instruments on the balance sheet. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant as at year-end, the group's profit for the year ended 31 August 2009 would be R2.9 million lower/higher (2008: R1.8 million lower/higher). This is mainly attributable to the group's exposure to interest rates on its variable rate borrowings.

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for the year ended 31 August 2009 continued...

29 Financial instruments (continued)

29.4 Fair values of financial instruments

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

		31 August 2009		31 August 2008	
		Carrying value R'000	Fair value R'000	Carrying value R'000	Fair value R'000
Financial assets					
Trade receivables (note 16)	Loans and receivables	758 270	758 270	654 462	654 462
Loans receivable (excluding loan receivable from Intercare) (note 14)	Loans and receivables	16 908	16 975	18 667	17 112
Loan receivable from Intercare (note 14)	Loans and receivables	40 156	41 605	47 467	47 628
Cash and cash equivalents	Loans and receivables	409 754	409 754	101 139	101 139
Interest rate swaps used for hedging (note 17)	Assets at fair value through profit and loss	–	–	4 096	4 096
Share option hedge (note 17)	Assets at fair value through profit and loss	68 301	68 301	40 248	40 248
Financial liabilities					
Secured bank loans (note 21)	Financial liabilities measured at amortised cost	16 040	14 528	30 050	30 050
Finance lease liability – fixed rate (note 21)	Financial liabilities measured at amortised cost	3 204	4 273	7 324	6 185
Finance lease liability – variable rate (note 21)	Financial liabilities measured at amortised cost	528	528	1 550	3 344
Forward exchange contracts used for hedging (note 17)	Financial liabilities at fair value through profit and loss	16 537	16 537	3 057	3 057
Foreign exchange options used for hedging (note 17)	Financial liabilities at fair value through profit and loss	429	429	–	–
Interest rate swaps used for hedging (note 17)	Financial liabilities measured at amortised cost	3 064	3 064	–	–
Unsecured loan (note 21)	Financial liabilities measured at amortised cost	1 801	1 801	29 249	29 249
Trade and other payables (note 24)	Financial liabilities measured at amortised cost	2 408 117	2 408 117	1 827 998	1 827 998
Loan advanced related to Intercare (note 21)	Financial liabilities measured at amortised cost	40 156	40 465	47 467	46 195
Put/call option liability relating to Direct Medicines (note 21)	Financial liabilities measured at amortised cost	5 576	5 576	–	–

Basis for determining fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

Derivatives

Fair values of currency and interest rate derivatives are calculated using standard market calculation conventions with reference to the relevant closing market spot rates, forward foreign exchange and interest rates.

The fair value of the share option hedge is determined by external, independent valuers using the external valuator's Binomial option pricing model.

Refer to note 22.2 for the key assumptions used in the Binomial option pricing model.

Non-derivative financial liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

29 Financial instruments (continued)

29.4 Fair values of financial instruments (continued)

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Interest rates used in determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at the reporting date plus an adequate constant credit spread, and were as follows:

	2009 %	2008 %
Borrowings	10.5	15.5
Leases	9.5	14.5

29.5 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the group. The group is exposed to credit risk arising from cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. Management have a formal credit policy in place as a means of mitigating the risk of financial loss to the group.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2009 R'000	2008 R'000
Loans and receivables	1 168 024	755 601
Trade receivables	758 270	654 462
Cash and cash equivalents	409 754	101 139
Other loans	57 064	66 134
	1 225 088	821 735

Loans and receivables

Loans and receivables consist of trade receivables and cash and cash equivalents.

Trade receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers who purchase from the group.

Trade receivables can be categorised into wholesale customers and retail customers.

