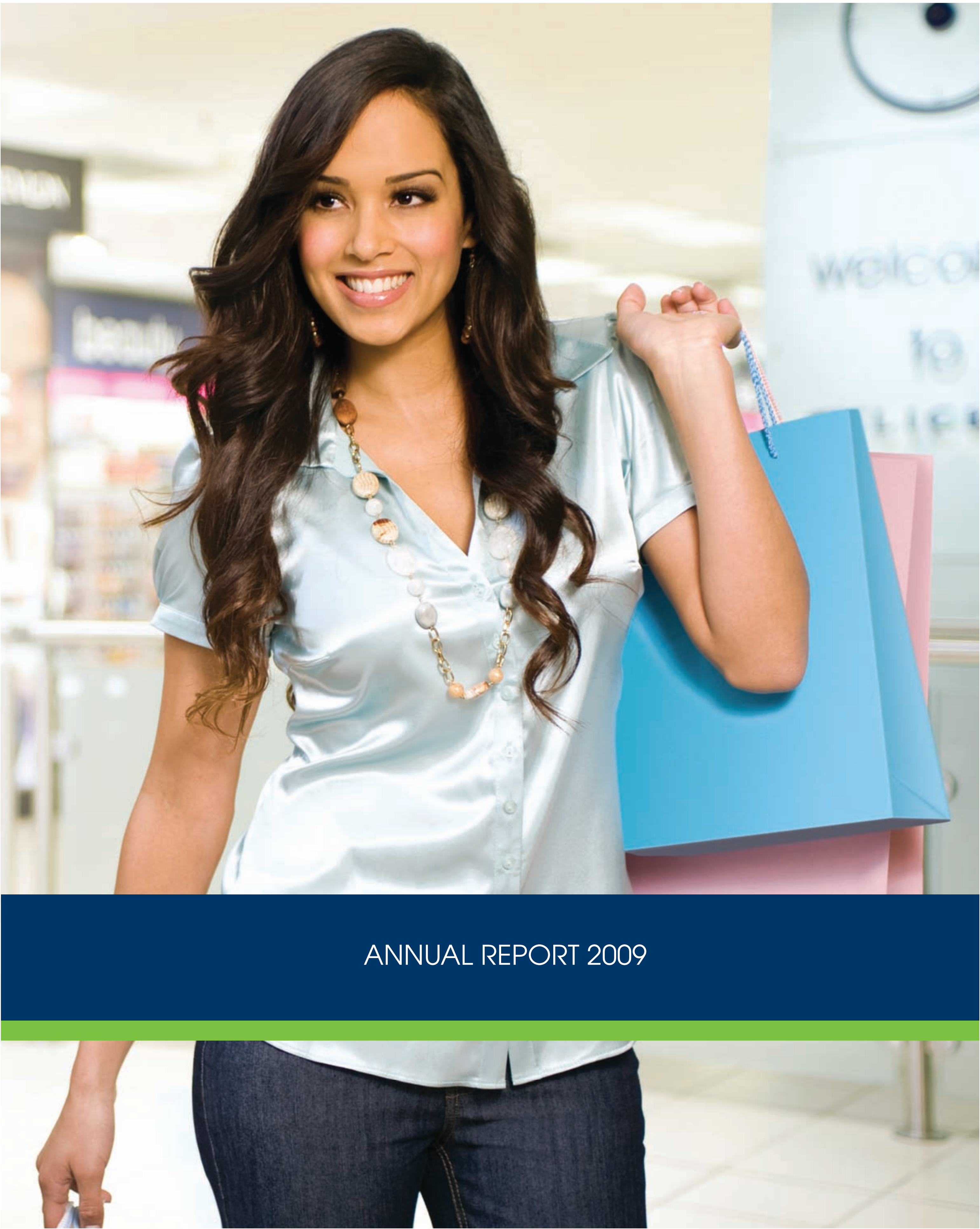
CLICKS GROUP
LIMITED



ANNUAL REPORT 2009

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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%

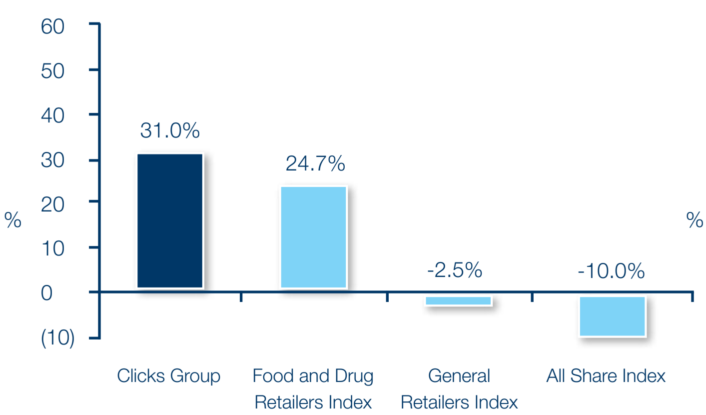
ROE increases from 32.8% to 42.3%

FINANCIAL SUMMARY

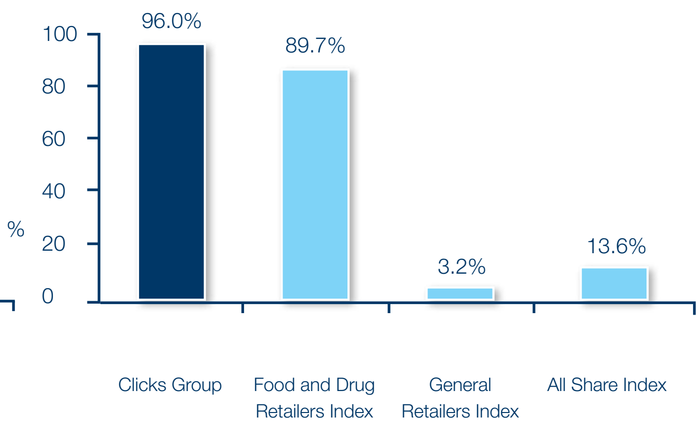
31 August		2009	2008	% change
Turnover	R'm	**12 175.3**	11 193.6	8.8%
Gross profit margin	%	**20.7**	19.7	
Operating profit	R'm	**709.2**	590.4	20.1%
Operating profit margin	%	**5.8**	5.3	
Inventory days	days	**54**	55	
Cash flow from operating activities	R'm	**866.4**	107.5	
Headline earnings	R'm	**478.5**	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

One-year performance



Three-year performance



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

September 2006
Clicks introduces the ClubCard credit card

June 2007
UPD invests R45 million in automated distribution facility

August 2007
Group reaches R10 billion turnover and 500 stores

September 2007
Sale of Discom to Edcon for R216 million

January 2008
Acquisition of Kalahari Medical Distributors in Botswana

July 2008
150th Clicks Pharmacy opens

August 2008
Clicks celebrates its 40th birthday

December 2008
Acquisition of majority stake in courier pharmacy, Direct Medicines

June 2009
Name change from New Clicks Holdings to Clicks Group

June 2009
Transfer to the Food and Drug Retailers sector on the JSE

July 2009
200th Clicks Pharmacy opens

August 2009
Completion of R30 million investment in UPD's distribution facilities

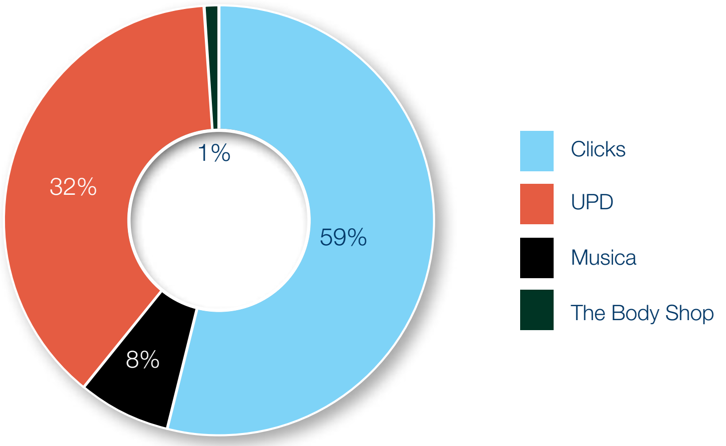
CLICKS GROUP LIMITED

(Listed investment holding company)

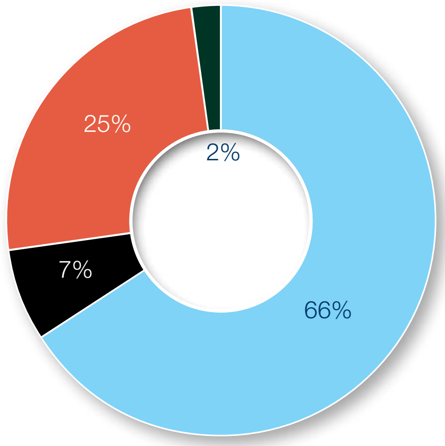
MAJOR FUND MANAGERS	
Investec Asset Management	19.8%
Public Investment Corporation	16.0%
Sanlam Investment Managers	7.8%
Oasis Asset Management	5.9%
Old Mutual Investment Group	5.6%
RMB Asset Management	4.9%

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:

1. 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.
2. 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:

1. 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.
2. The minority interest originated in the 2008 financial year and was less than R1 million, hence being reported as zero.
3. The Discom and Clicks trademarks were reinstated in 2005 after the adoption of IFRS.
4. The share premium has been used for distributions to shareholders as well as share cancellations in the 2007, 2008 and 2009 financial years.
5. For an explanation of terms used, please refer to the Definitions section on page 131 of this report.

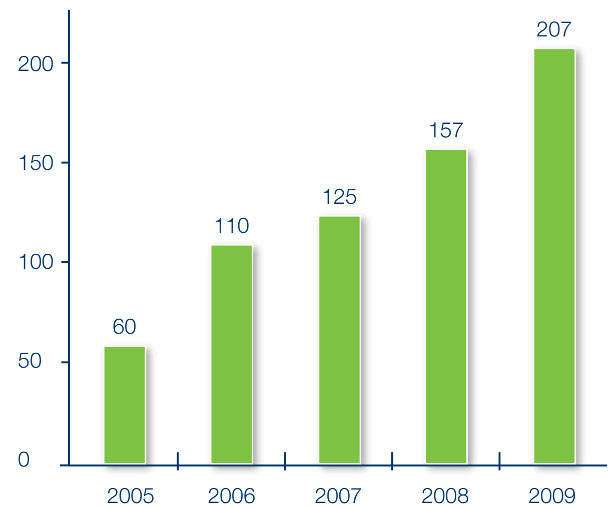
FIVE-YEAR SALIENT FEATURES
for the year ended 31 August

			4-year compound annual growth %	2009
Cash flow				
Net cash effects of operating activities		R'm		**866**
Capital expenditure		R'm	7.3%	**225**
Depreciation and amortisation		R'm	3.8%	**122**
Performance				
Turnover growth		%		**8.3**
Comparable stores' turnover growth		%		**13.2**
Gross profit growth		%		**13.2**
Gross profit margin		%		**20.7**
Operating margin		%		**5.8**
Inventory days				**54**
Current ratio		times		**1.0**
Return on total assets		%		**12.3**
Return on shareholders' interest		%		**42.3**
Interest-bearing debt to shareholders' interest at year-end		%		**6.0**
Interest-bearing debt, including cash, to shareholders' interest at year-end		%		**(30.5)**
Effective tax rate		%		**27.0**
Statistics				
Number of permanent employees				**7 585**
Number of stores				**540**
Weighted retail trading area		m^2		**204 382**
Share statistics				
Number of shares in issue (gross)		m		**302.8**
Number of shares in issue (net of treasury shares)		m		**276.3**
Weighted average number of shares (net of treasury shares)		m		**285.2**
Weighted average diluted number of shares (net of treasury shares)		m		**288.3**
Headline earnings per share	– undiluted	cents		**167.7**
	– diluted	cents	30.4%	**165.9**
Distribution per share		cents	29.7%	**84.0**
Distribution cover		times		**2.0**
Share price	– closing	cents	25.8%	**2 030**
	– high	cents		**2 099**
	– low	cents		**1 192**
Net asset value per share		cents	(0.6%)	**407**
Net tangible asset value per share		cents	(1.2%)	**263**
Market capitalisation (gross)		R'm	19.7%	**6 148**
Market capitalisation (net of treasury shares)		R'm	19.4%	**5 609**
Price earnings ratio		times	(2.9%)	**12.2**
Volume of shares traded		m		**222.3**
Percentage of shares traded		%		**77.9**
Free float (including treasury shares)		%		**91.1**
Shareholders' return		cents		**564**
Increase in share price		cents		**480**
Distribution per share		cents		**84**
Other information				
Inflation rate				
CPI		%		**7.7**
Interest rates				
Prime overdraft rate	– closing	%		**10.5**
	– average	%		**13.3**
R153	– closing	%		**7.4**
	– average	%		**7.6**
FTSE/JSE Africa share indices				
All Share Index				**24 929**
General Retailers Index			2.3%	**24 277**
Food and Drug Retailers Index			10.9%	**4 636**
Exchange rates				
Rand/US Dollar	– closing	R/US$		**7.77**
	– average	R/US$		**9.05**

2008 (restated)	2007	2006	2005
108	1 023	118	(13)
174	155	162	170
103	104	109	105
1.1	12.0	14.8	8.6
9.2	13.2	9.9	8.9
0.1	13.8	9.8	*
19.8	19.8	19.5	20.4
5.3	4.8	3.9	3.8
55	57	66	76
1.1	1.1	1.4	1.3
10.5	9.3	7.2	6.0
32.8	24.7	16.7	14.2
10.1	4.6	7.4	5.4
1.3	(10.2)	13.8	15.1
24.7	27.0	25.5	30.1
7 122	9 076	9 058	8 947
519	665	664	663
194 888	242 211	237 575	249 417
324.1	336.0	355.5	370.3
290.3	316.1	347.6	340.5
298.2	336.3	344.3	339.9
303.8	346.3	354.4	349.4
134.0	106.1	73.1	59.0
131.5	103.0	71.0	57.4
61.1	48.2	33.2	29.7
2.2	2.2	2.2	2.0
1 550	1 525	1 035	810
1 799	1 689	1 121	990
1 185	984	780	690
393	410	459	416
260	260	320	275
5 024	5 123	3 679	2 999
4 500	4 821	3 598	2 758
11.8	14.8	14.2	13.7
300.3	316.1	226.9	131.9
100.7	94.1	65.9	38.8
89.4	96.7	97.1	98.3
86	538	258	70
25	490	225	40
61	48	33	30
11.6	5.8	3.9	2.3
15.5	13.5	11.5	10.5
14.7	12.5	10.7	10.8
9.8	9.3	8.7	7.7
9.9	8.4	7.7	8.0
27 702	28 660	21 954	15 414
24 909	31 715	23 521	22 163
4 369	3 969	3 605	3 070
7.75	7.16	7.19	6.48
7.41	7.20	6.48	6.23

Shareholders' return

Growth in number of Clicks pharmacies



Notes:

1. The income statements include the results of the Discom business unit as if part of continuing operations, which was disposed of during September 2007.
2. For an explanation of terms used, please refer to the Definitions section on page 131 of this report.

* Not available as 2004 income statement was not restated in accordance with IFRS.

BOARD OF DIRECTORS

David Nurek

Fatima Abrahams

John Bester

Bertina Engelbrecht

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, Trencor 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


Fatima Jakoet


David Kneale


Martin Rosen


Keith Warburton

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

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.

96%

share price growth in 3 years

BBBEE rating improved to

level 5

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

CHIEF EXECUTIVE'S REPORT

David Kneale
Chief Executive Officer

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

R12 billion

milestone in group turnover

200th

in-store pharmacy opened

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.

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%.

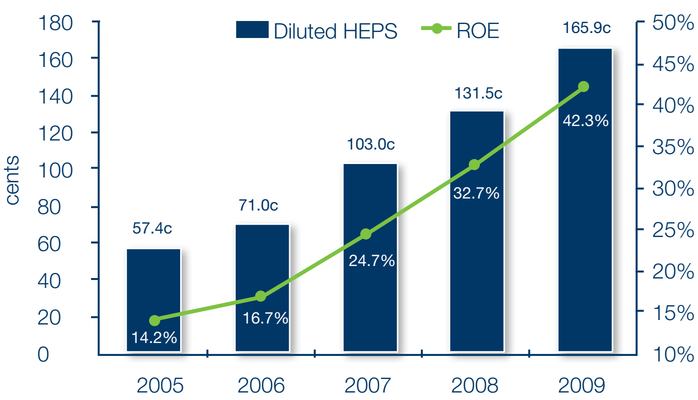
The 37.5% increase in the total distribution to shareholders for the year is testament to the board's confidence in the group's performance and longer term prospects. Distribution cover was reduced to two times undiluted headline earnings per share.

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.

