

BOARD OF DIRECTORS



David Nurek



Fatima Abrahams



Michael Harvey



Fatima Jakoet



David Kneale



John Bester



Bertina Engelbrecht



Martin Rosen



Keith Warburton

David Nurek (59)

Independent non-executive chairman

Dip Law, Grad Dip Company Law

Chairman of the remuneration and nominations committees

Appointed June 1997

David practised as an attorney with Sonnenberg Hoffman Galombik for 32 years, including 23 years as a partner and director. He joined Investec Group in 2000 and is regional chairman of the group's Western Cape businesses and global head of legal risk for the Investec Group. He is non-executive chairman of Distell Group, Foschini Group and Lewis Group, and a non-executive director of Aspen Pharmacare, Sun International, Tencor and Mobile Industries.

Fatima Abrahams (47)

Independent non-executive director

B Econ (Hons) (cum laude), M Com and D Com

Chairman of the transformation committee

Appointed March 2008

Professor Abrahams is an academic, experienced company director and a registered industrial psychologist. She is currently a senior professor at the University of the Western Cape, having also served as dean of the Faculty of Economic and Management Sciences. Professor Abrahams is chairperson of TSIBA Education, a non-profit private higher educational institution, and is a non-executive director of Foschini Group and Lewis Group.

John Bester (63)

Independent non-executive director

B Com (Hons), CA (SA), CMS (Oxon)

Chairman of the audit committee

Appointed October 2008

John served as a partner of Ernst & Young for 10 years, has held financial director positions in commerce and industry and is a director of Personal Trust International. He is non-executive chairman of Barnard Jacobs Mellet Holdings, a non-executive director of Western Province Rugby (Pty) Ltd and a trustee of the Children's Hospital Trust.

Bertina Engelbrecht (46)

Group human resources director

B Proc, LL M, admitted attorney

Appointed as a director in March 2008

An experienced human resources professional, Bertina joined Clicks Group in July 2006 as group human resources director. She was previously general manager for Shell SA Energy and regional human resources manager for Shell Oil Products Africa. Prior to this Bertina was director of organisational effectiveness at Sea Harvest, managed her own consultancy practice and spent eight years with Transnet. Bertina was appointed as a non-executive director of Kagiso Trust Investments in July 2008.

Michael Harvey (40)

Managing director, Clicks

Appointed as a director in April 2006

Michael joined Clicks as a management trainee in 1989. After gaining experience in store management he assumed responsibility for regional operations in the Gauteng area and later in the Eastern and Western Cape. He was appointed marketing director of Clicks in 2000 and the following year moved to Discom where he was appointed managing director in 2002. Michael was appointed head of retail for Clicks Group in June 2004 and managing director of Clicks in February 2005.

Fatima Jakoet (49)

Independent non-executive director

B Sc, CTA, CA (SA), Higher certificate in financial markets

Chairman of the risk committee

Appointed March 2008

After spending six years in the auditing profession, Fatima went on to lecture in financial accounting and then spent over a decade in various positions in corporate South Africa. Fatima is a non-executive director of the SA Reserve Bank Group, Metropolitan Holdings Group, Impala Platinum, Tongaat Hulett and MTN West and Central Africa Region.

David Kneale (55)

Chief executive officer

BA

Appointed as a director in April 2006

David was appointed chief executive officer of Clicks Group in January 2006. He was previously chief commercial officer of health and beauty retailer, Boots Group plc, in the United Kingdom. During his career at Boots David held positions in finance, buying and marketing before being appointed director of merchandise and marketing in 1995 and managing director of international retail development in 1997. After three years as managing director of Waterstone's Booksellers and a director of HMV Group, he returned to Boots in 2002 as director of trading and was appointed chief commercial officer in January 2003.

Martin Rosen (59)

Independent non-executive director

Appointed April 2006

Martin is an accomplished retailer and marketer, having spent 33 years with Pick n Pay before starting his own marketing consultancy in 2004. After 17 years in the retail operations of Pick n Pay, Martin was appointed group marketing director in 1998 and managing director of Pick n Pay Group Enterprises in 2001.