The maximum exposure to credit risk, after impairment, for trade receivables at the reporting date by type of customer was:

	Carrying amount	
	2009 R'000	2008 R'000
Retail customers	34 233	39 739
Wholesale customers	724 037	614 723
	758 270	654 462

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29 Financial instruments (continued)

29.5 Credit risk management (continued)

Retail customers

The ageing of trade receivables at the reporting date was:

	Gross 2009 R'000	Impairment 2009 R'000	Gross 2008 R'000	Impairment 2008 R'000
Not past due	34 615	(1 877)	35 094	-
Past due 0 – 30 days	6 812	(5 446)	4 480	-
Past due 31 – 120 days	661	(532)	5 008	(4 843)
Total	42 088	(7 855)	44 582	(4 843)

Retail trade receivables mainly relate to receivables from vendors with which the group has a trading relationship and medical aids with respect to pharmacy debtors. These debtors are low risk debtors and therefore the credit risk associated with these customers are low.

Trade debtors are classified as past due when they have passed their payment date by one day.

Wholesale customers

The ageing of trade receivables at the reporting date was:

	Gross 2009 R'000	Impairment 2009 R'000	Gross 2008 R'000	Impairment 2008 R'000
Not past due	625 182	-	491 990	-
Past due 0 – 30 days	60 667	(1 081)	83 096	-
Past due 31 – 120 days	46 472	(7 203)	65 412	(25 775)
Total	732 321	(8 284)	640 498	(25 775)

Trade debtors are classified as past due when they have passed their payment date by one day.

Wholesale customers are primarily with hospitals and independent pharmacists.

UPD minimises its exposure to credit risk by insuring debtors with balances over R30 000.

There is an excess that is covered by UPD with the balance being covered by Lombard Insurance Company.

The split between insured and uninsured debtors is as follows:

	Gross amount	
	2009 R'000	2008 R'000
Insured	605 439	527 625
Uninsured	126 882	112 873
Total	732 321	640 498

Uninsured debtors consists mainly of a concentration of debtors under R30 000 and low risk debtors such as government debtors and related parties.

The exposure to credit risk in respect of these debtors is managed through credit evaluations and security taken out where deemed necessary.

29 Financial instruments (continued)

29.5 Credit risk management (continued)

Impairment loss

The impairment is determined based on information regarding the financial position of each trade receivable as at year-end.

No consideration is taken of trade receivables that may become doubtful in the future.

The group's trade receivables are stated net of impairment losses. An analysis of impairment losses is as follows:

	Retail		Wholesale	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Balance at the beginning of the year	(4 843)	(8 340)	(25 775)	(36 066)
Acquisition of business	-	-	(710)	-
Additional allowances made	(5 694)	(4 303)	(7 052)	(1 204)
Trade receivables written off during the year as uncollectible	2 682	7 800	25 253	11 495
Balance at the end of the year	(7 855)	(4 843)	(8 284)	(25 775)

The creation of impairment losses have been included in "other costs" in the income statement (see note 6).

Amounts charged to the allowance account are generally written off to the income statement when there is no expectation of recovery.

Cash and cash equivalents

The group's banking facilities are with reputable institutions all of which have a strong credit rating.

Other loans

Other loans are reviewed at least on an annual basis to assess their recoverability. None of the loans are considered to be impaired at the end of the financial year.

29.6 Liquidity risk management

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the group's reputation.

Liquidity and interest risk tables

The following tables detail the group's remaining contractual maturity for its financial liabilities, including interest payments and excluding the impact of netting agreements:

	Interest terms	Group 2009				
		Carrying amount R'000	Contractual cash flows R'000	1 year or less R'000	1 to 5 years R'000	Over 5 years R'000
Non-derivative liabilities						
Interest-bearing borrowings (see note 21)	Variable in relation to prime	23 632	27 956	8 010	19 946	-
Interest-bearing borrowings (see note 21)	Fixed	43 673	51 133	28 028	23 105	-
Trade and other payables (see note 24)		2 408 117	2 408 117	2 408 117	-	-
		2 475 422	2 487 206	2 444 155	43 051	-
Derivative financial liabilities						
Forward exchange contracts (see note 17)		16 537	296 729	296 729	-	-
Total financial liabilities		2 491 959	2 783 935	2 740 884	43 051	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 August 2009 continued...