ROE

increased threefold since 2005

All financial targets met or exceeded

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

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 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

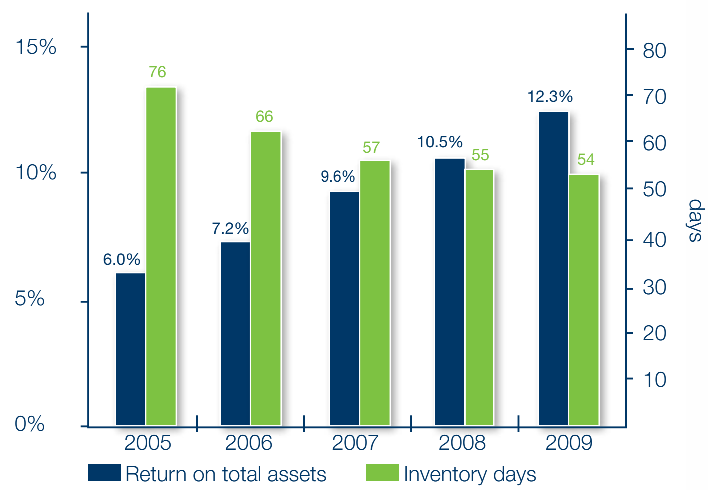
The group strives for efficient management of cash and capital to enhance returns to shareholders while maintaining an optimal capital structure. Management utilises various mechanisms to maintain the ratio of shareholders' interests to total assets in the range of 30% to 35%, including the management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

Return on total assets and inventory days



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	
		2009	2008 (restated)	2009	2008	2009	2008
		R'm	R'm	R'm	R'm	R'm	R'm
Balance sheet							
Property, plant and equipment		**341**	328	**59**	56	**12**	12
Intangible assets (including goodwill)		**272**	272	**–**	–	**–**	–
Inventories		**894**	868	**148**	141	**10**	9
Other assets		**45**	24	**–**	–	**–**	–
Total assets		**1 552**	1 492	**207**	197	**22**	21
Income statement							
Turnover		**7 238**	6 148	**948**	941	**105**	97
Gross profit		**2 015**	1 719	**311**	289	**63**	56
Other income		**239**	215	**27**	23	**–**	–
Operating expenses		**(1 784)**	(1 560)	**(288)**	(262)	**(47)**	(40)
Operating profit*		**470**	374	**50**	50	**16**	16
Ratios							
Increase in turnover	%	**17.7**	12.2	**0.8**	7.7	**8.7**	17.5
Selling price inflation	%	**9.1**	3.9	**4.9**	3.4	**6.0**	4.2
Comparable stores' turnover growth	%	**15.3**	10.2	**–**	2.9	**2.2**	6.8
Gross profit margin	%	**27.8**	28.0	**32.8**	30.7	**59.4**	57.4
Total income margin	%	**31.1**	31.4	**35.6**	33.2	**59.8**	58.0
Increase in operating expenses	%	**14.4**	14.8	**9.8**	7.5	**15.0**	15.4
Increase in operating profit	%	**25.9**	27.1	**0.5**	16.7	**4.7**	13.0
Operating profit margin	%	**6.5**	6.1	**5.3**	5.3	**15.5**	16.1
Inventory days		**62**	72	**85**	79	**86**	82
Number of stores							
– company owned		**346**	326	**156**	158	**38**	35
as at 31 August 2008/2007		**326**	320	**158**	147	**35**	33
opened		**24**	15	**7**	15	**3**	2
closed		**(4)**	(9)	**(9)**	(4)	**–**	–
Number of pharmacies							
– company owned		**207**	157	**–**	–	**–**	–
as at 31 August 2008/2007		**157**	125	**–**	–	**–**	–
new		**14**	2	**–**	–	**–**	–
converted		**38**	30	**–**	–	**–**	–
closed		**(2)**	–	**–**	–	**–**	–
Total leased area	m^2	**234 570**	228 127	**30 550**	29 277	**2 656**	2 480
Weighted retail trading area	m^2	**175 927**	168 285	**26 465**	24 764	**1 990**	1 839
Weighted annual sales per m^2	R	**41 142**	36 531	**35 812**	37 985	**52 971**	52 723
Number of permanent employees		**5 721**	5 422	**837**	825	**114**	104

* 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

Group Services 2009 R'm	Group Services 2008 R'm	Total retail continuing operations*** 2009 R'm	Total retail continuing operations*** 2008 (restated) R'm	UPD** 2009 R'm	UPD** 2008 R'm	Intragroup elimination 2009 R'm	Intragroup elimination 2008 R'm	Total continuing operations*** 2009 R'm	Total continuing operations*** 2008 (restated) R'm
269	217	681	613	149	121	–	–	830	734
29	29	301	301	97	87	–	–	398	388
–	–	1 052	1 018	377	359	(7)	(6)	1 422	1 371
1 080	596	1 125	620	1 128	748	(722)	(276)	1 531	1 092
1 378	842	3 159	2 552	1 751	1 315	(729)	(282)	4 181	3 585
–	–	8 291	7 186	5 077	4 864	(1 193)	(856)	12 175	11 194
–	–	2 389	2 064	130	137	(1)	8	2 518	2 209
–	–	266	238	298	273	–	(12)	564	499
–	–	(2 119)	(1 862)	(254)	(256)	–	–	(2 373)	(2 118)
–	–	536	440	174	154	(1)	(4)	709	590
–	–	15.4	11.7	4.4	13.3	39.4	11.1	8.8	12.4
–	–	8.6	3.8	9.2	3.9	–	–	8.8	3.9
–	–	13.2	9.2	–	–	–	–	13.2	9.2
–	–	28.8	28.7	2.6	2.8	–	–	20.7	19.7
–	–	32.0	32.0	8.4	8.4	–	–	25.3	24.2
–	–	13.8	13.7	(0.7)	13.3	–	–	12.0	13.7
–	–	22.2	25.3	12.4	11.0	–	–	20.2	20.1
–	–	6.5	6.1	3.4	3.2	–	–	5.8	5.3
–	–	65	73	28	28	–	–	54	56
–	–	540	519	–	–	–	–	540	519
–	–	519	500	–	–	–	–	519	500
–	–	34	32	–	–	–	–	34	32
–	–	(13)	(13)	–	–	–	–	(13)	(13)
–	–	207	157	–	–	–	–	207	157
–	–	157	125	–	–	–	–	157	125
–	–	14	2	–	–	–	–	14	2
–	–	38	30	–	–	–	–	38	30
–	–	(2)	–	–	–	–	–	(2)	–
–	–	267 776	259 884	–	–	–	–	267 776	259 884
–	–	204 382	194 888	–	–	–	–	204 382	194 888
–	–	40 567	36 869	–	–	–	–	40 567	36 869
338	318	7 010	6 669	575	453	–	–	7 585	7 122

OPERATIONAL REVIEW

Michael Harvey
Managing Director

Clicks is a specialist health, beauty and homeware retailer focusing mainly on female consumers in the middle and upper income markets. The brand offers value for money in convenient locations and appealing stores. Clicks has the largest retail pharmacy coverage in the country, with over 200 in-store dispensaries and a national direct-to-patient courier pharmacy service. The Clicks ClubCard is the largest customer loyalty programme in the country.

Review of the year

Clicks continued to produce strong sales and profit growth for the year as the business realised the benefits of a focused strategy and the sustained investment that has been made in stores, processes and people in recent years.

The defensive nature of Clicks was again highlighted as the health category grew by 30% in the tough economic environment while the beauty business also proved resilient and lifted sales by 14%. Collectively health and beauty merchandise now account for 77% of Clicks sales.

Clicks' market leadership was affirmed when the chain was again voted the country's number one specialist health and beauty retailer in the Sunday Times Top Retail Brands survey.

The pharmacy expansion programme continued to gather momentum with the opening of 50 new in-store dispensaries, bringing the national pharmacy base to 207 at year-end. Clicks pharmacies process around 1.2 million prescriptions per month and generated turnover of R1.4 billion, resulting in a strong gain in market share.

While pharmacy has been a major sales driver, front shop health products as well as baby merchandise also experienced excellent growth.

Following the group's acquisition of courier pharmacy Direct Medicines, the business was rebranded as Clicks Direct Medicines and integrated into the Clicks healthcare marketing proposition.

The general merchandise category, which accounted for 23% of sales, continued to be impacted by the slowdown in discretionary spending. The overall growth of 6% in general merchandise was mainly driven by the convenience categories of cleaning aids and confectionery. General merchandise is core to the customer offer as it enhances margin, increases basket value and positions Clicks as a destination for gifting.

The private label and exclusive brands strategy is a key driver of sales and margin and accounted for 17.6% of sales across all merchandise categories. Private label products offer better value to customers and entrench loyalty to the brand. During the year the first private label medicines and colour cosmetics products were introduced.

The active ClubCard membership base grew by 130 000 to 2.65 million customers. ClubCard accounted for 70% of sales in the year, with over R160 million being returned to customers in cash-back vouchers.

Clicks expanded the store base to 346 following the opening of a net 20 stores. The Blueprint store design which accentuates Clicks' health and beauty focus has been completed in almost 150 stores and continues to be rolled out at a rapid pace.

A new store design for the beauty department was piloted during the year and following favourable customer response will be incorporated in all new and revamped stores.

The Blueprint Retail project to review stock management processes, compliance and staff scheduling has been completed in 89% of stores and contributed to improved operating efficiencies in the business.

Focus for 2010

Clicks plans to aggressively increase the scale of the business and expects to open 20 to 30 stores in 2010. These new stores,

Market share (%)	2009	2008
Retail pharmacy*	**11.1**	9.0
Front shop health products**	**37.2**	35.5
Beauty products**	**24.5**	25.0

*Per IMS
**Per AC Nielsen

2.65 million
ClubCard loyalty members

50
new pharmacies opened

together with further dispensaries being opened in existing stores, will increase the number of pharmacies by between 30 and 40. At the same time Clicks will grow sales volumes through Clicks Direct Medicines through its unique offer to medical aids.

Homeware is a key focus for Clicks and the customer offer will be enhanced by improving the in-store experience and capitalising on opportunities in bathroom and kitchenware.

As part of the programme to drive operational excellence through continuous improvement the centralisation of the supply chain will be completed in early 2010.

Management recognises that customer service excellence is dependent on the quality of the people and is committed to investing in staff to ensure they are visible, friendly and knowledgeable in meeting the needs of customers.

In the medium-term Clicks plans to grow the chain to at least 500 stores and remains committed to opening a dispensary and clinic in every store. Beauty and home also present exciting longer term growth prospects, underpinned by the development of private label and exclusive brands which is targeted to grow to between 20% and 25% of sales.

Clicks aims to achieve an operating margin of 6% to 7% in the medium term by capitalising on opportunities to extend the scale of the business and maximising organic growth prospects.

OPERATIONAL REVIEW

Lynda van Niekerk
Managing Director

UPD is the country's only national full-range pharmaceutical wholesaler and provides the distribution capability for the Clicks Group's integrated healthcare strategy. The business services retail and chain store pharmacies, hospital pharmacies, dispensing doctors and other wholesalers.

Review of the year

UPD's business model was repositioned this year to focus on loyal and profitable customers and to improve operating efficiencies to ensure sustained competitive advantage.

The strategy included the introduction of a minimum order value of R2 500 and the rationalisation of delivery routes. The impact of the repositioning is reflected in the increase in sales to UPD's core customer groups of Clicks, Clicks Direct Medicines, hospitals and Link pharmacies which collectively accounted for 76% of wholesale sales, compared to 65% in the previous year.

Sales from UPD to Clicks increased by 39% owing to the strong growth in its pharmacy business. UPD supplies the majority of pharmaceutical products to the Life Healthcare and Medi-Clinic private hospitals and sales to these private hospitals increased by 9%.

The repositioning has understandably impacted market share which declined from 26.4% to 23.6%, although UPD remains the market leader and the only national wholesaler.

The introduction of the minimum order value resulted in a 71% increase in the average value per order placed with UPD. At the same time this led to a 31% decline in the number of orders and a reduction of 4.9 million kilometres in deliveries. Headcount reduced by 11%.

UPD has expanded its offering to attract more third party distribution agency business. To develop this capability R30 million was invested in making distribution facilities in Johannesburg and Cape Town compliant to pharmaceutical industry standards. This included the upgrading of the receiving and dispatching facilities, increasing cold chain capacity and extending air-conditioning.

UPD targets independent community pharmacies through the Link buying group which currently has 230 pharmacy members. Sales to Link pharmacies grew by 20% in the second half of the year as a result of these pharmacies buying an increasing proportion of their products from UPD. Value-adding services are provided to Link pharmacies to create increased loyalty to UPD, including training, front shop health marketing support and product development. The Link private label range was relaunched during the year and extended to 100 products.

Export sales in UPD grew 40% following the acquisition of Kalahari Medical Distributors, a pharmaceutical wholesaler in Botswana in the previous financial year.

The group's acquisition of Direct Medicines added a new revenue stream for UPD as 95% of medication dispatched to patients across the country through the courier pharmacy is supplied by UPD.

Market share (%)	2009	2008
Total private pharmaceutical market (value)*	**23.6**	26.4
Total private pharmaceutical market (volume)*	**20.6**	23.8

* Per IMS

R30 million

invested in distribution facilities

39%

increase in UPD sales to Clicks

Focus for 2010

UPD will maintain the focus on its core customer groups and expand revenue opportunities in the year ahead, while continuing to drive efficiencies in the wholesale business.

Third party distribution is a key strategic focus. Following the upgrading of the distribution facilities, UPD is now positioned to tender for multinational contracts to expand its existing R300 million distribution agency business.

UPD will also capitalise on opportunities to grow export sales both in Botswana and other SADC countries.

Management aims to enhance the loyalty of Link pharmacies to buy from UPD and is targeting a 60% purchasing loyalty level, while making the benefits of Link membership more attractive.

On the legislative front UPD will continue to engage with government and the regulators on issues relating to logistics fees, licensing of wholesalers, National Health Insurance and other industry issues likely to impact on UPD.

While UPD's operating margin for the past financial year was 3.4%, management believes that a more sustainable wholesale margin is between 2.7% and 3%. This targeted margin does not factor in any trading benefit from an increase in the single exit price of medicines or the business gaining significant third party distribution contracts in the forthcoming financial year.

OPERATIONAL REVIEW

MUSICA
A WORLD AWAITS

Ralph Lorenz
Managing Director

Musica is the largest retailer of entertainment-related merchandise in the country, targeting consumers in the middle and upper income groups. The merchandise range includes CDs, DVDs, gaming software and consoles, airtime and lifestyle products.

Review of the year

Musica capitalised on its position as the leading entertainment retailer to gain market share in the current economic climate, while management continued to focus on de-risking the business model to improve returns.

Musica is now a broad-based entertainment business with non-music products such as DVD and gaming accounting for 47% of total turnover. The resilience of CD sales in the current environment leaves 53% of turnover still in music.

DVD and gaming sales continued to soften but still showed positive growth for the year. CD sales were down marginally but were sustained through the strong performance of Afrikaans music which increased by 19% for the year.

Musica continues to review its property profile to optimise trading locations for its entertainment offering. During the year seven new stores were opened and nine closed, bringing the store base to 156 at year-end. A new megastore was opened in Canal Walk (Cape Town) late in the reporting period.

Musica won the Xbox Retailer of the Year award, highlighting the brand's positioning as a gaming specialist. The brand was also voted the best CD retailer in the Readers' Choice Awards 2009.

Focus for 2010

While the trading environment is likely to remain challenging in the short term, the gaming and DVD markets will grow as the economy recovers. This growth is expected to be aided by new formats such as Blu-ray DVD, and declining prices, notably in gaming consoles.

The CD market will decline steadily in the medium term, although at a slower rate than being experienced in overseas markets. This slower decline will mainly be due to the strength of the local music sector and lower broadband penetration in South Africa which is a limiting factor for digital music downloading. Musica aims to continue to drive market share growth in music in the year ahead.

Market share (%)	2009	2008
CD	**44**	41
DVD	**23**	22
Gaming software	**9**	9

Per RISA/supplier data/GfK

Musica is focused on opening stores in destination locations. Five new stores are planned for 2010 although no net growth is expected in the store portfolio owing to further planned closures. An additional 20 stores will be refurbished in the new brand identity, bringing to 43 the number of stores in the new design.

Shortly after year-end the Clicks ClubCard loyalty programme was launched into all Musica stores nationally. This follows a successful pilot in Musica stores in the Western Cape. This will enable Musica to engender brand loyalty through exclusive offers to ClubCard members.

THE BODY SHOP™

Carol Poolton
General Manager

The Body Shop is a global brand marketing naturally-inspired luxury toiletries, cosmetics, gifting and grooming. Operating in the “mass-tige” segment of the beauty market, The Body Shop serves mainly female consumers in the upper and middle income markets. Products are priced well below premium brands but the international status enables the brand to attract aspirational customers.

Review of the year

The Body Shop delivered credible sales growth of 8.7% in an environment of slower discretionary spending. The performance was driven by successful store openings and increasing product innovation in the second half of the year.

Product categories which gained market share were bath and body, fragrances, men’s grooming and well-being, largely attributable to exciting new product ranges. Slower growth was experienced in skincare, make-up and gifting, primarily due to limited product innovation.

The brand continues to enjoy a loyal following owing to its heritage as the original “green” brand with a social conscience. Natural, organic and eco-friendly beauty products are gaining popularity in South Africa and as the market leader in this area The Body Shop is well positioned to capitalise on this trend.

The “Love Your Body” loyalty programme was relaunched early in the year with an enhanced social responsibility component, in line with the brand’s key values.

During the year 24 000 new “Love Your Body” cards were sold and the programme now accounts for around 23% of sales. The database of members exceeds 80 000. The average basket size of loyalty cardholders continues to be more than 50% higher than non-cardholders. The membership base is highly responsive to promotional offers and the launch of a website during the year has enabled the business to communicate more effectively with loyal customers.

The store base was increased to 38 with the opening of new stores in Fourways, Bedfordview and The Grove. The store in Fourways has exceeded expectations and ranks in the top 10 stores after trading for less than a year.

Following the supply problems experienced in the previous financial year, stock availability levels were restored and improved to 96% in stores.

Focus for 2010

The Body Shop continues to be a destination for gifting, with increased ranges and more appropriate offerings for South Africa providing opportunities to expand this category in the year ahead.

Gifting will be featured throughout the year rather than at specific promotional periods to maximise all gifting occasions.

A pilot project has been launched to offer an edited range of The Body Shop products in selected Clicks stores.

Three new stores are planned for the 2010 financial year, with locations already secured in premium malls.


uscular pain
colds & flu
allergy relief
cou
ADCO

CORPORATE REPORTS

CORPORATE GOVERNANCE REPORT

Striving for best governance practice

Introduction

Clicks Group is committed to adopting sound corporate governance practices throughout its business to protect the interests of the group and its stakeholders.

The group endorses the Code of Corporate Practices and Conduct contained in the King Committee Report on Corporate Governance (King II). The directors believe Clicks Group complies with both King II and the relevant governance provisions in the Listings Requirements of the JSE Limited.

Clicks Group also recognises that sustainable development is a core component of corporate governance and embraces practices which contribute to the long-term sustainability of the business and society. The group's progress on social, economic and environmental management is contained in the Sustainability Report on pages 46 to 55.

Governance enhancements in 2009

Governance processes and structures are regularly reviewed to reflect internal developments and to align with local and global best practice. During the year the following enhancements were made to governance structures:

- The mandate of the risk committee was extended to include responsibility for governance and environmental sustainability, and the terms of reference of the committee are being amended accordingly.
- The risk management process was further embedded into the group's annual business planning cycle, with a risk methodology being developed and detailed risk registers compiled for the group and individual business units.
- Owing to the increasing regulatory and governance requirements facing companies, a decision was made to build legal capacity within the group. An experienced attorney was appointed to the newly created position of head of group legal counsel and this role was combined with the position of company secretary.
- During the year a legal compliance officer was appointed to monitor compliance with existing and new legislation and regulation.
- An evaluation was undertaken to assess the group's processes relative to the provisions of the new Companies Act 2008 which has been promulgated and is expected to be implemented in 2010.
- An analysis of the new Companies Act was presented to the board by the group's attorneys, with particular reference to the directors' responsibilities under the new Act.
- Ongoing liaison between the head of group legal counsel, the legal compliance officer and head of internal audit has ensured that compliance and risk issues are integrated into the company's structures.
- An analysis of current and pending legislation and regulation is presented at each meeting of the board, audit committee and risk committee.
- An audit committee report has been prepared for the first time and is included in the annual report, in compliance with the requirements of the Companies Act as amended by the Corporate Laws Amendment Act.
- Shortly after the end of the reporting period, the King III Report was published. The head of group legal counsel and head of internal audit are reviewing the provisions of the new code relative to the group's practices.

