Accounting Policies

Basis of preparation
The financial statements are prepared in accordance with the requirements of South African Statements of Generally Accepted Accounting Practice and on a going concern basis. The measurement basis used is the historical cost basis unless otherwise stated.
The financial statements incorporate the following significant accounting policies, which are consistent in all material respects with those applied in the previous year except as otherwise stated.
(See note 13.)

Basis of consolidation
The group financial statements include the financial statements of the company and its subsidiaries.

The results of any subsidiaries acquired or disposed of during the year are included from the dates effective control was acquired and, where applicable, up to the dates effective control ceased.

The identifiable assets and liabilities of companies acquired are assessed and included in the balance sheet at their fair values as at the date of acquisition.

All intragroup transactions and balances are eliminated on consolidation.

Financial instruments
Financial instruments carried on the balance sheet include cash on hand and in bank, loans, receivables, payables, short-term borrowings and interest-bearing liabilities. These instruments are reflected at their carrying values unless otherwise stated. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Derivative financial instruments principally include forward exchange contracts. These contracts are recognised as foreign currency transactions.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the company 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.

Translation of foreign currencies
Transactions in foreign currencies are translated at rates of exchange ruling at the transaction date. Gains and losses arising from the settlement of such transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

Unrealised net gains and losses arising on the translation of foreign denominated assets and liabilities are reflected in income for the year unless the underlying asset or liability, in substance, forms part of the group's net investment in a foreign entity, in which case the gain or loss is reflected in the non-distributable reserve. Only on the disposal of the net investment are the gains or losses reflected in income for the year.

Foreign subsidiaries
Assets and liabilities of foreign subsidiaries are translated at the rates of exchange ruling at the balance sheet date. Income statement items are translated at average rates for the year. In the case of Foreign Entities, gains and losses arising from translation are taken directly to non-distributable reserves. In the case of Integrated Foreign Operations, translation gains or losses are taken to income.

Goodwill arising on the acquisition of a Foreign Entity is treated as an asset of the foreign entity and translated at the exchange rate at the balance sheet date.

Property, plant and equipment
In accordance with accounting standard AC 123, following the introduction of AC 135, depreciation is now provided on owner-occupied property. Land and buildings are carried at cost or valuation less accumulated depreciation and impairment losses.

Other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on the straight-line basis over the estimated useful lives of the assets.

The expected useful lives are as follows:

Land and buildings	50 years
Computer equipment	3 to 7 years
Furniture and fittings	5 to 10 years
Motor vehicles	5 years

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Assets subject to finance lease agreements are capitalised.

Intangible assets
Intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged in the income statement on the straight-line basis so as to write off the asset over its economic life, not exceeding 20 years. No value is attached to internally developed and maintained trademarks or brand names. Expenditure incurred to maintain trademarks and brand names is charged against the income statement as incurred.

Goodwill is the premium on acquisition arising from the difference between the purchase price paid and the fair value of the net assets acquired at the date of the transaction.

Goodwill is carried at cost, less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis over its estimated useful life, not exceeding 20 years.

Investments
Investments which are not consolidated or equity accounted are stated at cost and dividends are recognised when the right to receive payment has been established.

Impairment of assets
Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised against income. The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in income.

Inventories

Merchandise for resale has been valued on the first-in-first-out (FIFO) basis and is stated at the lower of cost and net realisable value.

Turnover

Turnover comprises net sales to customers, excluding value-added and general sales tax.

Cash and cash equivalents

For the purpose of the cash flow statement, 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 accounts payable.

Provisions

A provision is recognised when, and only when the group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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.

Tax

Deferred tax is provided at current rates using the comprehensive method. Full provision is made for all temporary differences between the tax value of an asset or liability and its balance sheet carrying amount.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Secondary Tax on Companies (STC) paid on net dividends paid is recognised as a tax charge in the year it is incurred. Previously, STC was provided for on dividends accrued.

Leases

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease. The capital element of future obligations under the leases is included as a liability in the balance sheet.

Finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

A finance lease gives rise to depreciation expense for the asset as well as a finance expense for each accounting period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned.

Leases of assets under which all of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Inflation accounting

The group recognises that the financial statements which are prepared on an historical cost basis, do not take into consideration the impact of inflation on the results and the financial position. However, until an acceptable method of accounting for inflation is developed, the group will continue to disclose the financial information on an historical cost basis.

Retirement benefits

Retirement funds

The group operates a retirement scheme comprising a number of defined contribution funds in South Africa and superannuation funds in Australia. The retirement scheme is funded by payments from employees and the relevant group company.

Contributions to these funds are charged to the income statements as incurred.