Interest terms	Group 2008				
	Carrying amount R'000	Contractual cash flows R'000	1 year or less R'000	1 to 5 years R'000	Over 5 years R'000
29 Financial instruments (continued)					
29.6 Liquidity risk management (continued)					
Non-derivative liabilities					
Interest-bearing borrowings (see note 21) Variable in relation to prime	28 868	34 089	7 471	26 618	-
Interest-bearing borrowings (see note 21) Fixed	86 772	115 974	73 021	42 953	-
Trade and other payables (see note 24)	1 827 998	1 827 998	1 827 998	-	-
	1 943 638	1 978 061	1 908 490	69 571	-
Derivative financial liabilities					
Forward exchange contracts (see note 17)	3 057	162 635	162 635	-	-
Total financial liabilities	1 946 695	2 140 696	2 071 125	69 571	-

	Company	
	2009 R'000	2008 R'000
30 Unlisted investment		
2 600 redeemable cumulative non-participating preference shares at 9.32% in Sechold Finance Services (Proprietary) Limited	-	260 000
Less: redemption of preference shares	-	(260 000)
	-	-

Offset of a financial asset and a financial liability

In the group financial statements, this asset was offset against a related liability contracted by a subsidiary. During August 2008, the preference shares were redeemed.

	Group	
	2009 R'000	2008 R'000
31 Capital commitments		
Capital expenditure approved		
Contracted	11 156	11 252
Not contracted	213 299	235 348
	224 455	246 600

The capital expenditure will be financed from borrowings and internally generated funds.

32 Financial guarantees

The company has furnished guarantees to bankers in respect of liabilities of R216.5 million recognised on the balance sheets of certain subsidiary companies. The net liability recognised on the group balance sheet in respect of these liabilities is R16 million.

The company has guaranteed a R40 million facility given to Intercare by their bankers as detailed in notes 14.3 and 21.1.

Group companies provide surety for other group companies to the value of R866 million with respect to facilities held with various banks. At year-end none of these facilities had been drawn down by group companies.

A group subsidiary has issued a deed of suretyship on behalf of another subsidiary in relation to a trade payable in the amount of R585 million.

In the opinion of the directors, the possibility of loss arising from these guarantees is remote.

33 Related party transactions

Group

Clicks Group Limited is the ultimate holding company of the group.

Transactions between group subsidiaries

During the year, in the ordinary course of business, certain companies within the group entered into transactions. These intragroup transactions have been eliminated on consolidation. For a list of the group's subsidiaries, see page 118.

Directors and key management

A number of directors of the company hold positions in other entities, where they may have significant influence over the financial or operating policies of these entities. Accordingly, the following is considered to be such an entity:

Director	Entity
DM Nurek	Investec Bank Limited ("Investec")

Transactions between the group and this entity have occurred under terms and conditions that are no more favourable than those entered into with third parties in arm's length transactions.

These transactions include:

- Investec manages certain cash on call on behalf of group companies.
- Investec has provided funding to group companies.
- A group company held an investment in an Investec Bank Limited group company. Refer to note 30.
- A group company has purchased a derivative instrument from Investec. Refer note 17.

Certain non-executive directors are also non-executive directors of other public companies which transact with the group. Except as disclosed above, the relevant directors do not believe that they have control, joint control or significant influence over the financial or operating policies of those companies. Those entities are not disclosed above.

Executive directors' employment contracts do not provide for a defined period of employment, but specify a notice period for the chief executive officer of 12 months and six months for the other executive directors. During this notice period, all standard benefits accrue to the directors in question. Contracts do not provide for predetermined compensation on termination other than that accorded to employees in terms of the group's remuneration policies.

Employee benefits paid to directors and key management personnel are detailed in note 5.

Shares held by directors and their related entities

The percentage of shares held by directors of the company and their related entities at year-end are disclosed in the Remuneration Report section on page 43 of this annual report.

Company

A schedule of the loans and investments in related parties is included on page 118.