Board of directors

Board composition

Clicks Group has a unitary board structure with nine directors, including four salaried executive directors and five non-executive directors. Biographical details of the directors appear on pages 12 and 13.

The following changes were made to the board during the year:

- John Bester was appointed to the board as an independent non-executive director effective 1 October 2008.
- Robert Lumb resigned as a director with effect from 30 November 2008 and Professor Peter Eagles resigned with effect from 29 June 2009.

All the non-executive directors, including the chairman, are currently considered to be independent in terms of both the King II definition and the guidelines outlined in the JSE Listings Requirements. As all the non-executive directors are independent, this provides the necessary objectivity for the effective functioning of the board.

The roles of the independent non-executive chairman, David Nurek, and the chief executive officer, David Kneale, are separate and clearly defined. This division of responsibilities at the helm of the company ensures a balance of authority and power, with no one individual having unrestricted decision-making powers.

The non-executive directors have extensive business experience and specialist skills across a range of sectors, including accounting, finance, law, retailing and human resources. This enables them to provide balanced and independent advice and judgement in the decision-making process.

Non-executive directors have direct access to management and may meet with management independently of the executive directors.

The company has no controlling shareholder or group of shareholders and there is no direct shareholder representation on the board.

The board meets at least four times a year. Additional meetings can be convened to consider specific business issues which may arise between scheduled meetings. No additional meetings were required during the year.

Board charter

The scope of authority, responsibility, composition and functioning of the board is contained in a formal charter which is regularly reviewed. The directors retain overall responsibility and accountability for:

- Approving strategic plans;
- Monitoring operational performance and management;
- Ensuring effective risk management and internal controls;
- Legislative and regulatory compliance;
- Approval of significant accounting policies and annual financial statements;
- Selection, orientation and evaluation of directors;
- Appropriate remuneration policies and practices;
- The ongoing sustainability of the business; and
- Balanced and transparent reporting to shareholders.

Board appointment

The nominations committee considers directors for appointment to the board and motivates these candidates to the board in a thorough and transparent process.

Newly appointed directors undergo a formal induction programme which outlines their fiduciary duties and provides an in-depth understanding of the group and its operations. This includes meetings with business unit heads and visits to stores and distribution centres.

Directors do not have a fixed term of appointment. One-third of the directors are required to retire by rotation each year and are eligible for re-election by shareholders at the annual general meeting (AGM). Directors appointed during the year are required to have their appointments ratified at the following AGM.

The chief executive officer is subject to a 12-month notice period, and the other executive directors a six-month period.

Executive directors retire at the age of 63, while there is no prescribed retirement age for non-executive directors.

Group executive committee

Executive management and the board work closely together in determining the strategic objectives of the group. Authority has been delegated by the board to the chief executive officer and the group executive committee for the implementation of the strategy and the ongoing management of the business. The group executive committee comprises the four executive directors. The board is apprised of progress through reporting at board meetings and regular communications with management.

The responsibilities of the group executive include:

- Developing and implementing the group strategic plan;
- Preparing budgets and monitoring expenditure;
- Monitoring operational performance against agreed targets;
- Adhering to financial and capital management policies;
- Determining human resources policies and practices; and
- Identifying and mitigating risk.

Company secretary

The company secretary is responsible for ensuring that board procedures and all regulations and governance codes are observed. He also provides guidance to the directors on governance, compliance and their fiduciary responsibilities.

Directors have unrestricted access to the advice and services of the company secretary. They are entitled to seek independent professional advice at the company's expense after consultation with the chairman of the board. No directors exercised this right during the year. Directors also have unrestricted access to all company information.

The company secretary co-ordinates the induction programme for newly appointed directors, as well as the annual board evaluation process. The appointment and removal of the company secretary is a matter for the board and not executive management.

Allan Scott retired as company secretary with effect from 31 March 2009. With effect from 1 July 2009, he was replaced by David Janks who was appointed as head of group legal counsel and company secretary. During the interim period ahead of Mr Janks' appointment, Annalize Booysen, the group tax manager, served as the company secretary.

Board evaluation

An annual questionnaire-based evaluation is undertaken by the directors which includes an assessment of the performance of the board, the chairman, the chief executive officer, individual directors and all board committees. The key issues covered include the board role and agenda setting; the size, composition and independence of the board; director orientation and development; and board meetings. The chairman of the board discusses the results of these reviews with the board, the chairpersons of the board committees and with each director.

Board and committee structure

The directors have delegated specific functions to committees to assist the board in meeting its oversight responsibilities. The committees all have clearly defined mandates which are reviewed annually and the directors confirm that the committees have functioned in accordance with these written terms of reference during the financial year. All board committees are chaired by independent non-executive directors.

CLICKS GROUP
Board of directors
Five non-executive directors
Four executive directors

AUDIT
Chair: John Bester
Fatima Jakoet
David Nurek

TRANSFORMATION
Chair: Fatima Abrahams
Bertina Engelbrecht
Michael Harvey
David Kneale • David Nurek

REMUNERATION
Chair: David Nurek
Fatima Abrahams
John Bester

RISK
Chair: Fatima Jakoet
John Bester • Bertina Engelbrecht
David Kneale • David Nurek
Keith Warburton

NOMINATIONS
Chair: David Nurek
Fatima Abrahams
Martin Rosen

Audit committee

Role: Ensure that management has created and maintained an effective control environment in the group. Further detail is contained in the audit committee report on pages 60 to 61.

Functions

- Review and approve the appropriateness of accounting 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, which reports to the audit committee;
- Ensure no limitations are imposed on the scope of the internal and external audits;
- Confirm the nomination and appointment of the group's auditors and be satisfied that the auditors are independent;
- Approve the terms of engagement and fees paid to the auditors;
- Ensure the appointment of the auditor complies with the relevant legislation;
- Determine the nature and extent of any non-audit services which the auditors may provide to the company; and
- Ensure that any non-audit services provided to the company by the auditors are preapproved by the audit committee.

Remuneration committee

Role: Ensure the group has a competitive remuneration policy to attract, retain and reward quality staff.

Functions

- Ensure that the group has a remuneration policy which is aligned with the group strategy and performance goals;
- Assess and review remuneration policies, employee short-term and long-term incentive schemes and performance bonuses;
- Approve the remuneration of executive directors and senior management;
- Propose fees for non-executive directors, which are tabled for shareholder approval at the annual general meeting; and
- Determine executive and staff participation in the long-term incentive schemes.

Risk committee

Role: Assess risk management processes and procedures adopted by management and ensure compliance with governance and sustainability principles contained in King II.

Functions

- Review risk management processes;
- Assess the risk tolerance levels of the business;
- Review the risk philosophy, strategies and policies;
- Evaluate the basis and adequacy of insurance cover;
- Ensure internal audit is aligned with risk management processes;
- Identify emerging areas of risk;
- Ensure ongoing compliance with good governance principles;
- Identify areas of governance non-compliance and propose remedial action; and
- Oversee the group's environmental sustainability management practices.

Nominations committee

Role: Ensure optimal functioning of the board, oversee the composition of the board, the appointment of directors and succession planning.

Functions

- Advise on the composition of the board, review the board structure, size and balance between non-executive and executive directors;
- Identify and recommend qualified candidates for directorships;
- Ensure that the board has an appropriate balance of skills, experience and diversity;
- Co-ordinate the board evaluation process;
- Develop effective succession planning for senior management; and
- Ensure that the performance of the board, individual members and sub-committees is reviewed formally and regularly.

Transformation committee

Role: Monitor progress across all areas of strategic empowerment, including ownership and control, employment equity, affirmative procurement, as well as compliance with transformation codes.

Functions

- Ensure appropriate short and long-term targets are set by management;
- Monitor progress against targets; and
- Monitor changes in the application and interpretation of empowerment charters and codes.

Board and committee attendance

	Board	Audit	Remuneration	Risk	Nominations	Transformation
Number of meetings	**4**	**4**	**2**	**2**	**2**	**2**
David Nurek	4+	4	2+	2	2+	2
Fatima Abrahams	4		2		2	2+
John Bester*	4	4+	2	2		
Peter Eagles#	3/3			1		2
Bertina Engelbrecht	4			2		2
Michael Harvey	4					2
Fatima Jakoet	4	4		2+		
David Kneale	4			2		2
Robert Lumb^	1/1	1/1				
Martin Rosen	4				2	
Keith Warburton	4			2		
Attendance at meetings (%) 2009	100	100	100	93	100	100
Attendance at meetings (%) 2008	95	100	88	100	93	100

\+ Chair
\# Resigned 29 June 2009
* Appointed 1 October 2008
^ Resigned 30 November 2008

Internal accountability

Risk management

The board, through the risk committee, is responsible for setting risk policies, risk tolerance levels and ensuring that appropriate risk management processes have been implemented by management. Further details are contained in the risk management report on page 44.

Internal audit

Internal audit is an independent appraisal and assurance function which is central to the group's governance structures. The role of internal audit is contained in the audit committee charter and the internal audit charter. Details of the internal audit function are outlined in the audit committee report on pages 60 to 61.

Legislative and regulatory compliance

Legislative and regulatory compliance is monitored by the head of group legal counsel. The following legislation and regulation which could impact on the group's business have been reviewed and analysed:

- A Code of Conduct for Pharmacists was published in October 2008 and a Disciplinary Code was published for comment. A set of Rules for Good Pharmacy Practice was also published during the period.
- The Regulation of Interception of Communications and Provisions of Communication-related Information Act (RICA).
- Proposed amendments to the Medicines and Related Substances Act.

- Revised regulations for dispensing fees for pharmacists.
- The Companies Act 2008 which was assented to in April 2009.
- The Competition Amendment Bill was published for comment and assented to in September 2009.
- The Foodstuffs, Cosmetics and Disinfectants Act.
- The Standards Act.
- The Consumer Protection Act. The administrative aspects of the legislation will come into operation in April 2010 and the provisions relating to the consumer will be effective from October 2010.
- Complementary medicine draft regulations were published.

There were no cases of legislative or regulatory non-compliance during the year.

Personal share dealings

The group's insider trading policy precludes directors and staff from trading in Clicks Group shares during two formalised closed periods. These closed periods run from the end of the interim and annual reporting periods until the financial results are disclosed on the Securities Exchange News Service (SENS).

Embargoes can also be placed on share dealings at any other time if directors or executives have access to price-sensitive information which is not in the public domain.

Directors are required to obtain written clearance from the chairman prior to dealing in the company's shares. The chairman is required to obtain approval from the chairman of the audit committee before undertaking any share dealings. It is also mandatory for directors to notify the company secretary of any dealings in the company's shares. This information is then disclosed on SENS within 48 hours of the trade being effected. These dealings are also reported retrospectively at board meetings.

Ethical behaviour and values

The group subscribes to the highest ethical standards of business practice. A set of values and behavioural principles require staff to display integrity, mutual respect and openness, and affords them the right and obligation to challenge others who are not adhering to these values.

A documented policy requires all employees to adhere to ethical business practices in their relationships with one another, suppliers, intermediaries, shareholders and investors. This policy also sets stringent standards relating to the acceptance of gifts from third parties and declarations of potential conflicts of interests.

A fraud policy ensures that a firm stance is taken against fraud and the prosecution of offenders. This policy outlines the group's response to fraud, theft and corruption committed by staff and external parties against the company. The internal audit department manages the legal processes relating to fraud cases to ensure the highest possible level of recovery for the group from any fraudulent behaviour.

Tip-offs Anonymous

Staff are encouraged to report suspected fraudulent or unethical behaviour via a toll-free telephone service managed by an external service provider. All reported incidents are investigated. There has been an increase in the number of reported incidents over the past year owing to awareness campaigns and staff recognising that the facility is managed independently and anonymously.

	2009	2008
Reported incidents	**120**	87
Resultant dismissals/resignations	**39**	21
Employees counselled	**7**	8
Other disciplinary action	**22**	13

Anti-competitive conduct

Clicks Group competes fairly and does not engage in anti-competitive practices that could prevent others competing with the group or that could adversely impact on customers.

The directors are committed to ensuring that all group executives and employees understand the requirements of competition law and regulations. Robust risk management and supervisory oversight processes are in place to ensure adherence to these laws and regulations.

The group occupies a market-leading position in healthcare retailing and supply in South Africa and guards the confidentiality of intellectual property, customer and supplier data, business processes and methodologies.

As a member of the SA Retailers' Association the group participates in forums with other retailers that require an industry response, such as representation to government. The principle that competition should not be compromised and that no sharing of information may occur that could detract from the capacity of any retailer to compete with one another, is encoded in the constitution of the SA Retailers' Association.

The group has not been sanctioned for any anti-competitive practices or non-compliance with the Competition Act.

Financial statements and external review

The directors accept ultimate responsibility for the preparation of the annual financial statements that fairly represent the results of the group in accordance with the Companies Act and International Financial Reporting Standards (IFRS).

The external auditors are responsible for independently auditing and reporting on these financial statements in conformance with statements of International Standards of Auditing and applicable laws.

Going concern

The directors are satisfied that the group has adequate resources to continue operating for the next 12 months and into the foreseeable future. The financial statements presented on pages 58 to 118 have accordingly been prepared on a going concern basis. The board is apprised of the group's going concern status at board meetings.

External audit

The role of the external audit function is covered in the comprehensive audit committee report on page 60 and 61 .

Creating a high performance culture

Remuneration policy and philosophy

The group's remuneration policy is based on the "total rewards strategy" which is aimed at driving a high performance culture that consistently delivers above average returns to shareholders through employees who are motivated and fully engaged.

By applying total rewards remuneration practices the group strives to ensure that business objectives are achieved and an organisational culture and environment is created that enables optimal performance. This remuneration policy also supports the attraction, development and retention of employees who contribute to sustained business growth.

Clicks Group applies the following reward principles in all remuneration policies:

- Market competitiveness
- Internal equity
- Performance
- Competence and experience
- Recognition of scarce and specialist skills

Remuneration committee

The remuneration committee of the board is ultimately responsible for ensuring the group has a competitive remuneration policy which is aligned with the group strategy and performance goals. The functions of the committee include:

- Assessing and reviewing remuneration policies, employee short-term and long-term incentive schemes and performance bonuses;
- Approving the remuneration of executive directors and senior management;
- Proposing fees for non-executive directors; and
- Determining executive and staff participation in the long-term incentive schemes.

The composition of the remuneration committee is included in the corporate governance report.

Remuneration structure

Annual guaranteed remuneration is determined taking the following factors into account:

- The Hay-based job grading level and pay point;
- Annual remuneration benchmarking surveys, which include general, retail, specialist, positional and executive benchmarking surveys;
- The market position of the Clicks Group relative to its defined market position in the retail industry;
- Individual performance and contribution aimed at creating a clear differentiation between exceptional, high, acceptable and unacceptable performance, relative to the individual's position in the range of his or her pay band; and
- Pay bands based on prevailing market forces which determine the remuneration ranges applicable to each job category. Although salary bands are generally targeted to be at the median (50th percentile) of the comparable local retail market, a premium may be paid for scarce or specialist skills (such as in-store retail pharmacists, buyers and planners) which are defined on an annual basis and based on remuneration surveys.

External compensation and benefit consultants advise the group on issues relating to best practice, competitive positioning and benchmarking on financial or strategic human capital issues.

Executive directors

The remuneration package of executive directors consists of three components:

- Annual guaranteed pay, which allows for flexible structuring of retirement fund contributions, medical aid and car allowance;
- A short-term incentive bonus; and
- A long-term incentive scheme.

The group's policy is to align the remuneration structure of senior executives with shareholder interests. In order to encourage practices which will optimise group performance, a significant portion of remuneration is therefore performance related.

Base salaries are set at competitive market rates, taking account of the detailed benchmarking exercise and are subject to annual review. The performance of the chief executive officer is assessed by the chairman and the board, while the performance of the other executive directors is evaluated by the chief executive officer and the board. The annual pay increase of the executive directors is based on the individual performance rating and position in range, as determined by the remuneration committee during the annual review of remuneration.

Executive directors participate in the annual short-term incentive scheme. Financial targets are set for the group by the board and the achievement of these targets is reviewed by the remuneration committee before any incentive payments are made to executive directors.

Targets are based on the group's return on net assets (RONA) and a bonus of 40% (60% in the case of the chief executive officer) of total cost of employment is paid on the achievement of an on-target performance. Performance exceeding the targeted performance will result in the payment of a higher bonus provided. This is funded by the increase in the operating profit.

The long-term incentive scheme is based on the allocation of share appreciation rights and is detailed later in the report.

In the period under review, the group benchmarked all benefits, including notice periods. The notice period for the chief executive officer is 12 months and six months for the other executive directors.

Management

The remuneration package of senior management consists of an annual guaranteed package and participation in the short-term incentive bonus scheme. The remuneration package of all senior managers across the group has been converted from the current basic salary plus benefits remuneration structure to the annual guaranteed package methodology, with the intention to convert the remainder of the managers by the end of the 2010 financial year. A limited number of senior employees participate in the long-term incentive scheme, based on strategic contribution to their business unit, and their individual performance levels.

An annual salary increase is paid to all staff and the average increase for the financial year was 7.0%. The annual increase date has been moved from 1 July to 1 September to align with the group's financial year.

Staff

A collective wage increase is negotiated with the representative trade unions for all employees forming part of the collective bargaining units.

A one-year wage settlement with an increase of 11.3% was granted to all permanent employees in the Clicks bargaining unit. All staff in the bargaining unit also participate in the group's short-term incentive scheme.

An annual bonus is paid in mid-December to all qualifying permanent employees. The bonus is calculated on a sliding scale from the first year of employment until it is equivalent to a 13th cheque after five years. While this bonus forms part of the group's compensation strategy, the focus of remuneration remains performance-based.

All staff receive discounts on purchases at group stores which vary by business unit.

For UPD staff, a one-year wage agreement was concluded with an increase of 10.0%. All UPD staff receive a guaranteed 13th cheque.

Non-executive directors

Non-executive directors receive fees for their services as directors and for serving on board committees. These fees reward the directors fairly for the time, service and expertise provided to the group, based on an annual benchmarking of non-executive directors' fees. No incentives were awarded to non-executive directors. As at 31 August 2009, a non-executive director held share options which were allocated and exercised in September 2000 under a previous incentive scheme and has subsequently taken delivery of these shares.