Keith Warburton (51)

Chief financial officer

B Com, CA (SA)

Appointed as a director in April 2006

Keith has extensive experience in senior financial management in the retail sector. He was previously financial director of Metro Cash and Carry and later financial director and deputy managing director of Score Supermarkets. Keith was appointed financial director of Truworths in 1997 and two years later joined HomeChoice Holdings as chief operating officer. He left the corporate environment in 2001 to establish a business consultancy and joined Clicks Group as chief financial officer in September 2005.

CHAIRMAN'S STATEMENT

David Nurek
Chairman



96%
share price growth in 3 years

BBBEE rating improved to
level 5

A great deal has been written about the adverse economic environment and its impact on the retail sector and consumers. It is in these times of hardship that the defensive nature of the Clicks Group becomes more evident.

Introduction

It gives me great pleasure to report to shareholders on another year of strong growth as the Clicks Group confirmed its leadership status in the dynamic healthcare market. The group has again met and exceeded its financial targets for the year, a notable achievement in the face of the severe downturn in the South African economy. The key performance indicator of diluted headline earnings per share increased by 26.2% through improved trading and efficient cash and capital management across the business.

Our financial performance has resulted in a strong increase in returns to shareholders. A final distribution of 59.5 cents was declared, bringing the total distribution for the year to 84.0 cents, an increase of 37.5% on last year. Distributions per share have grown by a compounded growth of almost 30% per annum over the past four years.

The sustained improvement in performance in recent years is also reflected in the 96% growth in the share price over the past three years, outperforming the Food and Drug Retailers Index (up 89.7%), the All Share Index (up 13.6%) and the General Retailers Index (up 3.2%).

The group's trading and financial performance is detailed in the Chief Executive's Report and the Chief Financial Officer's Report which follow.

Name and sector change

The name of the holding company was changed in June 2009 as we reverted to our heritage and adopted the original name of the business, Clicks Group Limited. This coincided with the transfer of the listing on the JSE Limited from the General Retailers sector to the Food and Drug Retailers sector, reflecting the increasing contribution of healthcare to the group's turnover and earnings.

Investment case

We believe our strong presence in the healthcare sector provides a compelling investment proposition and the results of the past financial year highlight the organic growth potential of the group.

We operate in a growth sector of the economy. The healthcare market in our country is expected to show sustainable growth as an increasing proportion of the population gain access to private healthcare. At the same time South Africans are also living longer, with the number of people over the age of 65 expected to double by 2030. This ageing population will have a greater need for healthcare services and beauty products.

Pharmacy will be a major driver of organic growth for the group and we remain committed to opening a dispensary in every Clicks store. As the Clicks store base expands from its current base of around 350 stores to 500 in the medium term, this provides the opportunity to more than double the current base of 207 pharmacies.

Our pharmacy model is based on attracting customer foot traffic into stores, and currently seven out of ten dispensary customers also make purchases in the front shop. It has been our experience that front shop sales generally increase by around 7% per annum for at least the first two years when a dispensary is opened in a store. Dispensaries take at least three years to reach maturity and more than 40% of Clicks pharmacies have been operating for less than two years, providing further potential for growth.

As a market leader the group is favourably positioned to capitalise on the long-anticipated consolidation in retail pharmacy as independent pharmacy contracts, as well as the pharmaceutical wholesale sector where there has been a proliferation of quasi-wholesalers in recent years.

While organic growth is our preferred strategy, the group also identifies small-scale, tactical acquisitions of complementary businesses to accelerate entry into new markets. The recent acquisition of Direct Medicines has enabled Clicks to enter the courier pharmacy market for the first time.

The impact of the protracted downturn in consumer spending is also expected to lead to rationalisation among music and entertainment retailers. Musica is the market leader in this sector and is well positioned to take advantage of the opportunities which are likely to arise when the economy improves.

A summary of the group's investment case appears on page 7.

Board and governance

Governance processes are frequently reviewed to align with the rapidly changing legislative and regulatory landscape and to reflect developments in the business environment.

Changes in governance structures over the past year included extending the mandate of the risk committee to include responsibility for governance and environmental sustainability. Risk management is embedded in the business planning process and a risk methodology has been developed to determine a risk rating for the major group and business unit risks. In response to increasing regulatory compliance requirements, the group has created in-house legal capacity with the appointment of a head of group legal counsel and a legal compliance officer.

