

retail turnover
up

15.4%

operating profit
up

20.1%

diluted headline
EPS up

26.2%

total distribution
per share up

37.5%

return on equity
increases to

42.3%

Commentary

Overview

The trading and financial performance over the past year reflects the benefits of a clear strategic focus which has entrenched the group's market leadership in healthcare retail and supply through Clicks and UPD.

The high levels of real growth in retail turnover and earnings also highlight the defensive nature of the business in the current tough economic climate.

The key indicator of diluted headline earnings per share (HEPS) increased by 26.2% through improved trading and efficient cash and capital management. Diluted HEPS has grown at a four-year compound rate of 30.4%.

Return on shareholders' interest (ROE) rose strongly from 32.8% to 42.3% and has increased threefold since 2005. The group has set a revised medium-term target range for ROE of 40% – 50%.

Financial performance

Group turnover from continuing operations increased by 8.8% to R12.2 billion (2008: R11.2 billion). Retail turnover rose by 15.4% as the Clicks chain produced another year of excellent growth and lifted turnover by 17.7%. Selling price inflation for the retail businesses was 8.6%.

Turnover in UPD increased by 4.4% as the business was repositioned during the year to focus on customer profitability and better operating efficiencies. Price inflation was 9.2%.

Total income, consisting of gross profit and other income, increased 13.8% to R3.1 billion.

Operating expenses increased 12.0%, with continued investment in stores, pharmacies and the acquisition of Direct Medicines.

Operating margin increased from 5.3% to 5.8%, with the margins of Clicks and UPD both benchmarking favourably against comparable international businesses. The enhanced margin translated into growth of 20.1% in operating profit from continuing operations to R709 million.

Headline earnings increased 19.7% to R478 million. Diluted HEPS increased 26.2% to 165.9 cents per share, in line with the earnings guidance provided in the group's trading statement on 30 September 2009.

A final distribution of 59.5 cents per share has been declared, bringing the total distribution for the year to 84.0 cents, an increase of 37.5% on the previous financial year. As previously advised to shareholders, distribution cover has been reduced to two times undiluted headline earnings from the 2009 financial year.

Inventory continued to be well managed, with the group's inventory days improving from 55 to 54 days while the increase in inventory levels was contained to 3.7%, well below the rate of turnover growth.

The group generated net cash of R309 million after capital expenditure (R225 million), distributions (R191 million) and share buy-backs (R338 million).

Trading performance

Clicks produced another strong all-round trading performance as turnover increased by 17.7%, with second half sales growing by 20.1%. Comparable store sales rose 15.3%. Clicks increased its national pharmacy base to 207 following the opening of 50 in-store dispensaries

during the year. Improved inventory management and enhanced efficiencies lifted the operating margin to 6.5% (2008: 6.1%), resulting in operating profit growth of 25.9%.

UPD's strategy to focus on loyal, profitable customers has seen sales to the core customer groups of Clicks, Clicks Direct Medicines, hospitals and Link pharmacies increasing to 76% (2008: 65%) of UPD's wholesale sales. The repositioning has realised further operating efficiencies and helped lead to a 12.4% improvement in operating profit. During the year UPD invested R30 million to further develop the capability to grow its third party distribution agency business.

The slow-down in discretionary spending continues to impact Musica as turnover grew by 0.8%. Musica remains the leading entertainment retailer and continues to gain market share. Operating profit for the period increased 0.5%, a creditable performance in the prevailing market conditions.

The Body Shop benefitted from new store openings and increased turnover by 8.7%, with operating profit up 4.7%.

Strategy and outlook

The integrated healthcare retail and supply model provides a unique positioning for the Clicks Group in South Africa. Growth and performance will be driven through the core strategic objectives of creating pre-eminence in health and beauty retailing and pre-eminence in healthcare supply and pharmacy management.

Good organic growth prospects should lead to market share increases through the expansion of the Clicks store base and roll-out of in-store pharmacies, and continued

growth in the health and beauty markets, while UPD is expected to benefit from sales growth in Clicks and Link, as well as new revenue opportunities in export sales and third party distribution agencies.

Management does not expect an increase in consumer spending in the short term. Trading for the first seven weeks of the new financial year has continued in line with the performance for the 2009 financial year.

Shareholder distribution

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.