Incentive schemes

Short-term incentive scheme

All permanent employees in the retail businesses participate in the short-term incentive scheme which rewards the achievement of predetermined performance targets based on the return on assets managed (ROAM) on an annual basis. Senior UPD employees participate in a similar short-term incentive scheme based on return on net assets (RONA) of the business.

The performance measurement is based on each employee's area of responsibility and can be determined for a specific store, region, business unit or at the group level.

The scheme is self-funding as the value of an on-target bonus is included in the annual budget. Performance exceeding the targeted performance will result in the payment of a higher bonus provided this is funded by the increase in the operating profit.

A total of R45 million (2008: R42 million) was paid or payable to employees for the 2009 financial year.

Long-term incentive schemes

The group's long-term incentive scheme detailed below replaced the staff share option scheme and aligns executive remuneration with the creation of shareholder value. Share options were last issued in August 2005.

Share appreciation rights scheme

Under a share appreciation rights scheme introduced in 2005, rights were allocated to executive directors and senior employees. The exercise price of the rights is dependent on the performance of the share price. The first tranche of share appreciation rights was allocated on 7 April 2005 and a further tranche on 11 May 2006. The rights vest equally after three years and five years. The three-

The following share appreciation rights allocated to the executive directors under this scheme were outstanding at year-end:

Director	Number of five-year rights	Total
Tranche 1		
Michael Harvey	1 000 000	1 000 000
David Kneale	750 000	750 000
Keith Warburton	825 000	825 000
Tranche 2		
Bertina Engelbrecht	200 000	200 000
David Kneale	75 000	75 000

The exercise price of the rights varies according to the performance of the share price on the vesting date:

	Tranche 1: April 2005 Share price on vesting date (R)	Vesting date: April 2010 Exercise price (R)	Tranche 2: May 2006 Share price on vesting date (R)	Vesting date: May 2010 Exercise price (R)
Five-year rights	Above 16.81	8.36	Above 21.22	10.55
	Above 20.80	4.18	Above 26.25	5.27
	Above 25.51	0.01	Above 32.20	0.01

year rights in the first tranche matured in April 2008 and the second tranche in May 2009.

As the group's liability relating to these share appreciation rights is dependent on the future performance of the company's share price, a derivative hedge was acquired to limit the level of exposure. The group's maximum exposure in relation to the unhedged portion is R14 million. Further details on the hedging instrument and the cost of the hedge are contained in notes 17 and 22 to the annual financial statements.

Long-term incentive scheme

The long-term incentive scheme was revised with effect from the start of the 2007 financial year. In terms of this scheme, cash-settled share appreciation rights are allocated to participants and these rights are cash-settled at the end of the three-year performance period. The value of the rights is linked to the group's diluted headline earnings per share multiplied by an internal price earnings ratio of 12, derived from the five-year performance of the Clicks Group.

On the expiry of the three-year period, employees are required to apply 25% of the after-tax cash settlement value to purchase Clicks Group shares in the open market and to retain these shares for a minimum of one year.

A total of 48 employees currently participate in this scheme, collectively holding 17 923 136 rights at year-end. The table below details rights which have been allocated to executive directors under this scheme and the relevant amounts have been expensed through the income statement.

Employee benefits

Retirement funds

Membership of a retirement fund is compulsory for all permanent employees. The group offers a number of retirement fund options. Employees have the option to join the Clicks Group Retirement Fund, the Clicks Group Negotiated Pension Fund or the Clicks Group Negotiated Provident Fund. Employees of UPD can join the Clicks Group funds, the New UPD Corporate Selection Pension Fund or the Chemical Industries' National Provident Fund. The funds all provide death and disability cover, while the negotiated funds include a funeral benefit.

Total membership across the funds was 7 405 (2008: 6 911) at year-end. Total assets of the funds (excluding the Chemical Industries' Provident Fund) amounted to R695.3 million (2008: R759.1 million).

All the funds are defined contribution schemes and the group carries no liability in relation to these funds.

Medical aid

Membership of the Discovery Health Medical Scheme is actively encouraged. At year-end 1 010 employees had joined the Discovery scheme.

The existing Clicks Group Medical Aid Scheme is administered by Lethimvula Healthcare. The fund had 704 principal members at year-end (2008: 1 427) and a solvency ratio of 56% (2008: 28.5%). UPD operates a medical scheme administered by Fedhealth and 58 of the permanent employees are members of the fund.

Director	Allocation at R8.52 per right 1 Sept 2006 number	Allocation at R12.36 per right 1 Sept 2007 number	Allocation at R15.83 per right 1 Sept 2008 number
Bertina Engelbrecht	528 169	396 845	335 439
Michael Harvey	669 014	502 670	431 333
David Kneale	1 671 127	1 255 617	1 072 331
Keith Warburton	704 225	529 126	450 284
Total	**3 572 535**	**2 684 258**	**2 289 387**

Directors' remuneration

Executive directors' remuneration – 2009

Director (R'000)	Salary	Bonus	Pension fund	Other benefits	Total	Gain on sale of share options
Bertina Engelbrecht	1 621	1 001	131	49	2 802	–
Michael Harvey	1 905	1 206	184	212	3 507	3 761
David Kneale	4 451	4 116	398	86	9 051	–
Keith Warburton	2 025	1 344	192	182	3 743	–
Total	10 002	7 667	905	529	19 103	3 761

Executive directors' remuneration – 2008

Director (R'000)	Salary	Bonus	Pension fund	Other benefits	Total	Share appreciation rights
Bertina Engelbrecht[1]	731	663	61	23	1 478	–
Michael Harvey	1 607	875	167	194	2 843	5 742
David Kneale	4 054	1 801	364	86	6 305	4 207
Keith Warburton	1 894	885	176	131	3 086	3 506
Total	8 286	4 224	768	434	13 712	13 455

[1] Appointed as an executive director on 1 March 2008

Non-executive directors' remuneration

Director (R'000)	2009			2008		
	Directors' fees	Consultancy fees	Total	Directors' fees	Consultancy fees	Total
David Nurek	594	–	594	529	–	529
Fatima Abrahams	225	–	225	91	–	91
John Bester*	253	–	253	n/a	n/a	n/a
Peter Eagles#	157	300	457	196	600	796
Fatima Jakoet	247	–	247	94	–	94
Robert Lumb^	63	–	63	299	–	299
Martin Rosen	144	–	144	169	–	169
Roy Smither+	n/a	n/a	n/a	78	–	78
Lucia Swartz+	n/a	n/a	n/a	75	–	75
Total	1 683	300	1 983	1 531	600	2 131

* Appointed 1 October 2008
# Resigned 29 June 2009
^ Resigned 30 November 2008
+ Resigned in previous financial year

Prof Peter Eagles consulted to the group on professional pharmacy issues on a contractual basis with the University of the Western Cape (UWC). During the period until his resignation on 29 June 2009, R198 025 was paid directly to Professor Eagles and R101 975 to UWC.

Total directors' remuneration

R'000	2009	2008
Executive directors	**19 103**	13 712
Non-executive directors	**1 983**	2 131
Total directors' remuneration	**21 086**	15 843

Directors' shareholdings (at 31 August)

Director	2009			2008		
	Direct beneficial shares	Indirect beneficial shares	Total	Direct beneficial shares	Indirect beneficial shares	Total
David Nurek	**–**	**129 682**	**129 682**	–	129 682	129 682
Fatima Abrahams	**–**	**–**	**–**	–	–	–
John Bester*	**10 000**	**–**	**10 000**	n/a	n/a	n/a
Peter Eagles#	**n/a**	**n/a**	**n/a**	–	–	–
Bertina Engelbrecht	**–**	**–**	**–**	–	–	–
Michael Harvey	**100 000**	**–**	**100 000**	100 000	–	100 000
Fatima Jakoet	**–**	**–**	**–**	–	–	–
David Kneale	**105 200**	**–**	**105 200**	105 200	–	105 200
Robert Lumb^	**n/a**	**n/a**	**n/a**	–	40 000	40 000
Martin Rosen	**2 000**	**–**	**2 000**	2 000	–	2 000
Keith Warburton	**–**	**5 000**	**5 000**	–	5 000	5 000
Total	**217 200**	**134 682**	**351 882**	**207 200**	**174 682**	**381 882**

* Appointed 1 October 2008
# Resigned 29 June 2009
^ Resigned 30 November 2008
Issued shares = 302 841 401. Percentage of issued share capital held by directors is 0.12%.

Non-executive director fees 2010

The fee structure for non-executive directors has been adjusted for the 2010 financial year and is subject to retrospective approval by shareholders at the annual general meeting in January 2010. This fee structure will be reviewed in light of the governance requirements of King III and any adjustments will be subject to shareholder approval.

The increases are generally in line with the average salary increase for group employees. The fees are also reviewed annually against a defined retail comparator group.

Board position	Proposed fees for 2010 (R)	Fees paid for 2009 (R)
Chair of the board	387 000	**355 000**
Board member	121 000	**111 000**
Chair: Audit committee	110 000	**100 000**
Audit committee member	55 000	**50 000**
Chair: Remuneration committee	65 000	**58 000**
Remuneration committee member	32 500	**29 000**
Chair: Risk committee	98 000	**90 000**
Risk committee member	49 000	**45 000**
Chair: Nominations committee	63 000	**58 000**
Nominations committee member	31 500	**29 000**
Chair: Transformation committee	63 000	**58 000**
Transformation committee member	31 500	**29 000**

RISK MANAGEMENT REPORT

Managing the risk of uncertainty

Introduction

The Clicks Group is committed to applying risk management principles which effectively manage uncertainty and the related risks and opportunities in order to enhance returns to investors.

The group follows the risk management principles outlined in the King II Report. A new enterprise-wide risk management methodology was developed, approved and adopted during the year, with detailed risk registers being compiled for the group and individual business units based on this new process.

The directors confirm that risk mitigation and monitoring processes have proved to be robust and have been effective in limiting the impact of risks on the business in the 2009 financial year.

The recommendations of King III are currently being reviewed by management and group practices will be amended where appropriate to align with these new requirements.

Responsibility for risk management

The board retains overall accountability for risk management and the directors have delegated specific responsibility to the risk committee.

The risk committee, which operates within written terms of reference, is responsible for assessing risk management processes and procedures adopted by management and ensuring compliance with the risk management principles of King II. The role, functions and composition of the risk committee are included in the Corporate Governance Report on page 36.

The audit committee is responsible for monitoring and assessing the role and effectiveness of the internal audit function in the overall context of the group's risk management system, ensuring the work undertaken by the internal audit department is aligned with the group's risk priorities.

The group executive committee is responsible for designing and implementing the risk management process and monitoring ongoing progress. The executive regularly reviews the group's risks to ensure mitigation strategies are being implemented by the business units. Senior executives and line management within each business unit are accountable for managing risk in achieving their financial and operating objectives.

Group internal audit monitors the progress of the group and business units in managing risks and reports its findings to the audit committee on a quarterly basis.

Risk management process

Risk management is embedded in the group's annual business planning cycle. In determining the strategic and operational plans for the year ahead, each business unit is required to compile a risk register. This includes a review of the risks of the previous financial year, considering new or emerging risks, facilitated workshops with all levels of management and, where appropriate, presentations by external consultants on the environment and market conditions.

A risk framework sets out the various risks that should be considered as part of the risk identification process. The risks are broadly classified according to the following categories: strategic, environmental, financial, reputational, regulatory, people, economic, process and competition. These potential risks are updated annually to ensure all relevant industry issues are considered.

Each risk on the register is assigned an impact and probability rating:

- The *impact* assigned to a risk covers financial, compliance, reputational and people criteria and is based on a ten-point rating scale from "insignificant" to "catastrophic".
- The *probability* of a risk materialising is measured on a five-point scale from a "remote" possibility of the risk occurring to an "almost certain" likelihood that it will take place.

The impact and probability ratings are then multiplied to determine the inherent (gross) risk and its significance to the group.

Detailed risk mitigation plans are developed for each risk which then determine the level of residual (net) risk. Residual risk ratings are then assigned to each risk.

The major risks, together with mitigation strategies, are outlined in the adjacent table.

As the new risk methodology was introduced this year it is not possible to compare the current major risks with those published in the 2008 annual report, although the directors do not believe there has been any material change in the overall risk profile of the group over the past year.

Financial risk management

A comprehensive financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the group's financial performance. Management recognises that the failure to manage financial risks could impact negatively on profitability and ultimately lead to the destruction of shareholder value.

Through its business activities the group is exposed to a variety of financial risks, including market risk (currency, interest rate and price risk), credit risk and liquidity risk. The group's exposure to these risks and policies for measuring and managing the risk are included in notes 28 and 29 to the annual financial statements.

The group's treasury function provides a centralised service for funding, foreign exchange, interest rate management and counterparty risk management. The treasury function reports to the chief financial officer and group financial manager and operates within the parameters of the group's treasury policy. The treasury committee, which comprises the heads of finance of the business units together with the chief financial officer and group financial manager, meets with the group treasurer on a quarterly basis. The treasury committee reviews the performance of the treasury function against agreed benchmarks, adopts procedures to minimise financial risk and ensures the accurate cash flow forecasting of the group.

Derivative financial instruments are used to hedge certain risk exposures, including the phantom share scheme, the long-term incentive scheme and foreign exchange risk on the import of merchandise. Foreign exchange risk is mitigated by entering into forward exchange contracts which are matched with anticipated future cash flows in foreign currencies. Details of the group's foreign exchange exposure is contained in note 29.

Insurance

Insurance forms a key element of the risk management process to protect the group against the adverse consequences of risk. The group recognises that although insurance is a means of mitigating the impact of certain identified risks, management has responsibility to manage these risks with the purpose of limiting their occurrence and their impact.

The risk committee approves the annual insurance renewal, cover levels and the schedule of uninsured and uninsurable risks. It is the policy of the group to insure assets to replacement value, carry appropriate levels of self-insurance and only contract with reputable insurance companies. The group self-insures assets and liabilities based on recommendations from its advisers. Amounts in excess of the self-insured limits are covered by reinsurers.

Major group risks

RISK	IMPLICATION FOR BUSINESS	RISK MITIGATION PLANS	RISK RATING*
Current economic climate	Downturn in economy is impacting on discretionary spending which could affect sales and margin of retail brands and also increase bad debts in UPD	• Defensive nature of the core health and beauty business has enabled the group to withstand the impact of the consumer slowdown to date • Continued store openings and pharmacy roll-out plan will increase customer footfall and store sales • UPD has insurance to cover bad debts and follows rigorous debt management practices	28
Attraction and retention of pharmacy professionals	The group employs pharmacists in Clicks, UPD and Clicks Direct Medicines and is the largest employer of pharmacists in the private sector. Shortage of healthcare professionals is an industry challenge and could limit growth plans and increase costs.	• Employer of choice programme in place across the group • In-house pharmacy academy, training initiatives with educational bodies and continuous professional development programmes aimed at attracting and retaining pharmacists	28
Healthcare legislation	Lack of clarity on the implementation of maximum logistics fees and changes in pharmacy legislation creates uncertainty with investors	• Ongoing engagement with regulatory authorities such as the Department of Health (DoH), as well as making submissions to the DoH	27
Process non-compliance	Non-compliance with policies, procedures and processes could impact on sales, shrinkage and cash losses	• Comprehensive control self-assessment process followed in each business unit • Shrinkage plan and audit process	24
Increasing competition in retail pharmacy	Aggressive expansion by competitors could increase the shortage of pharmacists as well as negatively affect sales and market share growth in Clicks	• Clicks currently has the largest retail pharmacy footprint in SA • Continued roll-out of pharmacies, with 30 – 40 dispensaries planned for 2010 • Plan to open dispensaries in all Clicks stores (currently in 207 out of 346 stores) • Continuous improvement in pricing, product offer and customer service	24
Retention of key staff	Inability to attract and retain people in key positions across the group could ultimately compromise service delivery	• Total rewards remuneration framework implemented to ensure market competitiveness in terms of cash and benefits	24
Legislative and regulatory compliance	Non-compliance with onerous legislation could result in fines and penalties, criminal implications for directors and reputational damage	• Internal legal capacity enhanced with the creation of the position of head of group legal counsel • Legal compliance officer appointed to monitor compliance with existing and new legislation and regulation	21
Service disruption due to natural disaster	Natural disasters could result in stock being destroyed or deliveries disrupted and lead to loss in sales through an inability to trade	• Business continuity plan developed	21

* The risk rating is calculated by multiplying the *impact* assigned to each risk (10-point scale) by the *probability* (5-point scale) of the risk materialising, providing a risk rating out of 50 points.

SUSTAINABILITY REPORT

Bertina Engelbrecht
Group Human Resources Director

Sustainability management is a key component of corporate governance and ensures that companies consciously strive to achieve a balance between generating returns for shareholders and investing in the long-term needs of the business, communities and the environment.

Introduction

The Clicks Group recognises the social responsibility that accompany its position as a market leader in healthcare, as a listed company, as a large-scale employer and as a good corporate citizen within the communities in which it does business.

Management believes sustainable development will benefit its stakeholders in the longer term by:

- Enhancing value for shareholders
- Improving opportunities for employees
- Creating a more compelling offer for customers
- Empowering and uplifting communities

This report is presented across the three pillars of social, economic and environmental sustainability. The group subscribes to the integrated sustainability reporting philosophy advocated in the King III Report. Following a detailed evaluation of this latest governance framework, the group will seek to incorporate the recommendations into sustainability practices where appropriate.

Management remains committed to expanding sustainability management while enhancing financial returns to shareholders, and plans to provide non-financial performance goals and targets in the future.