Following the publication of the King III Report shortly after year-end, management is reviewing governance practices relative to the code. This will include a review of the board to ensure an appropriate range of skills and expertise among the directors, and a balance between non-executive and executive directors.

During the year Rob Lumb and Professor Peter Eagles resigned as non-executive directors and we thank them for their contribution to the board. John Bester was appointed as an independent non-executive director in October 2008 and has also been appointed as chairman of the audit committee.

Sustainability

Sustainability is synonymous with good governance and is key to enhancing shareholder value in the longer term. The group is committed to integrating sustainability management practices across the business and has made pleasing progress.

Transformation continues to be enhanced and the group's externally verified empowerment rating improved to level 5 compliance, with notable progress in skills development and preferential procurement. During the year over 4 500 employees participated in learning and development programmes. An environmental management framework has been implemented which will enable the group to measure, manage and reduce environmental impact.

Outlook

While the group is not expecting any real increase in consumer spending in the short term, the business is well positioned for growth in the medium term.

Good organic growth prospects in health and beauty should lead to market share increases through the expansion of the Clicks store base and the roll-out of in-store pharmacies. UPD is expected to continue to benefit from sales growth in Clicks and the Link banner group, as well as capitalising on new revenue opportunities in third party agency distribution and export sales.

Acknowledgements

The management team is to be commended for the group's outstanding performance and I thank David Kneale and his fellow executive directors Keith Warburton, Michael Harvey and Bertina Engelbrecht for their leadership and commitment. My thanks also go to my non-executive board colleagues for their active participation in the group.

Once again I thank the 7 500 staff at stores across the country, the distribution centres and at head office for their contribution to the group's improving fortunes.

In closing I recognise the support of our external stakeholders, including local and international shareholders, analysts, industry regulators, professional advisers, suppliers and the media.

DAVID NUREK
Independent Non-executive Chairman



David Kneale
Chief Executive Officer



R12 billion
milestone in group turnover

200th
in-store pharmacy opened

Our performance over the past year reflects the benefits of our clear strategic focus and the ongoing organic growth potential of the group. We have entrenched our leadership position in healthcare retail and supply in one of the most challenging trading environments for several years.

Trading performance

Group turnover exceeded the R12 billion mark for the first time. Retail turnover rose by 15.4% as the Clicks chain produced another year of excellent growth and lifted turnover by 17.7%, continuing to capitalise on its positioning as a value retailer in these tough times.

It was pleasing that even Musica and The Body Shop, the two brands most sensitive to a consumer downturn, performed creditably and demonstrated the benefits of market leadership in Musica and the unique positioning in terms of The Body Shop.

UPD was repositioned during the year to focus on customer profitability and better operating efficiencies, and turnover growth of 4.4% was in line with expectations.

The group's operating margin increased from 5.3% to 5.8%, with the margins of Clicks and UPD both now benchmarking favourably against comparable international businesses.

The group's performance is covered in detail in the Chief Financial Officer's Report on page 18 and the trading performance in the Operational Review on pages 24 to 31.

Leadership in healthcare

Clicks continued to expand its pharmacy footprint and reached another milestone with the opening of the 200th in-store pharmacy. The increasing scale of the pharmacy business has seen Clicks grow its market share in retail pharmacy to over 11%, while the share of the front shop health market has increased to more than 37%.

Our market-leading presence in retail pharmacy has been complemented by the acquisition of a majority stake in Direct Medicines, the country's longest established courier pharmacy, with effect from December 2008. Clicks is the only corporate pharmacy group offering a courier pharmacy service. The business has been rebranded as Clicks Direct Medicines and integrated into Clicks' offer in the healthcare market.

UPD provides the distribution capability for the group's integrated healthcare strategy and is the only full-range national wholesaler, with a leading share of the private pharmaceutical market. The refocusing of UPD's business model will enable it to compete throughout the healthcare supply chain, covering wholesale and distribution.

Strategic objectives

The integrated healthcare retail and supply model provides a competitive positioning for the Clicks Group. While this model is

applied effectively in other developed economies, it is unique in South Africa.