The company received dividends to the value of R354.7 million (2008: Rnil million) from New Clicks South Africa (Proprietary) Limited, a wholly-owned subsidiary, and in turn paid distributions on treasury shares held by that subsidiary to that subsidiary of R17.4 million (2008: R14.6 million).

In addition, the company paid distributions to the Share Trust on shares held by the Share Trust of R2.8 million (2008: R1.5 million). Details regarding distributions relating to treasury shares are included in note 26.

34 Borrowing powers

In terms of the articles of association, the borrowing powers of the company are unlimited.

35 Business acquisition

The group acquired 60% of the shares of Clicks Direct Medicines (Proprietary) Limited and Direct Patient Support (Proprietary) Limited ("Direct Medicines"), effective 1 December 2008, for an amount of R13.2 million. At that date, the fair value of Direct Medicines' identifiable assets and liabilities was R28.8 million and R24 million respectively. The carrying amount of those assets and liabilities were equal to its fair value. Management performed an exercise considering the fair value versus the carrying amount of Direct Medicines', however, the difference between fair value and carrying amount was not considered material.

Direct Medicines had no significant contingent liabilities at that date.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 August 2009 continued...

35 Business acquisition (continued)

The following reflects Direct Medicines' balance sheet at 1 December 2008 together with the fair value of the identifiable assets and liabilities:

	Carrying amount R'000	Fair value R'000
Assets		
Non-current assets	3 890	3 890
Property, plant and equipment	1 269	1 269
Loan receivable	2 611	2 611
Shareholders' loans	10	10
Current assets	24 934	24 934
Inventories	7 147	7 147
Trade and other receivables	14 511	14 511
Cash and cash equivalents	3 276	3 276
Total assets	28 824	28 824
Equity and liabilities		
Equity	4 813	4 813
Share capital	1	1
Distributable reserve	4 812	4 812
Current liabilities		
Trade and other payables	24 011	24 011
Total equity and liabilities	28 824	28 824
The group has entered into a put and call option to acquire the remaining 40% of the shares in Clicks Direct Medicines (Proprietary) Limited and Direct Patient Support (Proprietary) Limited, exercisable on or after 31 August 2011.		
The amount to be paid for the outstanding shares is a factor of the net profit after tax as reflected in the audited financial statements of the year before the option is exercised.		
The liability raised is discounted over a period of 33 months.		
Option price		7 514
"Net profit after tax" (R'000)		2 348
"Multiplied by 8" (R'000)		18 784
Shareholding acquired (%)		40
Multiplied by % shareholding acquired (R'000)		7 514
Present value (R'000) (see note 20)		4 987
Unwinding of discount (R'000)		589
Put/call option liability relating to Direct Medicines (R'000) (see note 21)		5 576

36 Impact of adoption of IFRIC 13

IFRIC 13 "Customer Loyalty Programmes", effective for periods beginning on or after 1 July 2008, addresses accounting by entities that operate or otherwise participate in customer loyalty programmes for their customers.

IFRIC 13 applies to sales transactions in which the entities grant their customers award credits that, subject to meeting further qualifying conditions, the customers can redeem in the future for free or discounted goods or services. The interpretation requires that an entity recognises credits that it awards to customers as a separately identifiable component of revenue, which would be deferred at the date of the initial sale.

The impact of IFRIC 13 is as follows:

	Previously reported	IFRIC 13 adjustment	Restated amount
Consolidated income statement			
Sales	11 281 156	(87 579)	11 193 577
Cost of merchandise sold	(9 070 132)	85 865	(8 984 267)
Gross profit	2 211 024	(1 714)	2 209 310
Other income	499 209	–	499 209
Expenses	(2 118 071)	–	(2 118 071)
Operating profit	592 162	(1 714)	590 448
Profit on disposal of capital items	15 169	–	15 169
Net financing cost	(51 184)	–	(51 184)
Net profit before taxation	556 147	(1 714)	554 433
Income tax expense	(147 377)	480	(146 897)
Net profit	408 770	(1 234)	407 536
Consolidated balance sheet			
Equity and liabilities			
Distributable reserves	1 459 381	(2 875)	1 456 506
Non-current liabilities			
Deferred tax liabilities	81 334	(1 118)	80 216
Current liabilities			
Trade and other payables	1 780 089	47 909	1 827 998
Provisions	51 546	(43 916)	7 630