Equity compensation benefits

The group grants share options to certain employees under an employee share plan. Other than costs incurred in administering the schemes which are expensed as incurred, the scheme does not result in any expense to the group.

Medical aid

Where the group has an obligation to provide post retirement medical aid benefits to employees, the group recognises the costs of those benefits in the year in which the employees render the service determined using the Projected Unit Credit Method. The costs of post retirement medical aid benefits were previously recognised as incurred.

Actuarial gains or losses are recognised in full in income in the year they are determined.

Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested, past service costs are recognised immediately.

Capitalisation share awards/cash distributions

The full value of capitalisation share awards and cash dividends are recorded as a deduction from equity in the statement of changes in equity. Upon allotment of shares in terms of a capitalisation award, the election amounts are transferred to the share capital account and share premium account.

Cash dividends and the related STC charge are recorded in the year of declaration. Previously, final dividends declared after the year end were accrued as payable at year end.

Comparative figures

Where necessary, comparative figures have been restated to accord with current year classification.

Notes to the Financial Statements

for the year ended 31 August 2002

	Group 2002 R'000	Group 2001 R'000	Company 2002 R'000	Company 2001 R'000
1 Net profit before exceptional items				
Net profit before exceptional items is arrived at after taking into account the following items:				
Income				
Income from subsidiary companies				
Dividends received	–	–	63 539	55 531
Other income				
Administration fee	–	–	–	7 181
Interest received	48 989	24 188	33 887	2 350
Expenses				
Auditors' remuneration				
Audit fees	1 275	1 154	–	–
Underprovision in prior year	–	3	–	–
Expenses and other services	1 455	2 002	–	–
	2 730	3 159	–	–
Depreciation	96 425	75 332	–	–
Directors' emoluments				
Non-executive				
Fees for services as directors	388	310	–	–
Executive				
Paid by subsidiary companies for managerial services	14 828	6 507	–	–
Total	15 216	6 817	–	–
Fees paid for outside services				
Technical services	11 998	6 862	–	–
Interest paid	70 684	44 185	–	1 380
Lease charges				
Operating leases	358 865	269 299	–	–
Loss on disposal of fixed assets	2 780	3 435	–	–

Directors' emoluments

	Fees R'000	Remuneration R'000	Retirement and medical benefits R'000	Performance bonus R'000	Total 2002 R'000
Non-executive					
D.M. Nurek	192	–	–	–	192
P.E.I. Swartz	90	–	–	–	90
E. Osrin	53	–	–	–	53
A. Zimbler	53	–	–	–	53
Executive					
T.C. Honneysett	–	2 292	411	1 663	4 366
R.B. Godfrey	–	1 314	243	1 246	2 803
P.W.G. Green	–	1 257	239	1 090	2 586
J.C. Sher*	–	2 458	424	2 191	5 073
Total 2002	388	7 321	1 317	6 190	15 216
Total 2001	310	4 007	1 219	1 281	6 817

* The amounts paid to J.C. Sher in Australia have been converted into rands at an average rate for the year of 5.54883 rand to the Australian dollar.

J.C. Sher was appointed to the board on 1 August 2001 and A. Zimbler on 16 October 2001.

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
2 Tax				
South African normal tax				
Current year	67 804	42 972	14 663	1 895
Prior year	–	669	–	–
Secondary tax on companies				
Current year	4 717	3 751	4 717	3 751
Prior year	–	220	–	220
Deferred tax				
Current year	(18 519)	12 213	(5 000)	–
Prior year	–	(763)	–	–
Foreign tax				
Current year	7 317	11 889	–	–
	61 319	70 951	14 380	5 866
Reconciliation of rate of tax (%)				
Standard rate – South Africa	30.00	30.00	30.00	30.00
Adjusted for				
Reduction in tax charge due to exempt income and allowances	(6.48)	(5.20)	(20.01)	(27.48)
Disallowable expenditure	1.08	1.49	0.16	0.19
Goodwill amortised	1.64	3.23	–	–
Prior year underprovision	–	0.09	–	–
Foreign tax rate variations	0.42	1.17	–	–
Secondary tax on companies	2.27	1.81	4.95	5.68
Tax losses utilised/carried forward	0.62	(0.20)	–	–
Effective tax rate	29.55	32.39	15.10	8.39

3 Earnings per share

The calculation of earnings per share is based on the after-tax earnings attributable to ordinary shareholders of R146,2 million (2001 – R148,1 million) and the weighted number of shares in issue of 301,8 million (2001 – 293,2 million).