The group's strategy is driven by two key objectives, notably to achieve

- pre-eminence in health and beauty retailing
- pre-eminence in healthcare supply and pharmacy management

To support these strategic objectives we will enhance capability to deliver sustained performance. This will be done through investing in information technology to improve operating efficiency and customer satisfaction. We will also focus on the development of our people, entrench a performance culture and drive transformation to achieve our target of 100% BBBEE compliance in 2010.

Aligned with this the group continues to strive to be efficient managers of cash and capital and has set a new medium-term target range for ROE of 40% to 50%. The group's strategic objectives, focus areas for 2010 and financial targets are detailed on pages 4 to 6.

Healthcare reform

The legislative and regulatory uncertainty outlined to shareholders in last year's annual report remains unresolved. However, it must be stressed that the absence of regulation in the retail and wholesale pharmaceutical sectors is not impacting on our trading or performance in any way.

Regulation to determine the maximum dispensing fee which may be charged by pharmacists has still not been finalised. We confirm our support for the latest proposals from the Department of Health (DoH) which we believe will provide a fair return for retail pharmacists. We would welcome the speedy resolution of the impasse between the DoH and independent pharmacy interest groups to enable these regulations to be implemented.

We still await clarity on the regulations relating to the maximum logistics fee that can be paid to pharmaceutical wholesalers and continue to argue that a limit should be set by the DoH.

National Health Insurance

Government's healthcare priority is the introduction of a National Health Insurance (NHI) scheme to provide cover to an estimated 42 million people in our country not currently enjoying private health insurance. We fully support the DoH's endeavours to improve healthcare services to all South Africans and will seek to engage with the health authorities on the most efficient way to implement NHI.

We have continued to lobby the DoH to promote the role of the pharmacist as the gatekeeper to primary healthcare. Pharmacists

are ideally positioned to provide basic primary healthcare services while being accessible and offering lower cost health advice than other medical professionals. Clicks is well positioned to provide these services through its national network of in-store dispensaries and clinics. However, pharmacists and nurse practitioners need to be empowered to prescribe a broader range of scheduled medicines to reduce the cost of patient care and alleviate pressure on a healthcare system which is already under strain.

Commitment to pharmacy profession

As the largest employer of pharmacy professionals in the private sector across Clicks, Clicks Direct Medicines and UPD we are committed to enhancing the profession, upholding its status and ensuring full compliance with ethical standards.

We subscribe to the view that medicines are not ordinary commodities of trade and acknowledge that the profession needs to be regulated, as it is across the world. However, this regulation must encourage fair competition and be in the interests of the profession as well as protecting patient rights.

Scarcity of pharmacy skills continues to be a major challenge for our industry. We are committed to making the profession more attractive and building capacity to sustain the profession. More than 370 pharmacists and pharmacy assistants were trained through our in-house Pharmacy Healthcare Academy, including courses for external bodies such as the Department of Health.

Appreciation

The performance over the past year was truly a team effort and I thank everyone across the group. Thank you to our chairman, David Nurek, for his decisive leadership of the board and to my fellow directors for their valuable insight and guidance. Our business ultimately depends on our people and they have achieved a great deal over the past year. I thank them and look forward to their continued commitment.

Thank you also to our customers who have supported us in increasing numbers despite the economic slowdown in our country.

DAVID KNEALE
Chief Executive Officer



CHIEF FINANCIAL OFFICER'S REPORT

Keith Warburton
Chief Financial Officer



The sustained improvement in financial performance is reflected in diluted headline earnings per share showing a four-year compound growth of over 30% per annum, while ROE has increased threefold from its level of 14.2% in 2005.

ROE
increased threefold since 2005

All financial targets
met or exceeded



Introduction

Clicks Group has again delivered strong earnings growth and achieved or exceeded all financial targets in a period characterised by continued pressure on consumer spending.

Headline earnings for the period increased by 19.7% to R478 million, with diluted headline earnings per share (HEPS) increasing 26.2% to 165.9 cents per share.

Return on shareholders' interest (ROE), the over-arching indicator of the group's financial performance, rose strongly from 32.8% to 42.3%.

