

GROUP PROFILE

Clicks Group is a health and beauty focused retail and supply group which has been listed on the JSE Limited since 1996.

Through market-leading retail brands Clicks, Musica and The Body Shop, the group has 540 stores across southern Africa. Clicks Group is a leader in the healthcare market where Clicks has the largest retail pharmacy chain with 207 in-store dispensaries as well as a direct-to-patient courier pharmacy service, while United Pharmaceutical Distributors (UPD) is South Africa's leading full-range national pharmaceutical wholesaler.

Founded in 1968 by entrepreneurial retailer Jack Goldin, Clicks was conceived as a drugstore but legislation at the time prevented corporate ownership of retail pharmacies in South Africa. This meant that Clicks operated as a drugstore without drugs until legislation was changed in 2003 to allow corporate pharmacy ownership. This paved the way for Clicks to finally fulfil its founding vision and the first Clicks pharmacy was opened in Cape Town in March 2004.

UPD was acquired in January 2003 to provide the distribution capability for the group's integrated healthcare strategy.

Clicks Group is largely a defensive business, with over 75% of group turnover in non-cyclical merchandise which has ensured continued strong growth through the current economic downturn.

The holding company name was changed in June 2009 from New Clicks Holdings back to the original name of the business, Clicks Group Limited. This coincided with the transfer of the listing from the General Retailers sector to the Food and Drug Retailers sector on the JSE Limited to reflect the increasing contribution of healthcare to the group's earnings.

Group turnover up
8.8% to R12.2 billion

Operating profit up
20.1% to R709 million

Operating margin up
from 5.3% to 5.8%

Diluted headline EPS up
26.2% to 165.9 cps

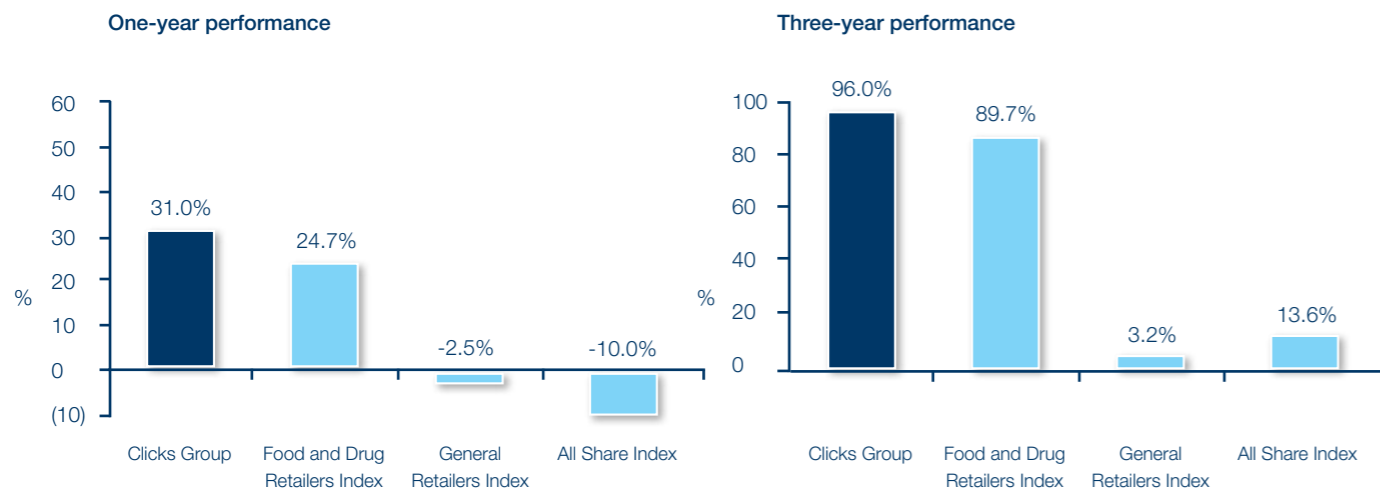
Total distribution of
84.0 cps, up 37.5%