Sustainable progress in 2009

In the 2008 annual report the group outlined the sustainability priorities for the year ahead and has made pleasing progress against most of these objectives:

Sustainability priorities for 2009	Performance against priorities in 2009
Improve rating in JSE Socially Responsible Investment Index	Ranked 57th in the Index evaluation Did not qualify for inclusion in Index
Improve quality of employee commitment	A customised tool to measure employee commitment will be launched in February 2010
Maintain corporate social investment (CSI) focus through the Clicks Foundation and business units	Invested R14.4 million in social upliftment, equivalent to 3.05% of net profit after tax (target is 1%)
Ongoing progress on transformation	Improved to level 5 BBBEE compliance from level 6 in 2008
Build sustainable pharmacy profession through the Pharmacy Healthcare Academy	370 learners registered on programmes through the Pharmacy Healthcare Academy
Expand primary care clinic network in Clicks stores	105 clinics operating in Clicks stores
Continue to grow market share and increase customer loyalty	Market share gains in most key categories 2.65 million ClubCard loyalty customers
Overall improvement in earnings and shareholder value	Diluted headline earnings per share increased by 26.2% Total distributions to shareholders up 37.5% Return on shareholders' interest increased from 32.8% to 42.3% Growth of R1.1 billion in market capitalisation

Sustainability strategy and plans

	Successes	Challenges	Way forward
Social sustainability	• Invested **R39.7** million on learning and development • Registered **647** learners on learnership and skills programmes • **4 523** employees participated in learning and development programmes • Committed to invest **1%** of after-tax profit on CSI • CSI spend of **R14.4** million in 2009	• Retention of key and critical talent, notably pharmacists • Implementing the Hay-based total rewards strategy across the group • Constructive employee engagement initiatives to reduce turnover and enhance the quality of service	• Develop a detailed plan to implement the group's total rewards framework • Develop the group employee value proposition and employee commitment index • Continue to strengthen the talent management process
Economic sustainability	• Increased the pharmacy footprint to **207** • Improved the group's BBBEE rating to **level 5** • Invested **R26.9** million in the UPD owner-driver scheme • Weighted BEE procurement spend of **R5.3** billion • Enrolled additional 130 000 ClubCard members (57% of new members are black) • Total ClubCard members now **2.65** million	• Increasing market share of black female consumers • Suppliers who are not BBBEE rated • The economic environment impacting sales growth	• Develop process to receive BBBEE certificates as part of supplier negotiation • Investigate a potential black enterprise development initiative within the healthcare market
Environmental sustainability	• Implemented an environmental management governance framework • Participated in the Carbon Disclosure Project and the WWF Earth Hour campaign • Recycled **1 150** tons of plastic, paper and cardboard • Partnered with the Global Carbon Exchange to calculate the group's carbon footprint and to complete an energy efficiency audit using the global GHG protocols	• Fostering a "green mind-set" • Engaging with suppliers and stakeholders around the group's environmental management agenda • Entrenching environmental management as part of the strategic and operations planning process	• Develop targets to mitigate against climate change • Establish an environmental management committee • Develop an environmental management scorecard

Integrated sustainability reporting

A range of sustainability indicators have been identified across the group's financial and trading performance, employees, transformation and environmental management to benchmark progress on sustainability practices within the group. These indicators are regularly reviewed to take account of changes and progress within the business. As the group adopts a more integrated approach to sustainability reporting in the year ahead in line with the recommendations of King III, it is anticipated that further indicators will be provided to shareholders.

Sustainability indicators		2009	2008	2007	2006
Financial performance					
Headline earnings	R'm	**478**	400	357	252
Diluted headline earnings per share	cents	**165.9**	131.5	103.0	71.0
Return on shareholders' interest (ROE)	%	**42.3**	32.8	24.7	16.7
Return on total assets	%	**12.3**	10.5	9.3	7.2
Distributions per share	cents	**84.0**	61.1	48.2	33.2
Change in market capitalisation (net of treasury shares)	R'm	**1 109**	(321)	1 223	840
Wealth created through cash value added	R'm	**2 413**	2 113	2 112	1 780
Trading performance					
Total leased trading area	m^2	**267 776**	259 884	252 239	241 551
Number of stores		**540**	519	500	482
In-store dispensaries		**207**	157	125	110
In-store clinics		**105**	97	92	81
Market share					
– Clicks: front shop health	%	**37.2**	35.5	**	**
– Clicks: retail pharmacy	%	**11.1**	9.0	**	**
– Clicks: beauty	%	**24.5**	25	25	25
– Musica: CD	%	**44**	41	38	*
– Musica: DVD	%	**23**	22	20	*
– Musica: Gaming software	%	**9**	9	9	*
– UPD: private wholesale distribution	%	**23.6**	26.4	25.6	24.9
Employees* **					
Permanent staff		**7 585**	7 122	9 076	9 058
Staff turnover	%	**26.1**	21.2	23.4	23.9
Skills development as a % of basic payroll	%	**4.3**	3.6	2.8	1.1
Employee wellness utilisation	%	**21**	19	18	–
Transformation* **					
Employment equity					
– Black staff as a % of total staff	%	**84.3**	84.2	86.9	82.6
– Black senior and top management	%	**11.5**	18	24	22
– Black middle management	%	**41**	35	37	35
– Black junior management	%	**65**	80	86	73
– Black directors	%	**33**	36	22	20
– Women as a % of total staff	%	**62.6**	62	60	60
– Women senior/top management	%	**32**	36	43	28
– Women middle management	%	**45**	53	58	59
– Women junior management	%	**63**	62	63	60
– Women directors	%	**33**	27	9	10
Transformation rating	Level	**5**	6	7	*
Corporate social investment spend	R'm	**14.4**	9.8	0.4	0.4
Environmental indicators					
Carbon emissions (CO_2e)	Tons	**134 341**	127 014	*	*
Electricity consumption	Metric tons	**90 499**	86 811	*	*

* Not previously disclosed or measured
** Basis of calculation changed therefore no longer comparable
*** The statistics for 2006 and 2007 include Discom in the calculations

Further commentary on these specific indicators, and where appropriate reasons for movements in the figures, is contained in the relevant sections of this annual report:

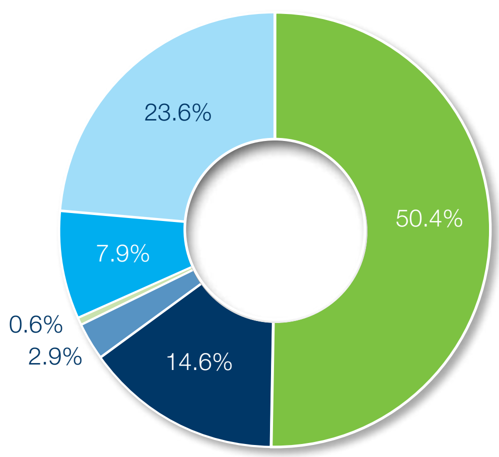
- Financial performance — Chief financial officer's report – pages 18 to 21
- Trading performance — Operational reviews – pages 26 to 31
- Employees — Sustainability Report – pages 50 to 51
- Transformation — Sustainability Report – pages 52 to 53
- Environment — Sustainability Report – pages 53 to 54

Value added statement

for the year ended 31 August

	2009 R'm	2008 R'm
Turnover	**12 175**	11 244
Other income and finance income	**579**	520
Paid to suppliers for goods and services	**(10 341)**	(9 651)
Value added	**2 413**	2 113
Applied as follows:		
Employees – salaries, wages and other benefits	**1 218**	1 047
Lessors for use of premises	**352**	303
Lenders for monies borrowed	**69**	70
Providers of capital – cash distributions	**14**	27
Tax	**191**	187
Corporate tax	**186**	182
Property taxes	**5**	5
Reinvested in the group	**569**	479
Deferred tax	**(11)**	(38)
Depreciation and amortisation	**122**	103
Retained income	**458**	414
Distribution of value added	**2 413**	2 113

2009



Employees – salaries, wages and other benefits

Lessors for use of premises

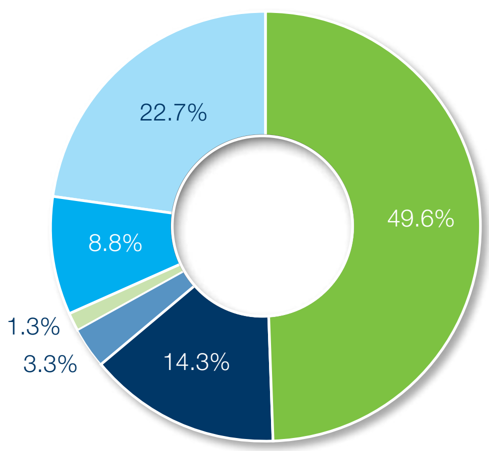
Lenders for monies borrowed

Providers of capital – cash distributions

Tax

Reinvested in the group

2008



Social sustainability

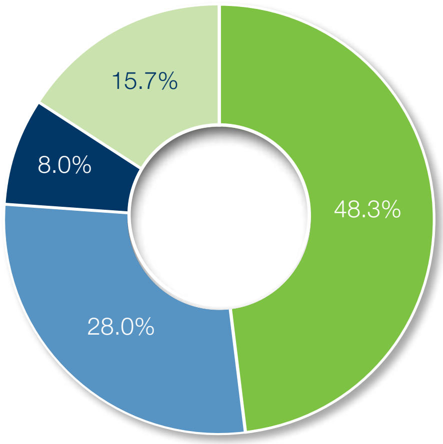
Employee profile

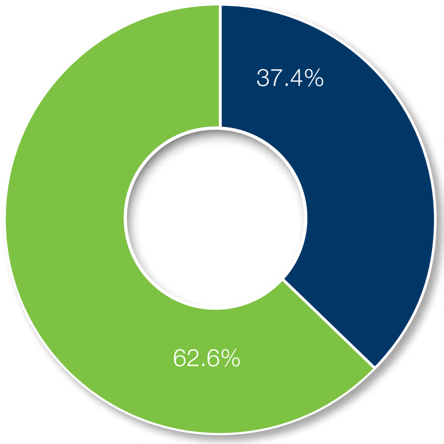
The group is committed to creating a diverse workforce which reflects the demographics of South Africa. The promotion and advancement of previously disadvantaged people and the empowerment of women remains a priority.

There has been a marginal improvement in employment equity and the group recognises the challenge to increase representation of black people and women at the middle, senior and top management levels. This is a high priority for the transformation forums at both the group and business unit level.

The following table provides detail on the group's workforce profile by race, gender and occupational level at year-end.

	Female				Male				
Occupational level	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Top management	0	1	0	3	1	0	1	12	**18**
Senior management	0	3	0	21	2	1	1	41	**69**
Professionally qualified	22	29	19	89	24	30	21	118	**352**
Skilled	227	365	119	444	234	157	83	180	**1 809**
Semi-skilled	1 937	1 221	208	246	1 378	422	149	98	**5 659**
Unskilled	14	6	20	0	13	2	18	0	**73**
Total	**2 200**	**1 625**	**366**	**803**	**1 652**	**612**	**273**	**449**	**7 980**





Employee turnover*

	2009	2008
Permanent staff at start of year	**7 122**	9 076
Add: Recruitments	**2 230**	1 602
Acquisition of Direct Medicines	**129**	–
Less: Resignations	**(1 436)**	(1 562)
Deaths	**(40)**	(41)
Dismissals	**(359)**	(260)
Retirements	**(37)**	(34)
Retrenchments	**(24)**	(23)
Disposal of Discom	**–**	(1 636)
Permanent staff at year-end	**7 585**	7 122
Permanent staff turnover %	**26.1**	21.2

* Excludes contract workers

The staff turnover rate has increased to 26.1%. The opening of 21 new stores, a further 50 pharmacies and the acquisition of courier pharmacy business Direct Medicines resulted in a 7% growth in employment. Staff retention improved as resignations declined by 8% over the year. The renewed focus on rigorous performance management and a zero tolerance approach to non-compliance has seen a 38% increase in dismissals.

A retention strategy has been approved to attract and retain high potential, high performing talent and black talent. The group is also developing an employee value proposition and launching a customised employee commitment index in 2010 to gauge the level of employee satisfaction.

The employee wellness programme aims to reduce the challenges faced by employees which could give rise to absenteeism, such as healthier lifestyles, relationship issues and personal financial management.

Total rewards strategy

During the year the group implemented the total rewards strategy which is aimed at driving a high performance culture that consistently delivers above average returns to shareholders through employees who are motivated and fully engaged.

The total rewards philosophy integrates the five key elements that attract, motivate and retain the human capital required by the group to achieve the business objectives. These elements are compensation, benefits, performance and recognition, talent and development, and work-life balance.

The Clicks Group's pay and benefits are competitively positioned in relation to the retail industry and general market and 20% above the minimum wage determination for the retail sector. Employees are entitled to statutory benefits, including annual leave, maternity leave, paternity leave and family responsibility leave. Employees also receive an annual performance bonus and staff discounts. Further details on staff benefits are outlined in the remuneration report on page 40.

Employee freedom of association

Clicks Group has a formal recognition agreement with the South African Commercial Catering and Allied Workers' Union (SACCAWU). SACCAWU represents 47% of full-time permanent employees in the bargaining unit and 35% of the Clicks brand employees. A total of 37% of permanent employees in UPD are represented by the Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union (CEPPAWU).

Skills development

The group increased its investment in skills development to R39.7 million (2008: R26.7 million) which equates to 4.3% of basic payroll costs.

A total of 4 523 employees attended learning and development programmes (2008: 2 607) with black employees representing 85% of the total employees trained. Workplace experience opportunities were granted to 48 students and graduates through the internship programme.

The number of employees on registered learnership and skills programmes increased from 170 in 2008 to 641.

Pharmacy skills development

The Pharmacy Healthcare Academy remains a key differentiator in the group's ability to attract and retain pharmacists and pharmacists' assistants for Clicks, UPD and Clicks Direct Medicines. The academy focuses on developing pharmacists and pharmacists' assistants for the group and external organisations.

The Pharmacy Healthcare Academy is a registered training provider with the SA Pharmacy Council and offers a range of accredited training courses including pharmacy assistants' training, learnership programmes, internship and continuing professional development.

The group's aspiration of pre-eminence in healthcare and pharmacy management is strengthened by the existence of the Pharmacy Healthcare Academy.

Employee wellness

The philosophy of the employee wellness programme (EWP) is to encourage and support behaviour that results in employees making healthy lifestyle choices.

EWP supports employees who have lost or are at risk of losing their "wellness balance", and also strongly advocates prevention by encouraging employees to tackle issues as soon as they arise.

The programme offers employees and their family members a confidential professional counselling service 24 hours a day in all official languages, financial and legal advice, trauma and health management services, management and supervisory support and HIV testing, management and support.

Voluntary counselling and testing (VCT) was undertaken at the head office and eight distribution centres across the country.

Employee wellness programme	2009	2008
Employee utilisation	**1 427**	1 309
Family utilisation	**167**	74
Total utilisation rate	**21%**	19%
Manager referrals	**55**	23
High-risk cases	**16**	34
Employees on HIV programmes	**63**	55
Wellness training	**1 481**	59

The increase in wellness training, together with the success of the VCT programmes, has resulted in an increase in engagement and utilisation and a decrease in high risk cases.

Health and safety

A health and safety policy covers employees, contractors and customers.

Health and safety committees have been formed across the group and committee members have been trained as health and safety representatives.

Health and safety monitor

Description	Employees
Health and safety representatives	56
Fire-fighters	98
First aid representatives	60
Occupational health and safety representatives	44
Injuries on duty	68
Occupational diseases	0
Lost days	0
Fatalities	0

Corporate social investment

The Clicks Group recognises that sustainable community development depends on the support of corporates and external partners alike. Through the Clicks Foundation the group has committed to investing 1% of profit after tax in social upliftment.

Over the past year R14.4 million was invested in community support. This included direct financial support of R1.4 million in healthcare and well-being projects, as well as merchandise donations of R13 million.

Employee payroll giving

Employees are encouraged to participate in a payroll giving initiative and to volunteer time, money and goods towards community social investment projects. Employees have identified beneficiaries in their communities and co-ordinated programmes to collect and distribute gifts. Examples include Christmas toy campaigns undertaken with local community and regional radio stations and NGOs and a book collection to support the Helderberg Rape Crisis centre.

Primary care clinics

Clicks supports government's vision of making healthcare more affordable and accessible. Through its national network of over 200 pharmacies Clicks operates primary care clinics which provide a professional, convenient and affordable alternative for basic medical advice and health checks. Services offered in the clinics include:

- Blood pressure, cholesterol and glucose screening;
- Baby immunisation, consultation and advice;
- HIV/AIDS testing and counselling;
- Wound care;
- Treatment of minor ailments; and
- General counselling and advice.

Business unit	CSI support and programmes
Clicks	• Ongoing support for organisations assisting cancer patients and cancer survivors:
	– Journey of Hope (which supports breast cancer survivors in breast reconstruction surgery)
	– Look Good Feel Better (which supports cancer patients who have undergone chemotherapy)
	– CANSA (in raising awareness around the prevention of cancer through the Sunsmart campaign)
	• Provided financial support for equipment for hospitals and clinics. The key beneficiaries were the Red Cross Children's Hospital, St Luke's Hospice and the Somerset Hospital.
UPD	• The Topsy Foundation received funding to support their Grootvlei HIV/AIDS sanctuary and product donations
	• Donated R700 000 in stock to organisations Oasis Haven, Chatsworth Cheshire Homes, Befrienders and Nazareth House
Musica	• Partnered with Carel du Toit Trust for the Give the Gift of Hearing campaign to enable five children to receive hearing aids
	• Donated stock valued at around R1 million to a range of charities, including Dance for All, the Cape Town Festival and the Carel du Toit Trust
The Body Shop	• Continued the partnership with Children on the Edge by supporting Yabonga, a HIV/AIDS youth empowerment programme
	• Sponsored computer training for 11 Yabonga youth counsellors and donated computers and printers

Economic sustainability

Transformation

The group's transformation strategy is aligned to the Department of Trade and Industry's codes of good practice. The commitment to sustainable transformation is entrenched through the board transformation committee, the group internal transformation committee in which both the chief executive and the group human resources director participate, and business unit transformation forums which are responsible for implementation.

Transformation rating

BBBEE Category	2010 targets	2009	2008*
Ownership	0	**2.26**	2.53
Management control	7	**7.79**	7.64
Employment equity	17	**6.07**	6.20
Skills development	14	**11.53**	9.90
Preferential procurement	10	**13.51**	11.71
Enterprise development	12	**9.25**	9.37
Socio-economic development	5	**5.00**	5.00
Total	65	**55.41**	52.35
Level	4	**5**	6

* Based on self-assessment. Following the publication of this report the BBBEE status was externally verified as level 6.

Preferential procurement

The group's preferential procurement spend was R5.3 billion or 48%, increasing from 46% in 2008. In the past year 25.9% of the total procurement spend was from level 4 and higher rated suppliers. The group is committed to procuring from locally based and empowered suppliers and encourages suppliers to externally verify their BBBEE status.

Enterprise development

The UPD owner-driver scheme demonstrates the commitment to transformation and socio-economic development. The scheme was established in 2003 and currently has 52 owner-drivers contracted to deliver products to pharmacies, hospitals and clinics.

UPD paid R26.9 million for services from the owner-driver scheme and a further R0.6 million to the management company appointed to manage the scheme.