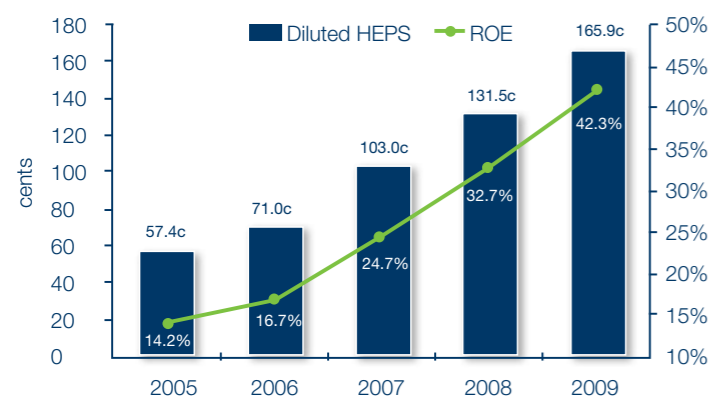
The 37.5% increase in the total distribution to shareholders for the year is testament to the board's confidence in the group's performance and longer term prospects. Distribution cover was reduced to two times undiluted headline earnings per share.

The group has remained strongly cash generative during the period, returning R529 million to shareholders through distributions and share repurchases while investing R225 million for the maintenance and growth of the business.

Financial performance

The review of the group's financial performance for the year ended 31 August 2009 should be read in conjunction with the annual financial statements on pages 58 to 118, as well as the business unit trading analysis on page 24.

Growth momentum



4-year compound growth in diluted HEPS of 30.4%

Income statement

Turnover

Group turnover increased by 8.8% to R12.2 billion (2008: R11.2 billion). Turnover across the retail businesses of Clicks, Musica and The Body Shop increased by 15.4% and showed high real growth as selling price inflation measured 8.6%.

Clicks produced another strong performance and increased turnover by 17.7%, with second half sales growing by 20.1%. Comparable store sales rose by 15.3%. This performance was largely driven by the 30.5% growth in sales in the health category as dispensary sales continued to gain momentum, supported by solid growth in front shop health products.

The slowdown in discretionary spending continued to impact Musica and turnover increased by 0.8%, although the business gained market share over the period. CD sales, which account for 53% of turnover, declined marginally, with DVD sales growing 2.2% and gaming software and consoles by 6.0%.

The Body Shop benefited from new store openings and increased turnover by 8.7%.

Turnover growth of 4.4% in UPD was in line with management's expectations as the business was repositioned during the year to focus on customer profitability and improving operating efficiencies (refer to page 28 for further detail). Price inflation of 9.2% was largely as a result of the increases in the single exit price (SEP) of medicines granted to manufacturers by the Department of Health in April 2008 and December 2008.

Intragroup turnover from UPD to Clicks grew by 39.4% and reflects the growth in the dispensary business of Clicks.

The trading performance of the business units is covered in the operational reviews on pages 26 to 31.

Total income

Total income, comprising gross profit and other income, grew by 13.8% to R3.1 billion. The total income margin, expressing total income as a percentage of sales, improved to 25.3% from 24.2% in 2008.

The retail total income margin was constant at 32.0% owing to improved buying margins and well-managed shrinkage and wastage.

UPD's total income margin was stable at 8.4% despite an increasing proportion of ethical drug products in the sales mix. UPD benefited from the SEP increases referred to above.

Operating expenditure

Group operating expenditure increased by 12.0% and was again contained below the level of growth in total income.

Retail operating expenses increased by 13.8% and includes the increased investment in new stores and pharmacies of R141 million (2008: R40 million) and performance incentive costs of R134 million (2008: R103 million). Excluding these costs, the underlying growth in costs was only 10.3%.

Operating costs in UPD declined by 0.7%. When the costs relating to the consolidation of Clicks Direct Medicines are excluded, UPD's costs reduced by 14.9% as the benefits of the repositioning strategy were reflected in cost savings across the business, particularly in transport and employment costs.

Operating profit

The group's operating margin improved to 5.8%, continuing to show an improving trend from 3.9% in 2006, 4.8% in 2007 and 5.3% in 2008.

