

DIRECTORS' REPORT

NATURE OF BUSINESS

The company is an investment holding company listed in the Food and Drug Retailers sector of the JSE Limited. Its subsidiaries include the country's leading provider of health and beauty merchandise through a network of 795 stores in southern Africa. The company's subsidiaries cover the pharmaceutical supply chain from wholesale and distribution to retail pharmacy, as well as beauty and cosmetic products. The company operates primarily in southern Africa.

GROUP FINANCIAL RESULTS

The results of operations for the year are set out in the consolidated statement of comprehensive income on page 10. The profit attributable to ordinary shareholders for the year is R1 278 million (2016: R1 094 million).

SHARE CAPITAL

During the year under review the company had the following movements in share capital:

9 612 240	shares held by subsidiaries of the company as treasury shares at 31 August 2016
<u>(168 795)</u>	shares cancelled on 1 February 2017
9 443 445	shares held by subsidiaries of the company as treasury shares at 31 August 2017

DIVIDENDS TO SHAREHOLDERS

Interim

The directors approved an interim ordinary dividend of 88 cents per ordinary share (2016: 76 cents per ordinary share) from distributable reserves. The dividend was paid on 3 July 2017 to shareholders registered on 30 June 2017.

Final

The directors have approved a final ordinary dividend of 234 cents per ordinary share (2016: 196 cents per ordinary share) and a dividend of 32.2 cents per "A" share (2016: 27.2 cents) for participants in the employee share ownership programme. The source of such dividends will be from distributable reserves. The dividend will be payable on 29 January 2018 to shareholders registered on 26 January 2018.

EVENTS AFTER THE FINANCIAL YEAR-END

Other than the declaration of the final dividend, no significant events took place between the end of the financial year and the date of this report.

DIRECTORS AND SECRETARY

Dr Nkaki Matlala retired as a director with effect from 26 January 2017.

The names of the directors in office at the date of this report are:

Independent non-executive directors

David Nurek (chairman)
Fatima Abrahams

John Bester
Fatima Jakoet
Nonkululeko Gobodo (appointed 1 March 2017)
Martin Rosen

Executive directors

David Kneale (chief executive officer)
Michael Fleming (chief financial officer)
Bertina Engelbrecht

The company secretary's details are set out on the inside back cover.

RETIREMENT AND RE-ELECTION OF DIRECTORS

In accordance with the company's memorandum of incorporation Fatima Abrahams, John Bester, Bertina Engelbrecht and Michael Fleming retire by rotation at the forthcoming annual general meeting. All of these directors, being eligible, offer themselves for re-election at the 2018 AGM. Nonkululeko Gobodo, having been appointed by the board in the course of the year, is also standing for election at the 2018 AGM.

DIRECTORS' INTEREST IN SHARES

In terms of the cash-settled long-term employee incentive scheme which requires all participants at the end of the three-year incentive performance period to purchase shares on the open market to the equivalent of 25% of the after-tax cash settlement value, the executive directors of the company made the following purchases on 1 December 2016 at an average price of R120.00 per share: David Kneale purchased 16 080 shares, Michael Fleming purchased 6 028 shares and Bertina Engelbrecht purchased 3 970 shares. On 2 December 2016 at an average price of R119.99 per share: David Kneale purchased 9 488 shares, Michael Fleming purchased 3 556 shares and Bertina Engelbrecht purchased 2 343 shares. Directors' shareholdings are set out on page 71.

INCENTIVE SCHEMES

Information relating to the incentive schemes is set out on pages 47 to 49.

SPECIAL RESOLUTIONS

Special resolutions passed at the annual general meeting held on 26 January 2017:

Special Resolution No. 1: General authority to repurchase shares

Special Resolution No. 2: Approval of directors' fees

Special Resolution No. 3: General approval to provide financial assistance

Special Resolution No. 4: Specific authority to repurchase shares from New Clicks Holdings Share Trust

SUBSIDIARY COMPANIES

The names of the company's main subsidiaries and financial information relating thereto appear on page 69.