Environmental sustainability

The group aims to embed environmental management into its operations to ensure sustainable business practices. The board risk committee has ultimate accountability for environmental sustainability, while the group human resources director has responsibility for the implementation of the environmental management policy. An internal committee of volunteers from all business units is tasked with internal co-ordination, raising employee awareness and reporting on environmental management.

Environmental management

- **Energy efficiency**

The group continued its participation in the global carbon disclosure project (CDP). The project assesses the potential risks and opportunities relating to climate change and greenhouse gas emissions (GHG). The group partnered with Global Carbon Exchange to conduct an energy efficiency audit to improve the level of understanding of energy usage, areas of inefficient energy usage, the cost of technology to implement savings and related opportunities.

- **Carbon footprint**

For the second consecutive year an independent evaluation was commissioned on the group's carbon footprint based on internationally recognised GHG protocols.

Scope 1 emissions (CO_2e) metric tons	2009	2008
Company-owned cars	**2 322**	2 182
Fugitive emissions	**3 588**	2 841
Generators	**33**	231
Scope 2 emissions (CO_2e) metric tons		
Purchased electricity	**90 499**	86 811
Scope 3 emissions (CO_2e) metric tons		
Business travel	**2 089**	2 107
Product distribution	**15 675**	13 941
Employee commute	**20 135**	18 901
Total	**134 341**	127 014

The 5.8% increase in emissions is attributable to the growth in retail stores, as well as the development of pharmaceutical compliant distribution facilities for UPD in Johannesburg and Cape Town which required air-conditioned temperature control. Following the completion of the energy efficiency audit, the group is able to determine its baseline carbon impact and set measurable targets to reduce its carbon footprint.

- **Waste management/recycling**

Over the past year 1 150 tons (2008: 942 tons) of plastic, cardboard and paper were recycled. Recycling at head office has been outsourced to the Oasis Association, a non-profit community-based organisation which promotes the reuse of goods and materials.

- **Employee awareness programmes**

Programmes aimed at raising employee awareness of the individual and collective impact on the environment included participation in the WWF Earth Hour campaign, and staff initiated programmes to reduce and recycle paper and to participate in the Mission Green Earth tree project in Woodstock and a "green team" to focus on energy-saving opportunities.

Environmental management plans

In the year ahead the group plans to address the following:

- Improve the central co-ordination and reporting of environmental initiatives across the group
- Investigate the viability of a pilot Clicks brand green store
- Continue participation in the CDP and support for the WWF Earth Hour campaign
- Agree targets and a scorecard aimed at managing the environmental impact
- Enhance employee engagement around the environmental agenda
- Engage with suppliers and stakeholders on the group's environmental agenda
- Expand the recycling project to UPD and enhance the focus on recycling within the retail brands

Sustainability priorities for 2010

Social sustainability

- Reduce employee turnover and enhance the quality of employee engagement through the following:
  - Launch an employee value proposition
  - Benchmark employee commitment
  - Entrench the talent and succession management process

Economic sustainability

- Continue to enhance shareholder value
- Achieve the targeted level 4 BBBEE status through a heightened focus on employment equity and enterprise development
- Grow market share and leverage the benefits of the Clicks ClubCard

Environmental sustainability

- Set targets to mitigate the impact of climate change
- Entrench environmental management in operational and business planning processes
- Implement an environmental management scorecard

GLOBAL REPORTING INITIATIVE INDEX

Clicks Group reports according to the sustainability guidelines of the Global Reporting Initiative (GRI). This table indicates where the core GRI indicators have been addressed within the annual report and also states where an indicator has not been assessed or where it is not relevant to the group. Management has adopted an incremental approach to reporting under the GRI and plans to increase its compliance over times. The detailed GRI guidelines are available on www.globalreporting.org.

GRI reference	Topic	Page	Description
Strategy and analysis			
1.1	Strategy	4	Group strategy
		16	Chief executive's report
1.2	Key impacts, risks and opportunities	44	Risk management report
		46	Sustainability report
Organisational profile			
2.1–2.10	Organisational profile	1	Group profile
		3	Group structure
Report parameters			
3.1–3.4	Report profile	58	Annual financial statements
		132	Corporate information
3.5–3.11	Report scope and boundary	58	Annual financial statements
3.12	GRI Index content	46	Sustainability report
3.13	Assurance	–	External assurance not sought
Governance, commitments and engagement			
4.1–4.10	Governance, commitment and engagement	34	Corporate governance report
4.11–4.13	Commitments to external initiatives	–	Not assessed
4.14–4.17	Stakeholder engagement	46	Sustainability report
Economic performance indicators			
EC1	Economic value generated and distributed	49	Value added statement
EC2	Financial implications of climate change	–	Not assessed
EC3	Defined benefit plan obligations	58	Annual financial statements
EC4	Financial assistance from government	–	Not applicable
EC6	Spending on locally-based suppliers	–	Not reported
EC7	Hiring of local labour	–	Not applicable
EC8	Infrastructure investments and services	–	Not applicable
Environmental performance indicators			
EN1	Materials usage by weight and volume	–	Not assessed
EN2	Recycled input material used	–	Not assessed
EN3–4	Energy consumption	46	Sustainability report
EN8–10	Water consumption by source	–	Not assessed
EN11–12	Impact of activities on biodiversity	–	Not assessed
EN16–23	Emissions, effluent and waste	46	Sustainability report
EN26–27	Environmental impacts of products and services	–	Not assessed
EN28	Sanctions for non-compliance	–	No sanctions imposed
Social performance indicators			
Labour practices			
LA1	Total workforce	46	Sustainability report
LA2	Employee turnover	46	Sustainability report
LA4–5	Labour relations and collective bargaining	46	Sustainability report
LA7–8	Occupational health and safety	46	Sustainability report
LA10	Training and education per employee	–	Not assessed
LA13–14	Diversity and equal opportunity	46	Sustainability report
Human rights			
HR1–2	Procurement agreements with human rights clauses	–	Not assessed
HR4	Incidents of discrimination	–	Not assessed
HR5	Operations where collective bargaining at risk	–	Not assessed
HR6	Child labour	–	Not assessed
HR7	Forced and compulsory labour	–	Not assessed
Society			
SO1	Assessing impacts on communities	–	Not assessed
SO2–4	Training in anti-corruption	–	Not assessed
SO5	Participation in public policy development	–	Not assessed
Product responsibility			
PR1	Health and safety impacts of products	–	Not assessed
PR3	Product and service labelling	–	Not assessed
PR6	Marketing communications	–	Not assessed
PR9	Fines for non-compliance	–	No sanctions imposed

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

ANNUAL FINANCIAL STATEMENTS

DIRECTORS' REPORT

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).

DIRECTORS' RESPONSIBILITY STATEMENT

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

INDEPENDENT AUDITOR'S REPORT

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

CONSOLIDATED INCOME STATEMENT

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		**1 361 915**	1 252 989
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		**1 125 263**	1 141 604
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
Balance at 1 September 2007		316 115	3 360	435 991
As restated for the adoption of IFRIC 13 "Customer Loyalty Programmes"	36	–	–	–
Restated balance at 1 September 2007		316 115	3 360	435 991
Acquisition of subsidiary		–	–	–
Treasury shares cancelled		–	(118)	(165 484)
Share cancellation expenses written off		–	–	(383)
Net cost of own shares purchased		(25 790)	–	–
Treasury shares purchased		(32 086)	–	–
Disposal of treasury shares		6 296	–	–
Total recognised income and expenses for the year		–	–	–
Foreign currency translation reserve		–	–	–
Share option reserve		–	–	–
Profit for the year – as previously reported		–	–	–
As restated for the adoption of IFRIC 13 "Customer Loyalty Programmes"	36	–	–	–
Distributions to shareholders		–	–	(148 663)
Balance at 31 August 2008		**290 325**	**3 242**	**121 461**
Additional shares issued		**208**	**2**	**74 200**
Acquisition of subsidiary	35	**–**	**–**	**–**
Treasury shares cancelled		**–**	**(215)**	**–**
Share cancellation expenses written off		**–**	**–**	**(99)**
Net cost of own shares purchased		**(14 227)**	**–**	**–**
Treasury shares purchased		**(19 336)**	**–**	**–**
Disposal of treasury shares		**5 109**	**–**	**–**
Total recognised income and expenses for the year		**–**	**–**	**–**
Foreign currency translation reserve		**–**	**–**	**–**
Share option reserve		**–**	**–**	**–**
Profit for the year		**–**	**–**	**–**
Distributions to shareholders		**–**	**–**	**(195 562)**
Balance at 31 August 2009		**276 306**	**3 029**	**–**

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
23 786	(258 548)	(11)	1 091 610	1 296 188	–	1 296 188
–	–	–	(1 641)	(1 641)	–	(1 641)
23 786	(258 548)	(11)	1 089 969	1 294 547	–	1 294 547
–	–	–	–	–	273	273
–	165 602	–	–	–	–	–
–	–	–	–	(383)	–	(383)
–	(389 816)	–	(47 394)	(437 210)	–	(437 210)
–	(481 182)	–	–	(481 182)	–	(481 182)
–	91 366	–	(47 394)	43 972	–	43 972
46	–	50	441 201	441 297	(127)	441 170
–	–	50	–	50	–	50
46	–	–	–	46	–	46
–	–	–	442 435	442 435	(127)	442 308
–	–	–	(1 234)	(1 234)	–	(1 234)
–	19 140	–	(27 270)	(156 793)	–	(156 793)
23 832	**(463 622)**	**39**	**1 456 506**	**1 141 458**	**146**	**1 141 604**
–	(74 202)	–	–	–	–	–
–	–	(4 987)	–	(4 987)	1 925	(3 062)
–	300 899	–	(300 684)	–	–	–
–	–	–	–	(99)	–	(99)
–	(270 155)	–	(24 959)	(295 114)	–	(295 114)
–	(337 501)	–	–	(337 501)	–	(337 501)
–	67 346	–	(24 959)	42 387	–	42 387
717	–	(285)	472 387	472 819	214	473 033
–	–	(285)	–	(285)	–	(285)
717	–	–	–	717	–	717
–	–	–	472 387	472 387	214	472 601
–	18 822	–	(14 359)	(191 099)	–	(191 099)
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 *	
	2009 R'000	2008 (restated) R'000
Segment revenue	**8 557 963**	7 423 024
Turnover	**8 291 261**	7 185 241
Cost of merchandise sold	**(5 902 646)**	(5 121 171)
Gross profit	**2 388 615**	2 064 070
Other income	**266 702**	237 783
Segment expenses	**(2 118 319)**	(1 861 955)
Depreciation and amortisation	**(102 536)**	(84 797)
Occupancy costs	**(335 054)**	(289 079)
Employment costs	**(1 024 276)**	(864 659)
Other costs	**(656 453)**	(623 420)
Operating profit	**536 998**	439 898
(Loss)/profit on disposal of property, plant and equipment	**(6 942)**	13 948
Profit on disposal of business	**–**	1 244
Segment result from continuing operations	**530 056**	455 090
Discontinued operations***		
Net financing costs		
Financial income***		
Financial expense		
Profit before taxation		
Income tax expense***		
Total profit for the year		

Segmental cash flow information for the year ended 31 August 2009

	Retail * 2009 R'000	Retail * 2008 (restated) R'000
Continuing operations		
Capital expenditure	**(186 540)**	(162 647)
Depreciation and amortisation	**110 788**	92 023
Non-cash items:		
Fair value adjustment – derivative	**(28 053)**	22 808
Foreign exchange loss	**16 966**	3 057
Loss/(profit) on disposal of property, plant and equipment	**6 942**	(13 948)
Operating lease accrual	**7 747**	(5 574)
Equity-settled share option costs	**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

UPD **		Intragroup elimination		Group	
2009	2008	2009	2008	2009	2008 (restated)
R'000	R'000	R'000	R'000	R'000	R'000
5 375 224	5 137 493	(1 193 393)	(867 731)	12 754 202	11 711 614
5 077 444	4 864 586	(1 193 393)	(856 250)	12 175 312	11 193 577
(4 947 437)	(4 727 082)	1 192 153	863 986	(9 657 930)	(8 984 267)
130 007	137 504	(1 240)	7 736	2 517 382	2 209 310
297 780	272 907	–	(11 481)	564 482	499 209
(254 375)	(256 116)	–	–	(2 372 694)	(2 118 071)
(11 129)	(10 581)	–	–	(113 665)	(95 378)
(17 001)	(17 409)	–	–	(352 055)	(306 488)
(132 652)	(121 469)	–	–	(1 156 928)	(986 128)
(93 593)	(106 657)	–	–	(750 046)	(730 077)
173 412	154 295	(1 240)	(3 745)	709 170	590 448
(235)	(23)	–	–	(7 177)	13 925
–	–	–	–	–	1 244
173 177	154 272	(1 240)	(3 745)	701 993	605 617
				–	30 922
				(54 773)	(51 087)
				14 408	18 828
				(69 181)	(69 915)
				647 220	585 452
				(174 619)	(144 378)
				472 601	441 074
(38 085)	(11 653)			(224 625)	(174 300)
11 129	10 581			121 917	102 604
–	–			(28 053)	22 808
–	–			16 966	3 057
235	23			7 177	(13 925)
–	–			7 747	(5 574)
–	–			717	46

OPERATIONAL SEGMENTAL ANALYSIS

Segmental balance sheet at 31 August 2009 continued...

	Retail 2009 R'000	Retail 2008 (restated) R'000
SEGMENT ASSETS		
Segment non-current assets	**1 110 371**	1 216 754
Property, plant and equipment	**680 473**	613 254
Intangible assets	**301 358**	300 811
Goodwill	**–**	–
Deferred tax assets	**86 318**	71 510
Intragroup loans	**–**	173 109
Loans receivable	**42 222**	58 070
Segment current assets	**2 048 643**	1 334 722
Inventories	**1 051 826**	1 017 984
Trade and other receivables	**150 428**	163 810
Intragroup loans	**390 452**	–
Loans receivable	**11 342**	8 064
Cash and cash equivalents	**376 294**	100 520
Derivative financial assets	**68 301**	44 344
Total segment assets	**3 159 014**	2 551 476
SEGMENT EQUITY AND LIABILITIES		
Segment equity	**1 126 693**	860 960
Share capital	**3 029**	3 242
Share premium	**–**	121 461
Share option reserve	**24 549**	23 832
Treasury shares	**(488 258)**	(463 622)
Other reserves	**(160)**	39
Distributable reserve	**1 587 533**	1 176 008
Equity attributable to equity holders of the parent	**1 126 693**	860 960
Minority interest	**–**	–
Segment non-current liabilities	**481 045**	352 444
Interest-bearing borrowings	**31 764**	59 609
Intragroup loans	**183 196**	–
Employee benefits	**82 970**	117 724
Deferred tax liabilities	**77 275**	77 018
Operating lease liability	**105 840**	98 093
Segment current liabilities	**1 551 276**	1 338 072
Trade and other payables	**1 251 856**	1 112 178
Intragroup loans	**–**	–
Employee benefits	**219 654**	96 273
Provisions	**6 254**	7 630
Interest-bearing borrowings	**27 636**	51 276
Income tax payable	**25 846**	67 658
Derivative financial liabilities	**20 030**	3 057
Total segment equity and liabilities	**3 159 014**	2 551 476

* Includes Direct Medicines as at 31 August 2009

UPD*		Intragroup elimination		Group	
2000	2008	2009	2008	2009	2008 (restated)
R'000	R'000	R'000	R'000	R'000	R'000
434 740	209 344	(183 196)	(173 109)	1 361 915	1 252 989
149 040	121 231	–	–	829 513	734 485
955	1 330	–	–	302 313	302 141
96 124	85 811	–	–	96 124	85 811
1 925	972	–	–	88 243	72 482
183 196	–	(183 196)	(173 109)	–	–
3 500	–	–	–	45 722	58 070
1 315 939	1 106 015	(545 291)	(108 404)	2 819 291	2 332 333
376 512	358 506	(6 842)	(5 601)	1 421 496	1 370 889
905 967	746 890	(147 997)	(102 803)	908 398	807 897
–	–	(390 452)	–	–	–
–	–	–	–	11 342	8 064
33 460	619	–	–	409 754	101 139
–	–	–	–	68 301	44 344
1 750 679	1 315 359	(728 487)	(281 513)	4 181 206	3 585 322
5 412	286 245	(6 842)	(5 601)	1 125 263	1 141 604
–	–	–	–	3 029	3 242
–	–	–	–	–	121 461
–	–	–	–	24 549	23 832
–	–	–	–	(488 258)	(463 622)
(5 073)	–	–	–	(5 233)	39
8 200	286 099	(6 842)	(5 601)	1 588 891	1 456 506
3 127	286 099	(6 842)	(5 601)	1 122 978	1 141 458
2 285	146	–	–	2 285	146
19 904	191 300	(183 196)	(173 109)	317 753	370 635
5 664	1 851	–	–	37 428	61 460
–	173 109	(183 196)	(173 109)	–	–
8 164	13 142	–	–	91 134	130 866
6 076	3 198	–	–	83 351	80 216
–	–	–	–	105 840	98 093
1 725 363	837 814	(538 449)	(102 803)	2 738 190	2 073 083
1 304 258	818 623	(147 997)	(102 803)	2 408 117	1 827 998
390 452	–	(390 452)	–	–	–
20 942	7 989	–	–	240 596	104 262
–	–	–	–	6 254	7 630
2 241	2 904	–	–	29 877	54 180
7 470	8 298	–	–	33 316	75 956
–	–	–	–	20 030	3 057
1 750 679	1 315 359	(728 487)	(281 513)	4 181 206	3 585 322

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.

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 Liquidiation	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	Group 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.

		Group 2009 R'000	Group 2008 R'000
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

		Group 2009 R'000	Group 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

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	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 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
Reconciliation of rate of tax (%)				
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	Group 2008 R'000
9 **Earnings per share***		
Reconciliation of headline earnings		
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
Reconciliation of shares in issue to weighted average number of shares in issue		
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
Reconciliation of weighted average number of shares in issue to weighted average diluted number of shares in issue		
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.

	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.

		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:

i) 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).

ii) 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.

iii) Selling costs of 1.0% of the gross valuation based on consultations with valuation experts.

iv) 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:

i) Budgeted sales and margin for 2010

ii) Conservative growth of 5% per annum from 2011 to perpetuity

iii) Discount rate of 15.5% per annum

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 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.

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		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	Group 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.

	Group 2009 R'000	Group 2008 R'000
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.

	Group 2009 R'000	Group 2008 R'000
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

	Group 2009 Assets R'000	Group 2009 Liabilities R'000	Group 2008 Assets R'000	Group 2008 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	Group and Company 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
Reconciliation of total number of shares in issue to net number of shares in issue		
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 excercised 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.