Diluted earnings per share

The calculation of the diluted earnings per share is based on the after-tax earnings attributable to ordinary shareholders of R146,2 million (2001 – R148,1 million) and a weighted average of 317,3 million (2001 – 312,9 million) shares in issue. The dilution arises in respect of options outstanding that have been granted to employees.

Headline earnings per share

The calculation of headline earnings per share is based on the headline earnings of R212,1 million (2001 – R171,7 million) and the weighted number of shares in issue of 301,8 million (2001 – 293,2 million).

Diluted headline earnings per share

The calculation of the diluted headline earnings per share is based on the headline earnings of R212,1 million (2001 – R171,7 million) and the weighted average number of shares in issue of 317,3 million (2001 – 312,9 million).

Notes to the Financial Statements (continued)

for the year ended 31 August 2002

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
4 Distributions to ordinary shareholders				
Final capitalisation of 1.543179 shares for every 100 shares held with cash dividend alternative (2001 – 1.1023 shares for every 100 share held)	33 486	29 993	33 486	29 993
Cash dividend elected – paid 10 December 2001	16 135	10 756	16 135	10 756
Capitalisation shares elected – allotted 10 December 2001	17 351	19 237	17 351	19 237
Interim capitalisation award of 1.357029 shares for every 100 shares held with cash dividend alternative (2001 – 1.09006 shares for every 100 shares held)	30 053	25 538	30 053	25 538
Cash dividend elected – paid 8 July 2002	21 601	12 996	21 601	12 996
Capitalisation shares elected – allotted 8 July 2002	8 452	12 542	8 452	12 542
Total distributions to ordinary shareholders	63 539	55 531	63 539	55 531

2002	Property owned or leased R'000	Furniture, equipment and vehicles R'000	Trademarks R'000	Total R'000
5 **Property, plant and equipment – Group**				
Cost				
Balance at the beginning of the year	217 793	550 143	6 500	774 436
Additions	3 344	154 661	–	158 005
Acquisitions	–	123	30	153
Foreign exchange fluctuation	–	51 717	–	51 717
Disposals	–	(24 036)	–	(24 036)
Balance at the end of the year	221 137	732 608	6 530	960 275
Accumulated depreciation				
Balance at the beginning of the year	8 137	229 538	650	238 325
Depreciation	3 176	93 249	–	96 425
Amortisation	–	–	650	650
Foreign exchange fluctuation	–	21 695	–	21 695
Disposals	–	(14 587)	–	(14 587)
Balance at the end of the year	11 313	329 895	1 300	342 508
Book value at the end of the year	209 824	402 713	5 230	617 767

2001				
Cost				
Balance at the beginning of the year	216 247	433 812	–	650 059
Additions	1 546	108 123	–	109 669
Acquisitions	–	5 059	6 500	11 559
Foreign exchange fluctuation	–	19 384	–	19 384
Disposals	–	(16 235)	–	(16 235)
Balance at the end of the year	217 793	550 143	6 500	774 436
Accumulated depreciation				
Balance at the beginning of the year	4 969	158 478	–	163 447
Depreciation	3 168	72 164	–	75 332
Amortisation	–	–	650	650
Foreign exchange fluctuation	–	7 491	–	7 491
Disposals	–	(8 595)	–	(8 595)
Balance at the end of the year	8 137	229 538	650	238 325
Book value at the end of the year	209 656	320 605	5 850	536 111

A register of land and buildings containing the required statutory information is available for inspection at the registered office of the company.

Notes to the Financial Statements (continued)

for the year ended 31 August 2002

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
6 Goodwill				
Balance at the beginning of the year	78 773	–	–	–
Arising on acquisition	89 570	102 325	–	–
Foreign exchange fluctuation	25 505	–	–	–
Amortisation	(11 346)	(23 552)	–	–
Balance at the end of the year	182 502	78 773	–	–
7 Deferred tax				
Balance at the beginning of the year	44 751	51 782	–	–
Trademarks	(9 300)	(9 300)	–	–
Impairment of loan	23 400	–	–	–
Property, plant and equipment	(3 961)	3 542	–	–
Income and expense accrual	8 220	(1 273)	5 000	–
Balance at the end of the year	63 110	44 751	5 000	–
Arising as a result of:				
Deferred tax assets				
Trademarks	46 500	55 800	–	–
Capital gains tax	–	–	5 000	–
Impairment of loan	23 400	–	–	–
	69 900	55 800	5 000	–
Deferred tax liabilities				
Income and expense accrual	(5 095)	(1 134)	–	–
Property, plant and equipment	(1 695)	(9 915)	–	–
	(6 790)	(11 049)	–	–
	63 110	44 751	5 000	–
8 Interest in subsidiary companies				
Shares at cost less amounts written off	–	–	688 567	295 528
Amounts owing (to)/by subsidiary companies	–	–	(19 956)	238 206
	–	–	668 611	533 734

Refer to page 64 for details.