ROE increases from
32.8% to 42.3%



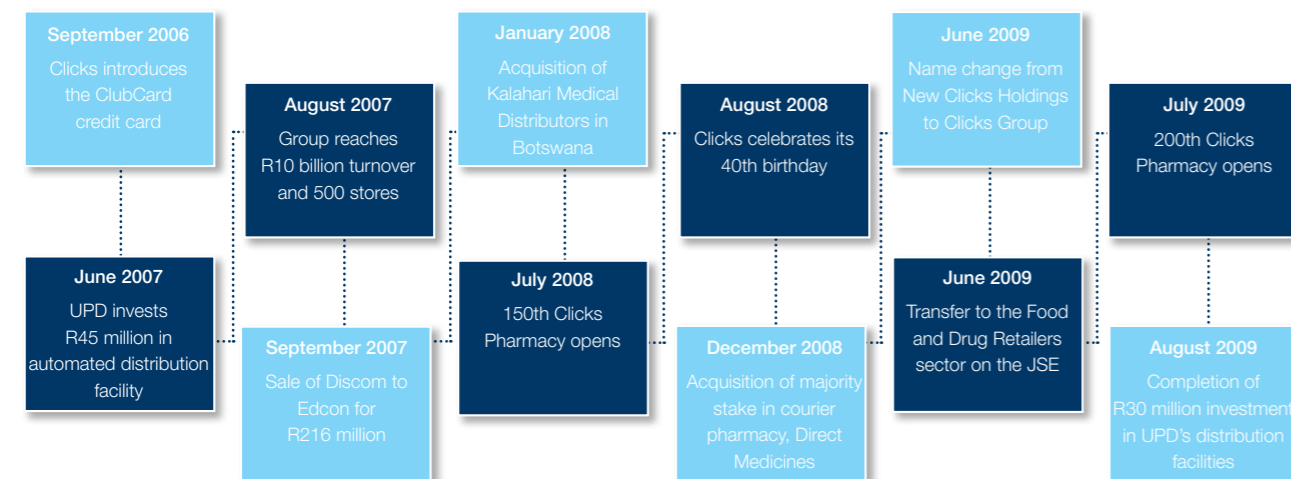
31 August		2009	2008	% change
Turnover	R'm	12 175.3	11 193.6	8.8%
Gross profit margin	%	20.7	19.7	
Operating profit	R'm	709.2	590.4	20.1%
Operating profit margin	%	5.8	5.3	
Inventory days	days	54	55	
Cash flow from operating activities	R'm	866.4	107.5	
Headline earnings	R'm	478.5	399.6	19.7%
Diluted headline earnings per share	cents	165.9	131.5	26.2%
Distribution per share	cents	84.0	61.1	37.5%
Return on total assets	%	12.3	10.5	
Net asset value per share	cents	407	393	3.6%
Shareholders' interest to total assets	%	26.9	31.8	
Return on shareholders' interest (ROE)	%	42.3	32.8	

Clicks Group share price performance relative to JSE indices



Note: Clicks Group transferred from the General Retailers sector on the JSE to the Food and Drug Retailers sector on 22 June 2009

Key events 2007 – 2009 financial years

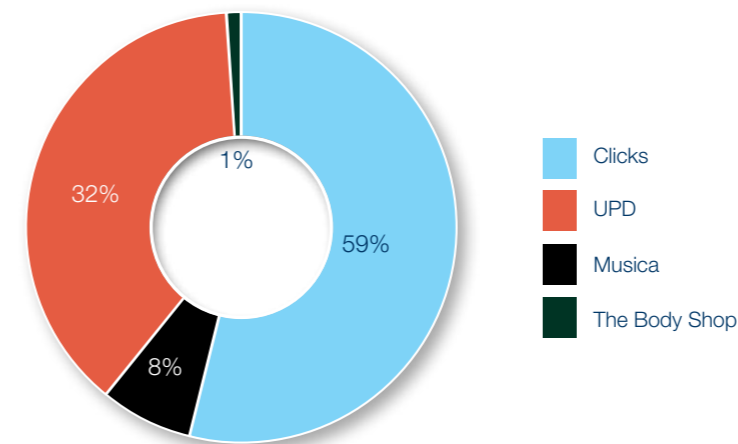


CLICKS GROUP LIMITED
(Listed investment holding company)

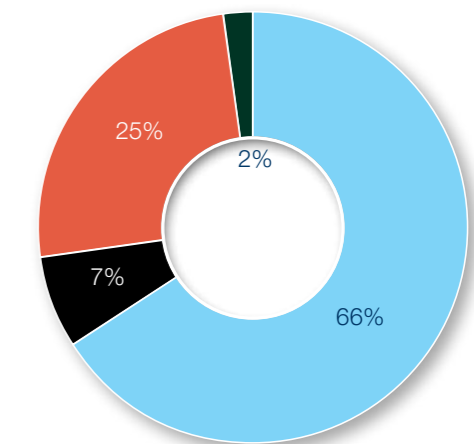
MAJOR FUND MANAGERS	
Investec Asset Management	19.8%
Public Investment Corporation	16.0%
Sanlam Investment Managers	7.8%
Oasis Asset Management	5.9%
Old Mutual Investment Group	5.6%
RMB Asset Management	4.9%

GROUP EXECUTIVE COMMITTEE	
David Kneale	Chief Executive Officer
Bertina Engelbrecht	Group Human Resources Director
Michael Harvey	Managing Director, Clicks
Keith Warburton	Chief Financial Officer

Turnover



Operating profit



CLICKS
Michael Harvey
Managing director

Clicks is South Africa's leading health and beauty retailer, focusing mainly on female consumers in the middle to upper income markets. The brand offers value for money in convenient locations and appealing stores. Clicks has the largest retail pharmacy footprint in the country, with over 200 in-store dispensaries, and a national direct-to-patient courier pharmacy service.