Clicks lifted operating margin to 6.5% from 6.1% in 2008 through improved efficiencies. This was achieved despite the increasing proportion of lower margin dispensary turnover in the sales mix as Clicks continues to apply the R26/26% pricing model. Dispensary turnover accounted for 20.6% (2008: 17.3%) of Clicks' turnover.

Musica produced a creditable performance and maintained its operating margin and operating profit through good management of buying margins and tight cost control, despite the limited growth in turnover.

UPD increased its margin to 3.4%, also realising further operating efficiencies through the repositioning. While management believes that a more sustainable wholesale margin is between 2.7% and 3%, it should be noted that this targeted margin does not take into account any trading benefit from an increase in SEP as was the case in the past two years or the business gaining significant third party distribution contracts in the forthcoming financial year.

The enhanced margin translated into growth of 20.1% in group operating profit to R709 million, with Clicks and UPD contributing 91%.

Interest

Net interest paid for the period was R55 million (2008: R51 million). Cash interest servicing costs reduced by 31% from R62 million in 2008 to R43 million in 2009, mainly due to lower levels of funding required through expedient working capital management. The



CHIEF FINANCIAL OFFICER'S REPORT continued...

R9 million charge for the second half of the year was significantly lower than the first half cost of R34 million.

The interest charge for structured finance loans, which attract a higher rate of interest, reduced to R4 million (2008: R18 million). The group's remaining structured finance loans will be retired by August 2010.

Balance sheet

Inventory

Inventory continued to be well managed and increased by only 3.7%, comfortably below the rate of turnover growth. Inventory days cover improved from 56 to 54 days.

Clicks contained inventory growth to a modest 2.9% compared to turnover growth of 17.7%, while the days cost of sales in inventory reduced from 72 to 62 days. This improvement was aided by the changing sales mix with an increasing proportion of dispensary sales which have a higher inventory turn. UPD's inventory days cover was constant at 28 days.

Inventories have been consistently tightly controlled in recent years as management sought to improve working capital management, showing a four-year compound growth rate of -0.3% per annum, while turnover has increased by 8.7% per annum over the same period.

Cash utilisation

Cash flow from operating activities of R1.1 billion showed a significant increase on the R264 million generated in 2008.

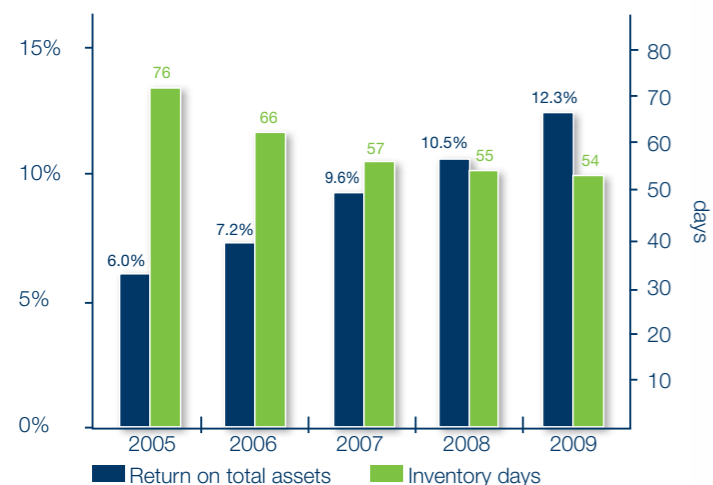
Following capital expenditure of R225 million, distributions to shareholders of R191 million and share buy-backs of R338 million, the group generated net cash of R309 million.

Cash flow was positively impacted by timing differences in the working capital funding from trade payables in UPD totalling R359 million. Accounting for these differences to UPD's trade payables, the normalised cash flow for 2009 was R698 million (2008: R643 million) which is a more representative level for the year.

Shareholder distribution

A final distribution of 59.5 cents per share was declared to shareholders, bringing the total distribution for the year to

Return on total assets and inventory days



84.0 cents, an increase of 37.5% over the previous financial year. The distribution will again be paid as a capital reduction out of share premium.

Distribution cover has been reduced from 2.2 to 2.0 times cover on undiluted headline earnings per share from the 2009 financial year.