COMPANY INCOME STATEMENT

for the year ended 31 August 2009

	Notes	2009 R'000	2008 R'000
Dividends received – unlisted		354 750	23 701
Reversal of impairment in The Link Investment Trust		–	18 287
Profit before taxation		354 750	41 988
Income tax expense	8	(1 225)	(18)
Profit for the year		353 525	41 970

COMPANY BALANCE SHEET

at 31 August 2009

	Notes	2009 R'000	2008 R'000
Assets			
Non-current assets		243 904	381 619
Deferred tax asset	13	–	1 203
Interest in subsidiary companies (see page 118)		243 904	380 416
Current assets			
Income tax receivable		958	961
Total assets		244 862	382 580
Equity		244 862	382 580
Share capital	18	3 029	3 242
Share premium	18	10 748	135 967
Share option reserve	19	24 549	23 832
Distributable reserve		206 536	219 539
Total equity		244 862	382 580

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 August 2009

	2009 R'000	2008 R'000
Cash effects of operating activities		
Cash generated by operations	354 750	23 701
Tax paid	(19)	(2 397)
Cash inflow from operating activities before distributions	354 731	21 304
Distributions paid to shareholders	(211 313)	(172 818)
Net cash effects of operating activities	143 418	(151 514)
Cash effects of investing activities		
Purchase of treasury shares from subsidiary company	(354 750)	(153 216)
Proceeds from disposal of investment	-	260 000
Decrease in loans receivable	137 229	45 113
Net cash effects of investing activities	(217 521)	151 897
Cash effects of financing activities		
Proceeds from the issue of share capital	74 202	-
Share cancellation expenses	(99)	(383)
Net cash effects of financing activities	74 103	(383)
Net movement in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	-	-

NOTES TO THE COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 August 2009

	2009 R'000	2008 R'000
Cash generated by operations		
Profit before tax	354 750	41 988
Adjustment for:		
Reversal of impairment in The Link Investment Trust	-	(18 287)
	354 750	23 701
Tax paid		
Income tax receivable/(payable) at the beginning of the year	961	(1 436)
Current tax charge	(22)	-
Income tax receivable at the end of the year	(958)	(961)
	(19)	(2 397)

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2009

	Number of shares '000	Share capital (Note 18) R'000	Share premium (Note 18) R'000	Share option reserve (Note 19) R'000	Distributable reserve R'000	Total R'000
Balance at 1 September 2007	335 957	3 360	438 111	23 786	201 724	666 981
Shares cancelled	(11 818)	(118)	(153 098)	-	-	(153 216)
Share cancellation expenses written off	-	-	(383)	-	-	(383)
Equity-settled capital contribution to subsidiary	-	-	-	46	-	46
Profit for the year	-	-	-	-	41 970	41 970
Distributions to shareholders (see note 26)	-	-	(148 663)	-	(24 155)	(172 818)
Balance at 31 August 2008	324 139	3 242	135 967	23 832	219 539	382 580
Additional shares issued	208	2	74 200	-	-	74 202
Shares cancelled	(21 506)	(215)	-	-	(354 535)	(354 750)
Share cancellation expenses written off	-	-	(99)	-	-	(99)
Equity-settled capital contribution to subsidiary	-	-	-	717	-	717
Profit for the year	-	-	-	-	353 525	353 525
Distributions to shareholders (see note 26)	-	-	(199 320)	-	(11 993)	(211 313)
Balance at 31 August 2009	302 841	3 029	10 748	24 549	206 536	244 862

During the year the group cancelled 21 505 674 (2008: 11 818 017) ordinary shares of one cent each. 21 500 000 (2008: 11 818 017) was previously held as treasury shares and 5 674 was purchased in the open market. Of the total cost of R354.750 million, R0.215 million was deducted from share capital and R354.535 million from distributable reserves of the company.