UPD
Lynda van Niekerk
Managing director

UPD is the country's leading full-range pharmaceutical wholesaler and provides the distribution capability for the group's healthcare strategy. The business services retail pharmacies, private hospitals, dispensing doctors, health stores and other wholesalers. Over 12 000 products are held in wholesale to service customers' needs.

MUSICA
Ralph Lorenz
Managing director

Musica is the largest retailer of music and entertainment-related merchandise in the country.

THE BODY SHOP
Carol Poolton
General manager

The Body Shop is a global brand marketing naturally-inspired beauty products.

GROUP STRATEGY

As a health and beauty retail and supply specialist, the Clicks Group is uniquely positioned in the South African market.

The group operates in markets with good growth prospects. This, together with the strength and scale of the brands, will allow the group to capitalise on organic growth opportunities to gain market share and ensure sustainable competitive advantage.

Organic growth is complemented by tactical acquisitions of related businesses to accelerate entry and growth into new markets. This was evident in the acquisition of Direct Medicines during the year which enabled the group to enter the courier pharmacy market.

Performance against strategic objectives for 2009

At the start of the 2009 financial year the group outlined five key strategic objectives and action plans to deliver on these strategies. The performance against these objectives is covered throughout the annual report and specific achievements are summarised below:

1. Entrench Clicks as a health and beauty specialist

- 77% of sales in 2009 from health and beauty merchandise
- Private label and exclusive brands accounted for 17.6% of sales (Target was 17.5%)
- Opened net 20 new stores (Target was 20 to 25 stores)

2. Build UPD and Clicks pre-eminence in healthcare supply and pharmacy management

- Opened 50 new pharmacies (Target was 40 to 50)
- Increased Clicks' share of retail pharmacy market to 11.1% (2008: 9.0%)
- Direct Medicines courier pharmacy business integrated into Clicks and UPD
- UPD has a 23.6% share of the private pharmaceutical wholesale market
- R30 million invested in creating distribution capacity for UPD
- Link-branded product range relaunched

3. Position Musica as an entertainment business

- Entertainment merchandise now accounts for 47% of sales
- Market share gains in entertainment product categories
- Gaming ranges expanded to all stores

4. Enhance organisational capability to deliver sustained performance

- Level 5 BBBEE compliance target achieved
- R42 million invested in information technology
- Blueprint processes implemented into retail distribution centres
- Hay job grading system implemented

5. Manage capital and cash efficiently

- ROE improved from 32.8% to 42.3% (Target was 35% to 40%)
- Distribution cover reduced from 2.2 to 2.0 times
- Share buy-back programme continued

OUR VALUES

We are truly **passionate** about our customers

We believe in **integrity**, honesty and openness

We cultivate understanding through **respect** and dialogue

We are **disciplined** in our approach

We **deliver** on our goals

Strategic objectives

Management has identified two core strategic objectives to drive the growth of the business and achieve financial targets:

Pre-eminence in health and beauty retailing

Pre-eminence in healthcare supply and pharmacy management

These objectives are supported by two strategic enablers:

- Enhancing capability to deliver sustained performance
- Efficient management of cash and capital

Plans for 2010

Pre-eminence in health and beauty retailing

- Increase health and beauty sales in Clicks
- Grow sales from private label and exclusive brands to 20% in Clicks
- Open 20 – 30 new Clicks stores
- Pilot an edited The Body Shop range in selected Clicks stores
- Grow market share in fine fragrance to 7%
- Increase focus on ethnic hair and skin care ranges to broaden customer base

Pre-eminence in healthcare supply and pharmacy management

- Open 30 – 40 new dispensaries
- Compelling offer to medical aid schemes through Clicks Direct Medicines
- Grow third party distribution and export business in UPD
- Increase Link network to 250 compliant pharmacies

Further details on these plans for 2010 are covered in the operational reviews on pages 26 to 31.