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	Group 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	**–**	112
Unsecured loan	11.7%	September 2009	**–**	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.

	Group			
	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	Total 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	Share price on vesting date		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 valuators using the Binomial option pricing model, amortised over the vesting period of the rights.

The following key assumptions have been made:

i) 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.

ii) 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.

iii) A dividend yield of 3.35% was assumed.

iv) 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:

i) A discount rate of 9.2% per annum

ii) General increases to medical aid contributions of 7.2%

iii) A retirement age of 65

iv) Husbands are on average three years older than their spouses

v) Mortality of pensioners determined in accordance with PA90 ultimate tables

vi) 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

	Group					
	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	Total 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

		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.

		2009 R'000	2008 R'000
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).

		2009 R'000	2008 R'000
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	Group 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)

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	Group 2009 R'000	Group 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:

Purchase amount:	**USD500 000**	**USD300 000**
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.

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.

Share price increases by 10%	2009 R'000	2008 R'000
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.

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 valuators 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 vale 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

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
	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:

		Group 2009				
	Interest terms	Carrying amount R'000	Contractual cash fows 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**	**–**

	Interest terms	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
		Group 2008				
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	Company 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	Group 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:

i) Investec manages certain cash on call on behalf of group companies.

ii) Investec has provided funding to group companies.

iii) A group company held an investment in an Investec Bank Limited group company. Refer to note 30.

iv) 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.

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 2009 R'000	Shares at cost less amounts written off 2008 R'000	Amount owing (to)/by subsidiaries 2009 R'000	Amount owing (to)/by subsidiaries 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

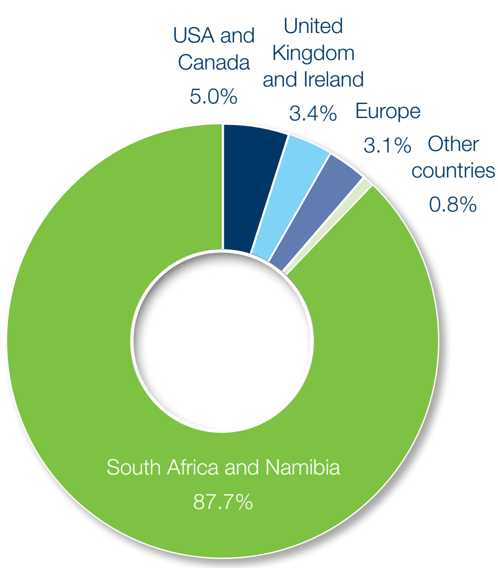
at 31 August 2009

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%

SHAREHOLDERS' DIARY

Dates for 2009/10

2009 annual general meeting	18 January 2010
Preliminary profit announcements	
Interim to February 2010	April 2010
Final to August 2010	October 2010
Publication of 2010 annual report	November 2010
Distributions	
2009 Final distribution	
Last day to trade to be eligible	15 January 2010
Date of distribution	25 January 2010
2010 Interim distribution	
Last day to trade to be eligible	June 2010
Date of distribution	June 2010
2010 Final distribution	
Last day to trade to be eligible	December 2010
Date of distribution	December 2010

STRATE Charity Shares

Shareholders with small or odd-lot holdings, or those who find the cost of selling their shares exceeds the market value of their shares, may wish to consider donating the shares to charity. An independent non-profit organisation called STRATE Charity Shares has been established to administer this process. In terms of this initiative, investors may donate their holdings, whether or not they have been converted to an electronic record of ownership in STRATE, to one or more nominated charities. The value of any shares donated may be deducted from taxable income, as the scheme is registered under section 18A of the Income Tax Act in South Africa.

For further details, queries and/or donations, contact the STRATE Share Care toll-free helpline on 0800 202 363 or +27 (0)11 373 0038, or e-mail charityshares@computershare.co.za.

Notice is hereby given that the fourteenth annual general meeting of shareholders of Clicks Group Limited ("the company") will be held at the registered office of the company, corner Searle and Pontac Streets, Cape Town on Monday, 18 January 2010 at 11:00, at which the resolutions set out below will be considered and, if deemed fit, passed with or without amendment, and the actions set out below taken:

1. **Ordinary resolution number 1 – adoption of financial statements**

   To receive and consider for adoption the annual financial statements of the company and the group for the year ended 31 August 2009.

2. **Ordinary resolution number 2 – reappointment of auditors**

   To reappoint KPMG Inc. as auditors of the company for the ensuing year and to note that the individual registered auditor who will undertake the audit is David Friedland.

3. **Ordinary resolution number 3 – re-election of director**

   To consider the re-election as a director of the company of David Nurek who retires in accordance with the company's articles of association and being eligible, offers himself for re-election.

   In compliance with paragraph 3.84 of the JSE Listings Requirements, a brief curriculum vitae is provided on page 12 hereof.

4. **Ordinary resolution number 4 – re-election of director**

   To consider the re-election as a director of the company of Keith Warburton who retires in accordance with the company's articles of association and being eligible, offers himself for re-election.

   In compliance with paragraph 3.84 of the JSE Listings Requirements, a brief curriculum vitae is provided on page 13 hereof.

5. **Ordinary resolution number 5 – re-election of director**

   To consider the re-election as a director of the company of Fatima Jakoet who retires in accordance with the company's articles of association and being eligible, offers herself for re-election.

   In compliance with paragraph 3.84 of the JSE Listings Requirements, a brief curriculum vitae is provided on page 13 hereof.

6. **Ordinary resolution number 6 – approval of directors' fees**

   To approve the proposed fees, payable to directors, as disclosed in the remuneration report (page 43) for the year 1 September 2009 to 31 August 2010.

7. **Ordinary resolution number 7 – directors' authority over unissued shares**

   To renew the directors' authority over the unissued share capital of the company until the next annual general meeting, subject to this authority being limited to issuing a maximum of 1 300 000 shares in terms of the company's obligations under the staff share incentive scheme.

8. **Ordinary resolution number 8 – general authority to make distributions to shareholders by way of a reduction in share premium**

   To consider, and if deemed fit, to pass, with or without modification, the following ordinary resolution:

   Resolved that the directors of the company be and are hereby authorised, by way of a general authority to distribute, on a pro rata basis, to all shareholders of the company, any share capital and reserves of the company in terms of section 90 of the Companies Act, No 61 of 1973 as amended ("the Companies Act"), and the company's articles of association and the JSE Listings Requirements, provided that:

   - the general authority shall be valid until the next annual general meeting of the company or for 15 months from the passing of this ordinary resolution (whichever period is shorter); and
   - any general distribution of share premium by the company shall not exceed 20% (twenty per cent) of the company's issued share capital and reserves, excluding minority interests.

   The directors of the company are of the opinion that, were the company to enter into a transaction to distribute share capital and/or reserves totalling 20% (twenty per cent) of the current issued share capital and reserves of the company:

   - the company and its subsidiaries ("the group") will be able in the ordinary course of business to pay its debts for a period of 12 months after the date of the notice of the annual general meeting;
   - the assets of the company and the group, fairly valued, will be in excess of the liabilities of the company and the group for a period of 12 months after the date of the notice of the annual general meeting;
   - the issued share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting; and
   - the working capital available to the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting.

9. **Ordinary resolution number 9 – specific authority to issue shares in terms of the Companies Act**

   Resolved that, as a specific approval contemplated in section 221 of the Companies Act, the directors of the company be and are hereby authorised by way of a specific authority to issue for cash 23 000 000 (twenty-three million) authorised, but unissued, shares in the capital of the company to the company's wholly-owned subsidiary, New Clicks South Africa (Proprietary) Limited, at market value, determined at the close of business on the day prior to the application for the listing of shares being submitted to the JSE Limited. Such shares to be issued and allotted by the directors in one or more tranches, prior to the next annual general meeting of the company, subject to the Companies Act, the articles of association of the company and the JSE Listings Requirements as presently constituted and as may be amended from time to time.

   The additional information required in terms of the JSE Listings Requirements for purposes of this authority is provided in Annexure 1.

10. **Ordinary resolution number 10 – specific authority to issue shares in terms of the JSE Listings Requirements**

    "Resolved that 23 000 000 (twenty-three million) ordinary shares of R0.01 (1 cent) each in the authorised but unissued share capital of the company be allotted and issued for cash to the company's wholly-owned subsidiary, New Clicks South Africa (Proprietary) Limited, by the directors in one or more tranches, prior to the next annual general meeting of the company, at market value, determined at the close of business on the day prior to the application for the listing of shares being submitted to the JSE Limited."

The additional information required in terms of the JSE Listings Requirements for purposes of this authority is provided in Annexure 1.

Note:

Pursuant to the Listings Requirements of the JSE Limited, ordinary resolution number 10 requires the approval of a 75% (seventy-five per cent) majority of votes cast in favour thereof by all shareholders present or represented by proxy.

11. **Special resolution number 1 – general authority to repurchase shares**

To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

"Resolved that the company hereby approves, as a general approval contemplated in sections 85 and 89 of the Companies Act, the acquisition by the company or any of its subsidiaries from time to time of the issued shares of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, but subject to the articles of association of the company, the provisions of the Companies Act and the JSE Listings Requirements as presently constituted and which may be amended from time to time, and provided that:

- any such repurchase shall be implemented through the order book operated by the JSE trading system, without any prior understanding or arrangement between the company and the counterparty;
- authorisation thereto being given by its articles;
- this general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- a press announcement will be published as soon as the company and/or its subsidiaries has repurchased ordinary shares constituting, on a cumulative basis, 3% (three per cent) of the initial number of ordinary shares, and for each 3% (three per cent) in aggregate of the initial number of shares repurchased thereafter, containing full details of such repurchases;
- acquisitions by the company and its subsidiaries of shares in the capital of the company may not, in the aggregate, exceed in any one financial year 10% (ten per cent) of the company's issued share capital of the class of the repurchased shares from the date of the grant of this general authority;
- in determining the price at which the company's shares are acquired by the company or its subsidiaries in terms of this general authority, the maximum premium at which such shares may be acquired will be 10% (ten per cent) of the weighted average of the market price at which such shares are traded on the JSE for the 5 (five) business days immediately preceding the date the repurchase transaction is effected;
- in the case of a derivative (as contemplated in the JSE Listings Requirements) the price of the derivative shall be subject to the limits set out in section 5.84(a) of the Listings Requirements;
- the company's sponsor has confirmed the adequacy of the company's working capital for purposes of undertaking the repurchase of shares in writing to the JSE upon when the company entered the market to proceed with the repurchase;
- the company remains in compliance with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread after such repurchase;
- the company and/or its subsidiaries do not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement on SENS prior to the commencement of the prohibited period; and
- the company only appoints one agent at any point in time to effect repurchases on its behalf.

The directors, having considered the effects of the repurchase of the maximum number of ordinary shares in terms of the aforegoing general authority, are of the opinion that for a period of 12 (twelve) months after the date of this notice of the annual general meeting:

- the company and the group will be able, in the ordinary course of business, to pay its debts;
- the consolidated assets of the company and group, fairly valued in accordance with generally accepted accounting practice, will exceed the consolidated liabilities of the company and group; and
- the company's and the group's ordinary share capital, reserves and working capital will be adequate for ordinary business purposes.

Reason and effect of special resolution number 1

The reason for special resolution number 1 is to grant the directors of the company and subsidiaries of the company a general authority in terms of the Companies Act and the JSE Listings Requirements to acquire the company's shares, subject to the terms and conditions set out in the resolution. The passing and registration of this special resolution will have the effect of authorising the directors of the company and subsidiaries of the company to acquire shares issued by the company.

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of this general authority:

Directors and management (pages 12 and 13);
Major beneficial shareholders (page 119);
Directors' interests in ordinary shares (page 43); and
Share capital of the company (page 94).

Litigation statement

In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names appear in the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or had in the recent past, being at least the previous 12 (twelve) months, a material effect on the group's financial position.

Directors' responsibility statement

The directors, whose names appear in the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information.

Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report and up to the date of this notice.

12. **Special resolution number 2 – amend article 89 of the company's articles of association by deletion of the current article and replacement with the following:**

"89. Subject to the provisions of the Act, a resolution in writing, including through the medium of electronic post, signed by all the directors (or their alternates, if applicable) for the time being, and inserted in the minute book, shall be as valid and effective as if it has been passed at a meeting of directors duly called and constituted. Any such resolution may consist of several documents, each of which may be signed by one or more directors or their alternates if applicable, including by electronic post. The resolutions shall be deemed to have been passed on the date on which it was signed by the last director who signed it unless a statement to the contrary is made in that resolution."

Reason for and effect of special resolution number 2

The reason for special resolution number 2 is to remove the administrative burden currently experienced with the current article number 89 relating to passing resolutions by round-robin method. The adoption of this amended article 89 will enhance practicality, without detracting from good governance, and at the same time recognises modern communication resources including electronic post.

The effect of passing this special resolution will be to allow all directors to vote on an issue irrespective of whether or not such directors are personally present when the first director signs the resolution, and irrespective of where a director happens to be at the time. This will enable directors to vote on a resolution even when not in South Africa, should the need arise.

13. **To transact such other business as may be transacted at an annual general meeting**

All shareholders of ordinary shares in the company are entitled to attend, speak and vote at the annual general meeting. If you hold certificated shares (i.e. have not dematerialised your shares in the company) or are registered as an "own name" dematerialised shareholder (i.e. have specifically instructed your Central Securities Depository Participant ("CSDP") to hold your shares in your own name on the company's sub-register), then:

- you may attend and vote at the annual general meeting; alternatively
- you may appoint a proxy to represent you at the annual general meeting by completing the attached form of proxy and return it to the registered office of the company by not less than 24 hours prior to the time appointed for the holding of the meeting (excluding Saturdays, Sundays and public holidays).

Please note that if you are the owner of dematerialised shares (i.e. have replaced the paper share certificates representing the shares with electronic records of ownership under the JSE Limited's electronic settlement system, Share Transactions Totally Electronic ("STRATE")) held through a CSDP or broker and are not registered as an "own name" dematerialised shareholder, you are subject to the mandate between yourself and your CSDP or broker:

- if you wish to attend the annual general meeting you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from it; alternatively
- if you are unable to attend the general meeting but wish to be represented at the meeting, you must contact your CSDP or broker, as the case may be, and furnish it with your voting instructions in respect of the annual general meeting and/or request it to appoint a proxy. You should not complete the attached form of proxy. The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, as the case may be, within the time period required by your CSDP or broker, as the case may be.

CSDPs, brokers or their nominees, as the case may be, recorded in the company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of STRATE should, when authorised in terms of their mandate or instructed to do so by the person on behalf of whom they hold the dematerialised shares, vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the company's transfer secretaries or registered office of the company not less than 24 hours prior to the time appointed for the holding of the meeting (excluding Saturdays, Sundays and public holidays).

On a poll the holders of ordinary shares are entitled to one vote per ordinary share.

By order of the board

DW JANKS
Company Secretary

12 November 2009

ANNEXURE 1

EXPLANATORY NOTES PERTAINING TO ORDINARY RESOLUTION NUMBER 9 AND 10 – SPECIFIC AUTHORITY TO ISSUE SHARES

1. **INTRODUCTION**

The explanatory notes have been incorporated in the Clicks Group Limited ("Clicks Group" or "the company") 2009 annual report to provide shareholders with information pertaining to the specific issue of shares for cash in order for shareholders to consider and vote on ordinary resolutions number 9 and 10.

The address and registration number of Clicks Group is disclosed on page 132 of the annual report.

2. **DETAILS AND RATIONALE**

Clicks Group will issue 23 000 000 (twenty-three million) ordinary shares of 1 cent each to New Clicks South Africa (Pty) Limited ("New Clicks SA"), a wholly-owned subsidiary of Clicks Group. The shares may be issued in one or more tranches and will be issued at the market value at the close of business on the day prior to the application for the listing of such shares being submitted to the JSE Limited. The shares held by New Clicks SA will be accounted for as treasury shares and will have no voting rights. New Clicks SA is considered to be a non-public shareholder in terms of the JSE Listings Requirements.

The capital raised from the specific issue will be used to make distributions to Clicks Group shareholders. The distributions which will be made from capital reserves will be consistent with distributions made in the past to Clicks Group shareholders.

In the past three years there have been no issues of securities other than in terms of Clicks Group's share incentive scheme and the previous issue of shares to New Clicks SA, for which Clicks Group's directors have been granted the relevant authority.

3. **FINANCIAL EFFECTS OF THE TRANSACTION**

The specific issue of shares for cash will have no effect on Clicks Group's earnings, headline earnings, net asset value or tangible net asset value.

4. **SHARE CAPITAL**

As at 31 August 2009, the authorised and issued share capital of Clicks Group before and after the specific issue of shares for cash is as follows:

	R'000
Before the specific issue	
Authorised share capital	
600 000 000 ordinary shares of 1 cent each	6 000
Total authorised	6 000
Issued share capital	
302 841 401 ordinary shares of 1 cent each	3 029
Share premium	–
Total	3 029
Treasury shares – 26 535 182[1] of 1 cent each	(265)
Total after treasury shares – 276 306 219 of 1 cent each	2 764
After the specific issue	
Authorised share capital	
600 000 000 ordinary shares of 1 cent each	6 000
Total authorised	6 000
Issued share capital	
300 792 521 ordinary shares of 1 cent each	3 008
Share premium	549 470
Total	552 478
Treasury shares – 24 486 302[2] of 1 cent each	(549 714)
Total after treasury shares and issue of shares for cash – 276 306 219 of 1 cent each	2 764

Notes:

1. For illustrative purposes, all of the treasury shares as at 31 August 2009, except for those treasury shares held by the New Clicks Holdings Share Trust for purposes of delivery to participants in terms of the share incentive scheme, have been cancelled.
2. For purposes of this note it has been assumed that the shares are issued at the market value at the close of business on 15 October 2009 being R23.90 (this is for illustrative purposes only).