Acquisition

In line with the strategy of creating pre-eminence in healthcare retailing, the group expanded its national pharmacy offering with the acquisition of a 60% stake in leading courier pharmacy business, Direct Medicines, for R13.2 million.

The business has been renamed Clicks Direct Medicines and integrated into the retail pharmacy offer to complement the in-store dispensary network of Clicks, with UPD supplying the majority of the medication for distribution through the courier business nationally. Turnover has increased by 25% since the business was acquired by the group.

The acquisition was effective from 1 December 2008 and the group has the option to acquire the remaining 40% of the business after three years.

Capital management

The group strives for efficient management of cash and capital to enhance returns to shareholders while maintaining an optimal capital structure. Management utilises various mechanisms to maintain the ratio of shareholders' interests to total assets in the range of 30% to 35%, including the management of working capital, share buy-backs and distributions to shareholders.

Over the past year the group repurchased shares totalling R338 million at an average price of R17.50. Since the share buy-back programme was initiated in May 2006 the group has acquired R1 550 million in shares at an average price of R14.56. This represents 31% of the issued shares at the commencement of the programme.

Excellence in Corporate Reporting

The 2008 annual report was ranked in the "Excellent" category in the prestigious Ernst & Young Excellence in Corporate Reporting



awards, placing the report among the most highly rated in the country and recognising our efforts to continually improve financial reporting and disclosure. These awards rank the annual reports of the 100 largest companies on the JSE and have become the benchmark for recognising the quality of financial reporting by listed companies.

Financial targets

Financial targets are reviewed each year based on performance and the outlook for the next three-year period. Following the achievement of all targets for the 2009 financial year, the medium-term targets for 2010 to 2012 have been adjusted to reflect the improved performance and prospects, as well as the expected improvement in the trading environment beyond 2010. The targets for ROE, return on total assets and operating margin have been revised upwards and the targets are as follows:

	Performance in 2009	Target 2010 – 2012
Return on shareholders' interests (%)	42.3	40 – 50
Shareholders' interest to total assets (%)	26.9	30 – 35
Return on total assets (%)	12.3	13 – 16
Inventory days	54	55 – 60
Operating margin (%)	5.8	5.5 – 6.5

Plans for 2010

Capital expenditure will be maintained at R225 million for 2010. This includes R137 million for investment in new stores, dispensaries and store refurbishments and R46 million for information communication and technology. Over 70% of the expenditure has been allocated to the Clicks chain.

Total retail trading space is anticipated to increase by between 5% and 6% through the opening of 23 to 33 new stores.

Further detail on capital expenditure and store development for 2010 is contained on page 6.

Product inflation is expected to slow to the mid-single-digit level into the second half of the financial year owing mainly to the strengthening in the average value of the Rand. However, cost pressures in the local economy such as rising energy prices and higher real wage increases remain a risk to inflation.

The group plans to continue to repurchase shares as part of the ongoing capital management programme at price levels that remain earnings enhancing, although the level of buy-backs will be at a more moderate level than in 2009.

Acknowledgements

Thank you to our shareholders for their vote of confidence in the Clicks Group and we welcome those institutions and individuals who

invested for the first time during the year. We value our relationships with the investment community and thank analysts and fund managers for their interest in the group, and welcome the increasing interest from offshore investors as our shareholder base is further diversified. In closing I extend my thanks to the finance staff across the group for their commitment and ongoing effort to enhance the standard of financial reporting.