	Group		Company	
9 Loans				
Amount owing by PM & A	354 954	239 017	–	–
Provision for impairment	(78 000)	–	–	–
	276 954	239 017	–	–
Amount owing by New Clicks Holdings Share Trust	54 801	56 239	–	–
	331 755	295 256	–	–

The loan to the New Clicks Holdings Share Trust is interest free, unsecured and no fixed date for repayment has been determined.
The amount owing by PM & A is currently secured by notarial bonds totalling R85 million, additional bonds in the course of registration of R54 million together with cession of book debts and other securities of approximately R52 million. It bears interest at prime plus one per cent and is currently repayable over 5 years. Included in the gross amount owing is an amount of interest of R55.6 million (2001: R10.1 million).
PM & A has incurred losses in this, the integration and consolidation phase of its business. This resulted in PM & A being technically insolvent. Subsequent to year-end, R78 million of the amount owing was subordinated in favour of other creditors to restore solvency. A provision of this amount has been raised against the loan. Despite this conservative approach, the directors are confident that the full amount of the loan will be recovered in the future. The group has also agreed to provide PM & A with ongoing financial support.

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
10 Ordinary share capital and share premium				
Authorised				
400 million (2001 – 400 million) ordinary shares of one cent each	4 000	4 000	4 000	4 000
Issued ordinary shares and premium				
305.172 million (2001 – 298.541 million) ordinary shares of one cent each	3 052	2 985	3 052	2 985
Share premium	534 455	494 570	536 575	496 690
	537 507	497 555	539 627	499 675
The unissued shares are under the control of the directors until the next annual general meeting.				
11 Non-distributable reserve				
Deferred tax on write-off of trademark	46 500	55 800	–	–
Unrealised gain on the translation of assets and liabilities denominated in foreign currencies	122 619	39 008	124 429	50 216
	169 119	94 808	124 429	50 216
12 Long-term liabilities				
Loan-bearing interest at 16.15% repayable by February 2006	33 612	37 949	–	–
Loan-bearing interest at 16.92% repayable by February 2006	6 643	7 964	–	–
Loan-bearing interest at 18.45% repayable by October 2006	25 572	29 401	–	–
Loan-bearing interest at 15.41% repayable by August 2010	81 135	86 032	–	–
These loans are secured by a pledge of shares in certain property owning subsidiaries.				
Unsecured loan – bearing interest at JIBAR plus 2.2% repayable by August 2006.	65 194	76 000	–	–
Non-current portion of finance leases. Repayable over the next five years	18 390	5 052	–	–
	230 546	242 398	–	–

Notes to the Financial Statements (continued)

for the year ended 31 August 2002

	Group 2002 R'000	Group 2001 R'000	Company 2002 R'000	Company 2001 R'000
13 Changes in accounting policies				
The following changes in accounting policies have been made to comply with South African Statements of Generally Accepted Accounting Practice.				
a. Dividends and the related STC are now accounted for in the period when the dividend is declared.				
b. Post retirement medical aid benefits; in accordance with AC116, actuarial gains and losses are reflected in the income statement in the period in which they arise	(1 336)	(2 690)	–	–
c. Depreciation of investment properties; in accordance with AC123, following the introduction of AC135, depreciation is now provided on owner-occupied property	(3 176)	(3 168)	–	–
The financial effect of the above changes in accounting polices is as follows:				
Decrease in profit before tax	(4 512)	(5 858)	–	–
Decrease in tax	401	807	–	–
Decrease in profit after tax	(4 111)	(5 051)	–	–
The financial effect of the above changes in accounting policies to opening retained income is as follows:				
a. Dividends	33 436	29 993	–	–
b. Post retirement medical aid benefits	(14 121)	(11 431)	–	–
c. Depreciation of investment properties	(8 137)	(4 969)	–	–
	11 178	13 593	–	–
Tax	4 236	3 429	–	–
	15 414	17 022	–	–
14 Lease commitments				
The group leases all its retail premises under operating leases. The lease agreements for the group provide for minimum annual payments together with further annual payments determined on the basis of turnover. Future minimum lease payments under non-cancellable operating leases				
– Not later than 1 year	398 643	250 538	–	–
– Later than 1 year not later than 5 years	1 086 070	645 492	–	–
– Later than 5 years	286 391	191 841	–	–
	1 771 104	1 087 871	–	–

15 Contingent liability

The company and a subsidiary company have furnished guarantees to bankers for normal business commitments of subsidiary companies and companies in the Purchase Milton & Associates group.