5. INFORMATION RELATING TO THE DIRECTORS

5.1 Directors' names and addresses

David Nurek	Chairman
Appointed:	June 1997
Age:	59
Business address:	36 Hans Strijdom Avenue, Foreshore, Cape Town, 8001
Qualifications:	Dip Law, Grad Dip Company Law
Fatima Abrahams	Non-executive director
Appointed:	March 2008
Age:	47
Business address:	PO Box 31222, Grassy Park, 7888
Qualifications:	B Econ (Hons) (cum laude), M Com and D Com
John Bester	Non-executive director
Appointed:	October 2008
Age:	63
Business address:	Belmont Office Park, Belmont Road, Rondebosch, 7700
Qualifications:	B Com Hons, CA (SA), CMS (Oxon)
Bertina Engelbrecht*	Human resources director
Appointed:	March 2008
Age:	46
Business address:	Cnr Searle and Pontac Streets, Cape Town, 8001
Qualifications:	B Proc, LL M, admitted attorney
Michael Harvey*	Managing director, Clicks
Appointed:	April 2006
Age:	40
Business address:	Cnr Searle and Pontac Streets, Cape Town, 8001
Qualifications	None
Fatima Jakoet	Non-executive director
Appointed:	March 2008
Age:	49
Business address:	PO Box 5142, Cape Town, 8000
Qualifications:	B Sc, CTA, CA (SA), Higher certificate in financial markets
David Kneale*#	Chief executive officer
Appointed:	April 2006
Age:	55
Business address:	Cnr Searle and Pontac Streets, Cape Town, 8001
Qualifications:	BA
Martin Rosen	Non-executive director
Appointed:	April 2006
Age:	59
Business address:	MV Media Commerce House, 374 Rivonia Blvd, Rivonia 2128
Qualifications:	None
Keith Warburton*	Chief financial officer
Appointed:	April 2006
Age:	51
Business address:	Cnr Searle and Pontac Streets, Cape Town, 8001
Qualifications:	B Com, CA (SA)

* executive directors

British

The following directors are also directors of New Clicks SA in the same capacity as in Clicks Group: David Kneale, Michael Harvey and Keith Warburton.

5.2 **Directors' remuneration**

There will be no variation in the remuneration to be received by any of the directors as a consequence of the specific issue of shares for cash.

5.3 **Directors' interests in securities**

As at 31 August 2009, directors' direct and indirect holdings and outstanding options in the issued share capital of Clicks Group were as follows:

	Beneficial			Number of share options*
Name	Direct	Indirect	Total %	
David Nurek	–	129 682	0.05	500 000
David Kneale	105 200	–	0.04	–
Michael Harvey	100 000	–	0.03	–
Keith Warburton		5 000	0.00	–
Martin Rosen	2 000	–	0.00	–
John Bester	10 000	–	0.00	–
Total	**217 200**	**134 682**	**0.12**	**500 000**

* share options were offered on a deferred delivery basis

There have been no changes in the direct or indirect beneficial interests of the directors' holding in the share capital of Clicks Group from 31 August 2009 to the last practicable date.

Directors not mentioned in the table above do not have a shareholding in Clicks Group.

5.4 **Directors' interests in transactions**

None of the directors of Clicks Group have any material beneficial interest, whether directly or indirectly, in any transaction effected by Clicks Group in the current or immediately preceding financial year, or during an earlier financial year where there remains any outstanding or underperformed aspect.

6. MATERIAL CHANGES

There have been no material changes in the financial or trading position of Clicks Group and its subsidiaries since the publication of Clicks Group's final results for the 12-month period ended 31 August 2009.

7. MAJOR SHAREHOLDERS

In so far as is known to the directors of Clicks Group, the major shareholders, as at 31 August 2009, being the beneficial owners, directly or indirectly, of 5% or more of the issued share capital of Clicks Group, are as follows:

	Number of shares owned	% of total issued shares
Government Employees Pension Fund	48 998 562	16.2
New Clicks SA (treasury shares)	25 048 880	8.3
Sanlam Investment Managers	20 855 529	6.9
Investment Solutions	16 687 499	5.5
Total	**111 590 470**	**36.9**

8. LITIGATION STATEMENT

There have been no legal proceedings in the past 12 months, including any proceedings that are pending or threatened of which Clicks Group is aware, which may have a material effect on Clicks Group's financial position.

9. TRADING HISTORY OF CLICKS GROUP SHARES ON THE JSE

The high, low and closing prices of Clicks Group shares on the JSE, and the volumes and value traded, for the eight quarters ending September 2008, monthly from October 2008 to September 2009 and for each trading day from 10 September 2009 to the day preceding the last practicable date, were as follows:

		Close (R)	Low (R)	High (R)	Volume (000)	Value (R'000)
Quarterly						
2006	December	10.70	10.50	10.89	88 667	914 702
2007	March	12.60	12.50	12.65	87 034	963 676
	June	14.67	14.50	15.06	75 365	986 503
	September	14.70	14.30	14.80	74 085	1 150 832
	December	17.95	17.20	18.46	93 245	1 466 914
2008	March	13.35	13.10	13.35	74 905	1 172 384
	June	13.90	13.75	14.00	56 602	791 676
	September	13.15	13.00	14.00	77 774	1 045 936
Monthly						
2008	October	13.70	13.20	14.00	32 153	477 473
	November	15.50	14.50	15.50	15 914	237 188
	December	16.30	15.80	16.30	14 843	230 346
2009	January	16.40	15.75	16.50	7 495	123 667
	February	14.70	13.95	15.45	21 549	331 907
	March	14.80	14.30	15.79	20 049	283 704
	April	15.37	14.51	15.37	21 751	326 920
	May	17.00	16.55	17.31	19 670	319 805
	June	17.75	17.51	18.00	20 348	368 726
	July	19.50	19.15	19.69	10 074	187 381
	August	19.70	19.65	19.73	17 019	334 234
	September	21.40	20.63	21.40	15 187	305 343
Daily						
2009	10 September	20.00	19.81	20.90	2 082	41 631
	11 September	20.00	19.90	20.93	1 800	36 019
	14 September	19.67	19.60	20.00	195	3 844
	15 September	19.99	19.60	20.46	115	2 301
	16 September	19.90	19.74	20.29	2 769	54 778
	17 September	20.50	19.91	20.80	330	6 650
	18 September	21.35	20.02	22.05	402	8 434
	21 September	22.00	20.10	22.00	528	11 292
	22 September	21.20	20.15	21.48	155	3 237
	23 September	21.40	20.63	21.40	448	9 421
	25 September	21.45	20.50	21.50	301	6 334
	28 September	21.40	20.70	21.40	918	19 273
	29 September	21.90	19.65	22.49	1 265	27 718
	30 September	22.90	20.30	23.00	611	13 844
	1 October	22.98	22.60	23.95	1 385	31 858
	2 October	22.40	22.01	23.00	1 429	32 014
	5 October	22.60	22.12	24.39	399	9 002
	6 October	22.52	22.24	22.70	297	6 679
	7 October	22.10	22.00	23.15	193	4 335
	8 October	22.35	20.75	23.17	953	21 077
	9 October	23.00	22.35	23.10	541	12 190
	12 October	22.41	22.15	23.06	367	8 388
	13 October	23.00	22.42	23.11	157	3 598
	14 October	23.62	22.81	23.99	637	14 749
	15 October	23.90	23.01	24.95	2 152	52 256
	16 October	23.90	23.67	24.00	164	3 915
	19 October	23.99	23.65	24.01	256	6 115
	20 October	22.82	22.82	24.31	132	3 142
	21 October	22.85	22.85	23.65	885	20 485
	22 October	23.70	22.85	24.00	544	12 775

10. **WORKING CAPITAL STATEMENT**

Having considered the possible effects of the specific issue of shares for cash to New Clicks SA the directors are of the opinion that:

- the company and the group will be able in the ordinary course of business to pay its debts for a period of 12 months after the date of approval of the 2009 annual report, incorporating this annexure;
- the consolidated assets of the company and the group are and will be in excess of their consolidated liabilities for a period of 12 months after the date of approval of the 2009 annual report, incorporating this annexure, measured in accordance with the accounting policies used in the audited consolidated annual financial statements for the year ended 31 August 2009;
- the ordinary share capital and reserves of the company and group will be adequate for ordinary business purposes for a period of 12 months after the date of approval of the 2009 annual report, incorporating this annexure; and
- the company and the group will have sufficient working capital for ordinary business purposes for a period of 12 months after the date of approval of the 2009 annual report, incorporating this annexure.

11. **DIRECTORS' RECOMMENDATION**

The Clicks Group board is of the opinion that the specific issue of shares for cash will benefit shareholders and accordingly recommends that shareholders vote in favour of ordinary resolutions number 9 and 10 set out in the notice of annual general meeting. Those directors who hold ordinary shares intend to vote in favour of ordinary resolutions number 9 and 10.

12. **DIRECTORS' RESPONSIBILITY STATEMENT**

The Clicks Group directors, in so far as any information in this annexure relates to Clicks Group, collectively and individually accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief there are no other facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this document contains all information required by law and the JSE Listings Requirements.

13. **EXPENSES**

The expenses relating to the specific issue of shares for cash, as detailed below, are estimated to be approximately R231 376 (excluding VAT) and relate, *inter alia*, to:

	R
JSE documentation fee	9 515
JSE listing fees*	146 861
Investment bank and sponsor	75 000
Total	**231 376**

* The JSE listing fee is based on the value of the shares being listed. For illustrative purposes it has been assumed that the shares are issued at the market value at the close of business on 15 October 2009 being R23.90.

14. **CORPORATE GOVERNANCE**

Information relating to compliance with the King Committee Report on Corporate Governance is contained in the Corporate Governance Report in the annual report.

15. **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents, in relation to Clicks Group and where applicable its subsidiaries, will be available for inspection at the company's registered office and at Investec's offices in Johannesburg during normal office hours up to the date of the annual general meeting being Monday, 18 January 2010:

- the memorandum and articles of association;
- the audited financial statements for the preceding three years; and
- a signed copy of this annexure.

For and on behalf of the board

Clicks Group Limited

KEITH WARBURTON
Director

Cape Town
12 November 2009

CLICKS GROUP

LIMITED

CLICKS GROUP LIMITED
Reg No. 1996/000645/06
Share code: CLS • ISIN: ZAE000134854

FORM OF PROXY

For use by certificated Clicks Group shareholders and "own name" dematerialised Clicks Group shareholders only, at the annual general meeting of shareholders of the company to be held on Monday, 18 January 2010 at 11:00 at the registered office of Clicks Group Limited, corner Searle and Pontac Streets, Cape Town.

I/We (full names – in block letters) ____

of (address) ____

____

being the registered holder of ______________________ ordinary shares (see note 1) in Clicks Group Limited hereby appoint:

1. ____ or failing him/her

2. ____ or failing him/her

3. the chairman of the meeting, as my/our proxy to attend, speak and vote on my/our behalf, as indicated below, at the annual general meeting to be held on Monday, 18 January 2010 at 11:00 and at any adjournment thereof.

	Number of votes (one vote per ordinary share)		
	For	Against	Abstain
1. Ordinary resolution No. 1: Adoption of financial statements			
2. Ordinary resolution No. 2: Reappointment of auditors			
3. Ordinary resolution No. 3: Re-election of Mr DM Nurek as a director			
4. Ordinary resolution No. 4: Re-election of Mr KDM Warburton as a director			
5. Ordinary resolution No. 5: Re-election of Mrs F Jakoet as a director			
6. Ordinary resolution No. 6: Approval of 2010 directors' fees			
7. Ordinary resolution No. 7: Directors' authority over unissued shares			
8. Ordinary resolution No. 8: General authority to make distributions to shareholders by way of a reduction in share premium			
9. Ordinary resolution No. 9: Specific authority to issue shares in terms of the Companies Act			
10. Ordinary resolution No. 10: Specific authority to issue shares in terms of the JSE Listings Requirements			
11. Special resolution No. 1: General authority to repurchase shares			
12. Special resolution No. 2: Amend article 89 of the company's articles of association by deletion of the current article and replacement with substitute article			

Unless otherwise instructed above, my/our proxy may vote as he/she deems fit.

Signed by me/us this ______________________ day of ______________________

Signature(s) ____

Notes:

1. On a poll, a shareholder is entitled to one vote for every share held.
2. Any alteration or correction made on this form must be initialled by the signatory/ies.
3. This proxy form must be lodged with the company's transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) or at the registered office of the company, Cnr Searle and Pontac Streets, Cape Town, no later than 24 hours (11:00, Friday, 15 January 2010) before the commencement of the meeting or posted to the company secretary at PO Box 5142, Cape Town, 8000, to arrive no later than 24 hours (11:00, Friday, 15 January 2010) before the commencement of the meeting (excluding Saturdays, Sundays and public holidays).
4. A proxy need not be a shareholder of the company.
5. If this proxy is signed under the power of attorney or on behalf of a company, such powers of authority, unless previously registered with the company, must accompany it.
6. If you are a dematerialised shareholder and are not an own name dematerialised shareholder and you are unable to attend the annual general meeting, you must contact your Central Securities Depository Participant ("CSDP") or broker, as the case may be, and furnish it with your voting instructions in respect of the annual general meeting in accordance with the mandate between yourself and the CSDP or broker, as the case may be. You should not complete the attached form of proxy. If your CSDP or broker does not obtain your voting instructions from you in respect of the annual general meeting, it will be obliged to act in terms of your mandate, or if your is silent, to abstain from voting. The instruction must be provided within the time period required by your CSDP or broker, as the case may be.

ince.motiv

Capital expenditure

Maintenance capital expenditure

Capital expenditure incurred in replacing existing capital expenditure or capital expenditure with a return below the group's required return.

Growth capital expenditure

Capital expenditure that is not maintenance capital expenditure.

Cash flow

Financing activities	Activities that result in changes to the capital and funding structure of the group.
Investing activities	Activities relating to the acquisition, holding and disposal of capital assets and long-term investments.
Operating activities	Activities that are not financing or investing activities that arise from the operations conducted by the group.

Comparable stores' turnover growth

Sales growth expressed as a percentage of growth for stores that have been operating for the full period during the current and previous financial years.

Continuing operations

The operations of the group excluding the discontinued operations.

Current ratio

Current assets at year-end divided by current liabilities at year-end.

Discontinued operations

A component of the group that either has been disposed of or is classified as held for sale and represents a separate major line of business. In the prior year this comprised the Discom business unit, which was disposed of during the 2008 financial year.

Distribution cover

Undiluted headline earnings per share for the year divided by the distribution per share for the year.

Distribution per share

Distribution per share is the actual interim cash dividend and/or capital distribution paid and the final cash dividend and/or capital distribution declared, expressed as cents per share.

Earnings per share

Earnings per share	Profit for the year divided by the weighted average number of shares in issue for the year.
Diluted earnings per share	Profit for the year divided by the weighted average diluted number of shares in issue for the year.
Headline earnings per share	Headline earnings divided by the weighted average number of shares in issue for the year.
Diluted headline earnings per share	Headline earnings divided by the weighted average diluted number of shares in issue for the year.

Effective tax rate

The tax charge in the income statement as a percentage of profit before tax.

Free float

The number of shares that are freely tradable on the JSE Limited, excluding treasury shares and shares held by directors and employee share schemes.

Gross profit margin

Gross profit expressed as a percentage of turnover.

Headline earnings

Profit for the year adjusted for the after-tax effect of goodwill impairment and certain other capital items.

IFRS

International Financial Reporting Standards, as adopted by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

Clicks Group's consolidated financial statements are prepared in accordance with IFRS.

Interest-bearing debt, including cash, to shareholders' interest at year-end

Interest-bearing debt (including bank overdraft), net of cash balances, at the end of the year divided by shareholders' interest at the end of the year.

Inventory days

Closing inventory at year-end divided by the cost of merchandise sold during the year, multiplied by 365/366 days.

JIBAR

Johannesburg Inter-Bank Agreement Rate, which is the rate that South African banks charge each other for wholesale money.

Last practicable date

Friday, 23 October 2009 being the last practicable date prior to the finalisation of Annexure 1.

Market capitalisation

The closing market price per share at year-end multiplied by the number of shares in issue at year-end.

Net asset value per share

Net assets at year-end divided by the number of shares in issue at year-end (net of treasury shares).

Net tangible asset value per share

Net assets at year-end, less intangible assets (such as goodwill and trademarks), divided by the number of shares in issue at year-end (net of treasury shares).

Operating profit

Operating profit before financing costs, as reported in the group consolidated income statement, adjusted to exclude goodwill impairment, impairment of property, plant and equipment, profit on disposal of businesses and profit/loss on disposal of property, plant and equipment.

Operating profit margin

Operating profit expressed as a percentage of turnover.

Shareholders' interest

Share capital and share premium (reduced by the cost of treasury shares), and other reserves comprising equity.

Percentage of shares traded

The number of shares traded on the JSE Limited during the year as a percentage of the weighted average number of shares in issue.

Price earnings ratio

The closing market price per share at year-end divided by diluted headline earnings per share for the year.

Return on shareholders' interest (ROE)

Headline earnings expressed as a percentage of the average shareholders' interest for the year.

Return on total assets (ROA)

Headline earnings expressed as a percentage of the average total assets for the year.

Segmental reporting

Operational segment	A distinguishable type of operation within the group.
Business unit segment	A distinguishable trading brand or component of the group.

Selling price inflation

The change in the weighted average selling price of a sample of products for the year relative to the previous year expressed as a percentage of the weighted average selling price of the same sample of products for the previous year. Only products sold in both the current and previous years are included in the sample.

Shareholders' interest to total assets

The shareholders' interest divided by the total assets at the year-end.

Total income

Gross profit plus other income.

Total income margin

Total income expressed as a percentage of turnover.

Treasury shares

Issued shares in Clicks Group Limited held by a group company in terms of an approved share repurchase programme or by the New Clicks Holdings Share Trust.

Weighted average number of shares

The number of shares in issue, increased by shares issued during the year and reduced by treasury shares purchased or shares cancelled during the year, weighted on a time basis for the period during which they have participated in the income of the group.

Weighted average diluted number of shares

The weighted average number of shares adjusted for the effects of all dilutive potential shares.

CORPORATE INFORMATION

Clicks Group Limited

(Formerly New Clicks Holdings Limited)
Registration number 1996/000645/06
JSE share code: CLS
ISIN: ZAE000134854

Registered address

Cnr Searle and Pontac Streets
Cape Town 8001

Postal address

PO Box 5142
Cape Town 8000

Website

www.clicksgroup.co.za

Company secretary

DW Janks
Business address: Cnr Searle and Pontac Streets
Cape Town 8001
Postal address: PO Box 5142, Cape Town 8000
E-mail address: David.Janks@clicksgroup.co.za

Auditors

KPMG Inc.

Principal bankers

The Standard Bank of South Africa

JSE sponsor

Investec Bank Limited

Transfer secretaries

Computershare Investor Services (Proprietary) Limited
Business address: 70 Marshall Street, Johannesburg 2001
Postal address: PO Box 61051, Marshalltown 2107
Telephone: +27 (0)11 370 5000

Investor relations contacts

Tier 1 Investor Relations
Telephone: +27 (0)21 702 3102
E-mail address: ir@tier1ir.co.za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