See note 18 for an explanation of the difference between the share premium of the group and company.

INTEREST IN SUBSIDIARY COMPANIES

at 31 August 2009

Name of company/entity and nature of business	Country of incorporation	Ordinary issued share capital	Shares at cost less amounts written off		Amount owing (to)/by subsidiaries	
			2009 R'000	2008 R'000	2009 R'000	2008 R'000
Directly held						
i) Trading						
New Clicks South Africa (Proprietary) Limited	South Africa	R500	272 439	272 439	(66 052)	71 177
ii) Property owning						
Elsdon Investments (Proprietary) Limited	South Africa	R2	3 911	3 911	-	-
Crantock Investments (Proprietary) Limited	South Africa	R1	44	44	-	-
Optimprops 93 (Proprietary) Limited	South Africa	R100	13	13	-	-
Flamborough Investments (Proprietary) Limited	South Africa	R1	*	*	-	-
Clicks Centurion (Proprietary) Limited	South Africa	R10	*	*	9 000	9 000
Indirectly held						
i) Trading						
Safeway (Swaziland) (Proprietary) Limited	Swaziland	E2	-	-	-	-
Clicks Stores (Lesotho) (Proprietary) Limited	Lesotho	M1 000	-	-	-	-
The Clicks Organisation (Botswana) (Proprietary) Limited	Botswana	BWP3 000	-	-	-	-
Safeway (Namibia) (Proprietary) Limited	Namibia	N\$100	-	-	-	-
The Clicks Group Finance Company (Proprietary) Limited	South Africa	R999	-	-	-	-
New United Pharmaceutical Distributors (Proprietary) Limited	South Africa	R10	-	-	-	-
Clicks Retailers (Proprietary) Limited	South Africa	R200	-	-	-	-
Milton & Associates (Proprietary) Limited	South Africa	R200	-	-	-	-
Leon Katz (Proprietary) Limited	South Africa	R200	-	-	-	-
J & G Purchase & Associates (Proprietary) Limited	South Africa	R220	-	-	-	-
Kalahari Medical Distributors (Proprietary) Limited	Botswana	BWP200	-	-	-	-
Clicks Direct Medicines (Proprietary) Limited	South Africa	R600	-	-	-	-
Direct Patient Support (Proprietary) Limited	South Africa	R100	-	-	-	-
ii) Name protection and dormant						
13 companies (2008 – 8 companies)			-	-	-	-
			276 407	276 407	(57 052)	80 177
Shares at cost less amounts written off			276 407	276 407		
Amounts owing (to)/by subsidiary companies			(57 052)	80 177		
Equity-settled capital contribution to subsidiary			24 549	23 832		
Interest in subsidiaries			243 904	380 416		

All subsidiary companies are wholly owned with the exception of The Link Investment Trust, Kalahari Distributors (Proprietary) Limited and Clicks Direct Medicines (Proprietary) Limited and Direct Patient Support (Proprietary) Limited.

Clicks Group Limited has a 56% interest in The Link Investment Trust, 90% in Kalahari Medical Distributors (Proprietary) Limited and 60% in Clicks Direct Medicines (Proprietary) Limited and Direct Patient Support (Proprietary) Limited.

The loan to The Link Investment Trust is interest free, unsecured and is repayable in annual instalments, not exceeding 10% of the underlying profit of the entity.

The loan and investment in The Link Investment Trust have been impaired in prior years based on the fact that the carrying value of the loan and investment exceeded the present value of management's best estimate of likely future cash flows discounted at the group's risk adjusted pre-tax weighted average cost of capital.

All other loans are interest free, unsecured and an unconditional right to defer payment for 12 months.