Shareholders are advised of the following salient dates relating to the distribution:

Last day to trade "cum" the distribution	Friday, 15 January 2010
Shares trade "ex" the distribution	Monday, 18 January 2010
Record date	Friday, 22 January 2010
Payment to shareholders	Monday, 25 January 2010

Share certificates may not be dematerialised or rematerialised between Monday, 18 January 2010 and Friday, 22 January 2010, both days inclusive.

By order of the board

David Janks
Company Secretary

Cape Town
22 October 2009



Consolidated Income Statement

R'000	Year to 31 August 2009 (reviewed)	Year to 31 August 2008 (audited) (restated)	% change
Continuing operations			
Revenue	12 754 202	11 711 517	8.9
Turnover	12 175 312	11 193 577	8.8
Cost of merchandise sold	(9 657 930)	(8 984 267)	7.5
Gross profit	2 517 382	2 209 310	13.9
Other income	564 482	499 209	13.1
Expenses	(2 372 694)	(2 118 071)	12.0
Depreciation and amortisation	(113 665)	(95 378)	19.2
Occupancy costs	(352 055)	(306 488)	14.9
Employment costs	(1 156 928)	(986 128)	17.3
Other costs	(750 046)	(730 077)	2.7
Operating profit	709 170	590 448	20.1
(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	15.9
Net financing costs	(54 773)	(51 184)	7.0
Financial income	14 408	18 731	
Financial expense	(69 181)	(69 915)	
Profit before taxation	647 220	554 433	16.7
Income tax expense	(174 619)	(146 897)	18.9
Profit for the year from continuing operations	472 601	407 536	16.0
Discontinued operations			
Profit for the year from discontinued operations	-	33 538	
Total profit for the year	472 601	441 074	7.1
Attributable to:			
Equity holders of the parent	472 387	441 201	7.1
Minority interest	214	(127)	
	472 601	441 074	
Earnings per share (cents)	165.6	148.0	11.9
Diluted earnings per share (cents)	163.8	145.2	12.8
Distributions per share (cents)			
Interim paid	24.5	18.8	30.3
Final declared/paid	59.5	42.3	40.7
	84.0	61.1	37.5

Headline Earnings Reconciliation

R'000	Year to 31 August 2009 (reviewed)	Year to 31 August 2008 (audited) (restated)	% change
Total profit for the year attributable to equity holders of the parent	472 387	441 201	
Adjustments for			
Loss/(profit) on disposal of property, plant and equipment	6 100	(12 412)	
Profit on disposal of business	-	(29 162)	
Headline earnings	478 487	399 627	19.7
Headline earnings per share (cents)	167.7	134.0	25.1
Diluted headline earnings per share (cents)	165.9	131.5	26.2

Condensed Consolidated Changes in Equity

R'000	Year to 31 August 2009 (reviewed)	Year to 31 August 2008 (audited) (restated)
Opening balance	1 141 604	1 296 188
As restated for the adoption of IFRIC 13 "Customer Loyalty Programmes"	-	(1 641)
Opening balance – restated	1 141 604	1 294 547
Acquisition of subsidiary – minority interest	1 925	273
Share cancellation expenses written off	(99)	(383)
Net cost of own shares purchased	(295 114)	(437 210)
Foreign currency translation reserve	(285)	50
Acquisition of option in subsidiary	(4 987)	-
Profit for the year	472 601	441 074
Share option reserve	717	46
Distributions to shareholders	(191 099)	(156 793)
Total	1 125 263	1 141 604

Condensed Consolidated Balance Sheet

R'000	As at 31 August 2009 (reviewed)	As at 31 August 2008 (audited) (restated)
Non-current assets	1 361 915	1 252 989
Property, plant and equipment	829 513	734 485
Intangible assets	302 313	302 141
Goodwill	96 124	85 811
Deferred tax assets	88 243	72 482
Loans receivable	45 722	58 070
Current assets	2 819 291	2 332 333
Inventories	1 421 496	1 370 889
Trade and other receivables	908 398	807 897
Loans receivable	11 342	8 064
Cash and cash equivalents	409 754	101 139
Derivative financial assets	68 301	44 344
Total assets	4 181 206	3 585 322
Equity and liabilities		
Total equity	1 125 263	1 141 604
Non-current liabilities	317 753	370 635
Interest-bearing borrowings	37 428	61 460
Employee benefits	91 134	130 866
Deferred tax liabilities	83 351	80 216
Operating lease liabilities	105 840	98 093
Current liabilities	2 738 190	2 073 083
Trade and other payables	2 408 117	1 827 998
Employee benefits	240 596	104 262
Provisions	6 254	7 630
Interest-bearing borrowings	29 877	54 180
Income tax payable	33 316	75 956
Derivative financial liabilities	20 030	3 057
Total equity and liabilities	4 181 206	3 585 322