GROUP TARGETS

Financial targets

Clicks Group follows a three-year budget and planning cycle and sets medium-term financial targets to be achieved over each rolling three-year period. The group's incentive remuneration structure is aligned to these targets. Following the completion of the three-year budget and operational planning exercise for the period to 2012, three of the targets have been revised upwards to reflect improved performance and prospects.

	Medium-term targets 2009 – 2011	Performance in 2009	Medium-term targets 2010 – 2012
Return on shareholders' interest (ROE) (%)	35 – 40	42.3	40 – 50*
Shareholders' interest to total assets (%)	30 – 35	26.9	30 – 35
Return on total assets (%)	10 – 13	12.3	13 – 16*
Inventory days	55 – 60	54	55 – 60
Operating margin (%)			
• Group	5 – 6	5.8	5.5 – 6.5*
• Clicks	6 – 7	6.5	6 – 7
• UPD	2.7 – 3	3.4	2.7 – 3
• Musica	5 – 6	5.3	5 – 6
• The Body Shop	14 – 16	15.5	14 – 16

* indicates targets that have been revised

The following assumptions have been applied in determining these targets:

- Operational and trading performance comparable with the 2009 financial year
- No deterioration in the trading environment
- No increase in dispensing fees currently charged by Clicks
- The operating margin of UPD does not include (a) any trading benefit from an increase in the single exit price of medicines in the forthcoming financial year or (b) the business gaining significant third party distribution contracts

Operating targets and plans for 2010

Store development and trading space	
Net new stores planned for 2010	23 – 33
• Clicks	20 – 30
• Musica	–
• The Body Shop	3
Clicks pharmacies (in new and existing stores)	30 – 40
Refurbishments and relocations	20 – 25
Total trading space growth of approximately 5 – 6%	

Capital expenditure (R'm)	
Store development	137
Information technology	46
Other	42
Total	225

INVESTMENT CASE

Clicks Group offers shareholders a sustainable investment proposition. The group's business model and strategy provide exciting organic growth prospects in the expanding healthcare market in South Africa. The business is largely defensive, with over 75% of turnover being non-cyclical, which has ensured continued strong growth through the current economic downturn.

Market positioning

- Positioning as a health and beauty retail and supply specialist unique in South Africa
- Occupies market-leading positions in all businesses
- National retail coverage through more than 500 stores
- First mover advantage in the corporate pharmacy market
- Clicks has the country's largest pharmacy network and a nationwide direct-to-patient courier service
- Clicks ClubCard largest loyalty programme in the country, generating 70% of sales
- UPD only national full-range pharmaceutical wholesaler
- Musica leading entertainment retailer
- Predominantly cash-based retailer; highly cash generative business

Organic growth prospects

- Sustainable growth expected in healthcare market owing to increasing proportion of population entering private healthcare market and South Africa has an ageing population
- Clicks aims to expand store base from 350 to 500 in medium term
- Objective to operate a pharmacy in every Clicks store – opportunity therefore to more than double current base of 207 pharmacies
- Pharmacy model based on an average increase in front shop sales of 7% per annum for the first two years when a dispensary is opened in a store
- Dispensaries take at least three years to reach maturity – more than 40% of Clicks pharmacies have been operating for less than two years
- Corporate pharmacy currently only 25% of market in SA and likely to double in the longer term
- UPD to benefit from growth in Clicks pharmacy, Clicks Direct Medicines and increasing loyalty from Link pharmacy network
- UPD positioned to grow third party agency distribution contracts
- As the market leader the Clicks Group is positioned to capitalise on expected consolidation in the following sectors:
 - retail pharmacy
 - pharmaceutical wholesaling and distribution
 - music and entertainment retailing
- Clicks private label and exclusive brands offer highly price competitive products at higher margins
- Organic growth complemented by tactical acquisitions of related businesses to accelerate growth in new markets