* values less than R1 000

ANALYSIS OF SHAREHOLDERS

at 31 August 2009

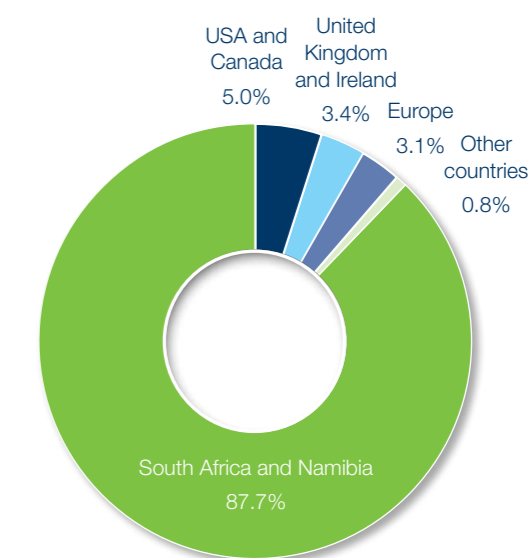
Public and non-public shareholders	Number of holders	Percentage of holders	Number of shares	Percentage of shares
Public shareholders	3 061	99.8%	275 954 337	91.1%
Non-public shareholders				
Shares held by directors	6	0.2%	351 882	0.1%
The New Clicks Holdings Share Trust	1	0.0%	1 486 302	0.5%
Treasury stock held by New Clicks South Africa (Pty) Limited	1	0.0%	25 048 880	8.3%
Total non-public shareholders	8	0.2%	26 887 064	8.9%
Total shareholders	3 069	100.0%	302 841 401	100.0%

According to the company's register of shareholders, read in conjunction with the company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following shareholders held 3% or more of the issued share capital at 31 August:

Major beneficial shareholders	2009 Percentage of shares	2008 Percentage of shares
Government Employees Pension Fund	16.2%	19.3%
New Clicks South Africa (Pty) Limited	8.3%	8.5%
Sanlam Investment Managers	6.9%	-
Investment Solutions	5.5%	5.4%
Old Mutual Life Assurance Company (South Africa) Limited	2.8%	3.5%
Liberty Life Association of Africa Limited	2.6%	4.0%
Trakprops 141 (Pty) Limited	-	6.4%

Major fund managers	2009 Percentage of shares	2008 Percentage of shares
Investec Asset Management	19.8%	15.5%
Public Investment Corporation	16.0%	4.6%
Sanlam Investment Managers	7.8%	7.1%
Oasis Asset Management	5.9%	5.7%
Old Mutual Investment Group	5.6%	7.5%
RMB Asset Management	4.9%	8.4%
Investec Securities	3.9%	4.1%
STANLIB Asset Management	3.6%	9.0%

Geographic distribution of shareholders



Classification of registered shareholdings	Number of holders	Percentage of holders	Number of shares	Percentage of shares
Pension funds	151	5.0%	94 152 552	31.1%
Mutual funds	162	5.3%	68 447 429	22.6%
Investment companies	12	0.4%	29 492 664	9.7%
Own holdings	1	0.0%	25 048 880	8.3%
Brokers	30	1.0%	23 568 784	7.8%
Insurance companies	26	0.8%	22 270 884	7.3%
Banks	49	1.6%	21 859 581	7.2%
Individuals	2 134	69.5%	6 294 687	2.1%
Nominees and trusts	336	10.9%	5 943 920	2.0%
Other	168	5.5%	5 762 020	1.9%
	3 069	100.0%	302 841 401	100.0%

Distribution of registered shareholdings	Number of holders	Percentage of holders	Number of shares	Percentage of shares
1 – 1 000	1 402	45.6%	525 673	0.2%
1 001 – 10 000	1 098	35.8%	3 898 848	1.3%
10 001 – 100 000	327	10.7%	11 253 777	3.7%
100 001 – 1 000 000	198	6.5%	65 625 476	21.7%
1 000 001 shares and over	44	1.4%	221 537 627	73.1%
	3 069	100.0%	302 841 401	100.0%