KEITH WARBURTON

Chief Financial Officer





OPERATIONAL REVIEW

BUSINESS UNIT TRADING ANALYSIS

for the year ended 31 August

	Clicks		Musica		The Body Shop		Group Services		Total retail continuing operations***		UPD**		Intragroup elimination		Total continuing operations***	
	2009	2008 (restated)	2009	2008	2009	2008	2009	2008	2009	2008 (restated)	2009	2008	2009	2008	2009	2008 (restated)
	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm
Balance sheet																
Property, plant and equipment	341	328	59	56	12	12	269	217	681	613	149	121	-	-	830	734
Intangible assets (including goodwill)	272	272	-	-	-	-	29	29	301	301	97	87	-	-	398	388
Inventories	894	868	148	141	10	9	-	-	1 052	1 018	377	359	(7)	(6)	1 422	1 371
Other assets	45	24	-	-	-	-	1 080	596	1 125	620	1 128	748	(722)	(276)	1 531	1 092
Total assets	1 552	1 492	207	197	22	21	1 378	842	3 159	2 552	1 751	1 315	(729)	(282)	4 181	3 585
Income statement																
Turnover	7 238	6 148	948	941	105	97	-	-	8 291	7 186	5 077	4 864	(1 193)	(856)	12 175	11 194
Gross profit	2 015	1 719	311	289	63	56	-	-	2 389	2 064	130	137	(1)	8	2 518	2 209
Other income	239	215	27	23	-	-	-	-	266	238	298	273	-	(12)	564	499
Operating expenses	(1 784)	(1 560)	(288)	(262)	(47)	(40)	-	-	(2 119)	(1 862)	(254)	(256)	-	-	(2 373)	(2 118)
Operating profit*	470	374	50	50	16	16	-	-	536	440	174	154	(1)	(4)	709	590
Ratios																
Increase in turnover	17.7	12.2	0.8	7.7	8.7	17.5	-	-	15.4	11.7	4.4	13.3	39.4	11.1	8.8	12.4
Selling price inflation	9.1	3.9	4.9	3.4	6.0	4.2	-	-	8.6	3.8	9.2	3.9	-	-	8.8	3.9
Comparable stores' turnover growth	15.3	10.2	-	2.9	2.2	6.8	-	-	13.2	9.2	-	-	-	-	13.2	9.2
Gross profit margin	27.8	28.0	32.8	30.7	59.4	57.4	-	-	28.8	28.7	2.6	2.8	-	-	20.7	19.7
Total income margin	31.1	31.4	35.6	33.2	59.8	58.0	-	-	32.0	32.0	8.4	8.4	-	-	25.3	24.2
Increase in operating expenses	14.4	14.8	9.8	7.5	15.0	15.4	-	-	13.8	13.7	(0.7)	13.3	-	-	12.0	13.7
Increase in operating profit	25.9	27.1	0.5	16.7	4.7	13.0	-	-	22.2	25.3	12.4	11.0	-	-	20.2	20.1
Operating profit margin	6.5	6.1	5.3	5.3	15.5	16.1	-	-	6.5	6.1	3.4	3.2	-	-	5.8	5.3
Inventory days	62	72	85	79	86	82	-	-	65	73	28	28	-	-	54	56
Number of stores																
- company owned	346	326	156	158	38	35	-	-	540	519	-	-	-	-	540	519
as at 31 August 2008/2007	326	320	158	147	35	33	-	-	519	500	-	-	-	-	519	500
opened	24	15	7	15	3	2	-	-	34	32	-	-	-	-	34	32
closed	(4)	(9)	(9)	(4)	-	-	-	-	(13)	(13)	-	-	-	-	(13)	(13)
Number of pharmacies																
- company owned	207	157	-	-	-	-	-	-	207	157	-	-	-	-	207	157
as at 31 August 2008/2007	157	125	-	-	-	-	-	-	157	125	-	-	-	-	157	125
new	14	2	-	-	-	-	-	-	14	2	-	-	-	-	14	2
converted	38	30	-	-	-	-	-	-	38	30	-	-	-	-	38	30
closed	(2)	-	-	-	-	-	-	-	(2)	-	-	-	-	-	(2)	-
Total leased area	234 570	228 127	30 550	29 277	2 656	2 480	-	-	267 776	259 884	-	-	-	-	267 776	259 884
Weighted retail trading area	175 927	168 285	26 465	24 764	1 990	1 839	-	-	204 382	194 888	-	-	-	-	204 382	194 888
Weighted annual sales per m ²	41 142	36 531	35 812	37 985	52 971	52 723	-	-	40 567	36 869	-	-	-	-	40 567	36 869
Number of permanent employees	5 721	5 422	837	825	114	104	338	318	7 010	6 669	575	453	-	-	7 585	7 122

* Operating profit is operating profit before financing costs as reported in the consolidated income statement adjusted to exclude goodwill impairment, profit on disposal of property, plant and equipment and profit on disposal of businesses

** Includes Direct Medicines with effect from 1 December 2008

*** Excludes Style Studio