Condensed Consolidated Cash Flow Statement

R'000	Year to 31 August 2009 (reviewed)	Year to 31 August 2008 (audited) (restated)
Profit before working capital changes	825 407	722 059
Working capital changes	489 583	(222 516)
Net interest paid	(28 337)	(42 612)
Taxation paid	(229 158)	(192 609)
Cash inflow from operating activities before distributions	1 057 495	264 322
Distributions paid to shareholders	(191 099)	(156 793)
Net cash effects of operating activities	866 396	107 529
Net cash effects of investing activities	(218 630)	183 139
(Acquisition of business)/proceeds on disposal of business	(9 924)	314 631
Capital expenditure	(224 625)	(174 300)
Other investing activities	15 919	42 808
Net cash effects of financing activities	(339 151)	(602 804)
Purchase of treasury shares	(337 501)	(607 041)
Other financing activities	(1 650)	4 237
Net increase/(decrease) in cash and cash equivalents	308 615	(312 136)

Segmental Analysis

The split per business unit of turnover and operating profit is as follows:

R'000	Year to 31 August 2009 (reviewed)	Year to 31 August 2008 (audited) (restated)	% change
Turnover			
Clicks	7 238 056	6 147 634	17.7
Musica	947 773	940 650	0.8
The Body Shop	105 432	96 957	8.7
UPD*	5 077 444	4 864 586	4.4
Intragroup elimination	(1 193 393)	(856 250)	39.4
Continuing operations	12 175 312	11 193 577	8.8
Discontinued operations	-	50 140	
Total	12 175 312	11 243 717	8.3
Operating profit			
Clicks	470 238	373 586	25.9
Musica	50 422	50 178	0.5
The Body Shop	16 338	15 602	4.7
Style Studio	-	632	
UPD*	173 412	154 295	12.4
Intragroup elimination	(1 240)	(3 745)	
Continuing operations	709 170	590 448	20.1
Discontinued operations	-	7 277	
Total	709 170	597 725	18.6

* Includes Direct Medicines

Supplementary Information

	31 August 2009 (reviewed)	31 August 2008 (audited) (restated)
Number of ordinary shares in issue ('000)	302 841	324 139
Number of ordinary shares in issue (net of treasury shares) ('000)	276 306	290 325
Weighted average number of shares in issue (net of treasury shares) ('000)	285 249	298 166
Weighted average diluted number of shares in issue (net of treasury shares) ('000)	288 349	303 847
Net asset value per share (cents)	407	393
Net tangible asset value per share (cents)	263	260
Depreciation and amortisation (R'000)	121 917	102 648
Capital expenditure (R'000)	224 625	174 300
Capital commitments (R'000)	224 455	246 600

Notes

Auditor's preliminary report

KPMG Inc., the group's independent auditor has reviewed the preliminary financial statements contained in this preliminary report, and has expressed an unmodified conclusion on the preliminary financial statements. Their review report is available for inspection at the company's registered office. These preliminary financial statements for the year ended 31 August 2009 have been prepared in accordance with accounting policies that comply with International Financial Reporting Standards ("IFRS") and the disclosure requirements of IAS 34, and have been consistently applied with those adopted for the year ended 31 August 2008, except for IFRIC 13 – Customer Loyalty Programmes. The group adopted IFRIC 13, "Customer Loyalty Programmes", on 1 September 2008.

The interpretation applies to customer loyalty award credits that an entity grants to its customers as part of a sales transaction, in terms of IAS 18, and subject to meeting any further qualifying conditions, the customer 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 results for the year ended 31 August 2008 have been restated accordingly. The net impact on the income statement for the year ended 31 August 2008 is a R1.2 million decrease to profit after tax. The net impact on the balance sheet as at 31 August 2008 is a R2.9 million decrease in shareholders' equity, and a R2.9 million increase in total liabilities.

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