FIVE-YEAR CONSOLIDATED INCOME STATEMENT

for the year ended 31 August

R'm	4-year compound annual growth %	2009	2008 (restated)	2007	2006	2005
Turnover	8.7%	12 175	11 244	11 205	10 001	8 714
Cost of merchandise sold	8.6%	(9 657)	(9 021)	(8 982)	(8 047)	(6 936)
Gross profit	9.1%	2 518	2 223	2 223	1 954	1 778
Other income	9.9%	564	501	501	450	386
Expenses	6.6%	(2 373)	(2 126)	(2 190)	(2 010)	(1 835)
Depreciation and amortisation	3.6%	(114)	(95)	(98)	(103)	(99)
Occupancy costs	4.5%	(352)	(303)	(336)	(317)	(295)
Employment costs	9.2%	(1 157)	(993)	(1 040)	(942)	(815)
Other costs	4.6%	(750)	(735)	(716)	(648)	(626)
Operating profit	21.2%	709	598	534	394	329
Adjustment for capital items		(7)	39	27	(5)	(23)
Profit before financing costs	23.1%	702	637	561	389	306
Net financing costs	2.9%	(55)	(51)	(39)	(58)	(49)
Financial income		14	19	16	11	8
Financial expense		(69)	(70)	(55)	(69)	(57)
Profit before tax	26.0%	647	586	522	331	257
Income tax expense	22.8%	(175)	(145)	(141)	(84)	(77)
Profit for the year	27.3%	472	441	381	247	180
Attributable to:						
Equity holders of the parent		472	441	381	247	180
Adjustment for:						
Impairment of property, plant and equipment		–	–	–	3	4
Loss/(profit) on disposal of property, plant and equipment		6	(12)	(24)	1	–
Profit on sale of Discom		–	(28)	–	–	–
Profit on sale of operations		–	(1)	–	–	–
Goodwill impairment		–	–	–	1	17
Headline earnings	24.2%	478	400	357	252	201
Headline earnings per share (cents)						
– undiluted	29.8%	167.7	134.0	106.1	73.1	59.0
– diluted	30.4%	165.9	131.5	103.0	71.0	57.4
Earnings per share (cents)						
– undiluted	33.1%	165.6	148.0	113.2	71.4	52.7
– diluted	33.7%	163.8	145.2	109.9	69.4	51.3
Number of shares in issue (m)		303	324	336	355	370
Weighted average number of shares (net of treasury shares) (m)		285	298	336	344	340
Weighted average diluted number of shares (net of treasury shares) (m)		288	304	346	354	349

Notes:

- The income statements include the results of the Discom business unit disposed of during September 2007 as if part of continuing operations and not as discontinued operations.
- For an explanation of terms used, please refer to the Definitions section on page 131 of this report.

FIVE-YEAR CONSOLIDATED BALANCE SHEET

at 31 August

R'm	4-year compound annual growth %	2009	2008 (restated)	2007	2006	2005
Assets						
Non-current assets		1 362	1 253	1 334	1 284	1 299
Property, plant and equipment	5.5%	830	734	745	697	669
Investment property		–	–	–	7	7
Intangible assets		302	302	391	397	397
Goodwill		96	86	84	84	84
Deferred tax assets		88	73	45	24	74
Loans receivable		46	58	69	75	68
Current assets		2 819	2 332	2 676	2 399	2 033
Inventories	(0.3%)	1 422	1 371	1 403	1 443	1 440
Trade and other receivables	15.1%	908	808	796	879	518
Loans receivable		11	8	5	1	–
Cash and cash equivalents		410	101	413	40	60
Derivative financial assets		68	44	59	36	15
Total assets	5.8%	4 181	3 585	4 010	3 683	3 332
Equity and liabilities						
Equity	(5.6%)	1 126	1 141	1 296	1 593	1 417
Share capital		3	3	3	4	4
Share premium		–	121	436	816	964
Share option reserve		25	24	24	20	14
Treasury shares		(488)	(463)	(259)	(70)	(250)
Other reserves		(5)	–	–	–	1
Distributable reserve		1 589	1 456	1 092	823	684
Equity attributable to equity holders of the parent		1 124	1 141	1 296	1 593	1 417
Minority interest		2	–	–	–	–
Non-current liabilities		317	371	338	326	309
Interest-bearing borrowings		37	62	78	151	168
Employee benefits		91	131	65	28	17
Deferred tax liabilities		83	80	92	46	38
Operating lease liability		106	98	103	101	86
Current liabilities		2 738	2 073	2 376	1 764	1 606
Bank overdraft		–	–	–	47	14
Trade and other payables	15.1%	2 408	1 828	1 902	1 490	1 370
Employee benefits		241	104	136	105	71
Provisions		6	8	48	41	42
Interest-bearing borrowings		30	54	203	63	93
Income tax payable		33	76	87	18	13
Derivative financial liabilities		20	3	–	–	3
Total equity and liabilities	5.8%	4 181	3 585	4 010	3 683	3 332

Notes:

- The 2007 balance sheet presents the group balance sheet including the Discom assets and liabilities rather than as part of non-current assets and liabilities held for sale. The Discom business unit was disposed of during September 2007.
- The minority interest originated in the 2008 financial year and was less than R1 million, hence being reported as zero.
- The Discom and Clicks trademarks were reinstated in 2005 after the adoption of IFRS.
- The share premium has been used for distributions to shareholders as well as share cancellations in the 2007, 2008 and 2009 financial years.
- For an explanation of terms used, please refer to the Definitions section on page 131 of this report.