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
16 Capital commitments				
Capital expenditure approved by the directors				
Contracted	66 726	43 473	–	–
Contracted, subject to suspensive conditions	–	37 344	–	–
Not contracted	158 285	114 164	–	–
	225 011	194 981	–	–

To be financed from borrowings and internally generated funds.

17 Retirement benefits

Pension and provident funds

South Africa

Three funds, which are registered and governed in terms of the Pension Funds Act, 24 of 1956, are operated by the South African group.

These funds are:
- the Clicks Group Retirement Fund;
- the Clicks Group Negotiated Pension Fund;
- the Clicks Group Negotiated Provident Fund.

All permanent full-time staff members are obliged to join, at their choice, one of the funds.

The funds are defined contribution funds and are actuarially valued each year.

The most recent valuations, which were at 28 February 2002 for the Retirement Fund and at 31 December 2001 for the Negotiated Pension and Provident Funds, confirmed that all three funds were in a sound financial position.

Australia

Superannuation benefits are provided for various categories of employees in Australia via three funds. These funds are all administered externally and provide benefits for death, permanent disability, retirement and resignation.

All benefits are provided on an accumulation basis and contributions can vary from employee to employee. Superannuation guarantee charge legislation provides mandatory obligations for minimum employer contributions to be maintained.

Total group contributions are charged to income as incurred and amount to R43.5 million for the year.

Medical benefits

The South African group subsidises a portion of the medical aid contributions of retired employees.

Actuarial valuations have determined that the liability in respect of pensioner post-retirement medical benefits amounts to R15.5 million (2001: R14.1 million).

18 Related party transactions

Transactions between Group subsidiaries

During the year, in the ordinary course of business, certain companies within the group entered into arm's length transactions. These intra-group transactions have been eliminated on consolidation.

Directors

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 are considered to be such entities:

Director	*Entity*	*Position held in entity during the year*
D.M. Nurek	Investec Bank Limited	Executive director
E. Osrin	BoE Limited	Non-executive director

Transactions between the group and these entities 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) BoE Limited manages cash on call on behalf of group companies.

(ii) Investec Bank Limited manages cash on call on behalf of group companies.

Certain non-executive directors of the group are also non-executive directors of other public companies which transact with the group. Except as disclosed above, the relevant directors do not believe they have significant influence over the financial or operating policies of those companies. Those entities are therefore not disclosed above.

Directors are not bound by service contracts extending beyond 12 months.

Shares held by directors and their related entities

The percentage of shares held by directors of the company and their related entities at the balance sheet date are disclosed in the Directors' Report.

Notes to the Financial Statements (continued)

for the year ended 31 August 2002

19 Financial instruments

19.1 Treasury risk management

Executive management meet on a regular basis to analyse currency and interest rate exposures and re-evaluate treasury management strategies.

19.2 Foreign exchange risk management

The group is exposed to foreign currency risk through the importation of merchandise. This risk is covered by entering into forward foreign exchange contracts. These contracts are matched with anticipated future cash outflows in foreign currencies. The group does not use forward foreign exchange contracts for speculative purposes.

At 31 August 2002 US$4.1 million was outstanding to be paid within three months under forward foreign exchange contracts at an average exchange rate of R10.67 to the US$.
The fair value of forward foreign exchange contracts represents the estimated amounts that the group would receive to terminate the contracts at year end, thereby taking account of unrealised gains and losses on open contracts. No fair value adjustment has been made as it is not material to current year income.

		Foreign currency	Foreign amount 000's	Average rate	Rand amount 000's
Forward exchange contracts at 31 August 2002 not related to specific balance sheet items.	imports	USD	4 071	10.67	43 438

19.3 Credit risk management

Potential concentration of credit risk consists principally of short-term cash investments and amounts owing by unlisted companies. The amounts owing by unlisted companies were advanced after comprehensive risk assessments were performed and appropriate security has been obtained. Certain amounts owing have been impaired. (Refer to detail in note 9.)

The group only deposits short-term cash surpluses with major banks of high credit standing.

19.4 Interest rate risk

	Maturity of interest-bearing asset/liability				
	1 year or less 000's	1 to 5 years 000's	Over 5 years 000's	Non-interest bearing 000's	Total 000's
Assets					
Trade and other receivables	–	–	–	196 624	196 624
Loans	69 238	207 716	–	54 801	331 755
Total financial assets	69 238	207 716	–	251 425	528 379
Liabilities					
Trade and other payables	–	–	–	887 542	887 542
Short-term borrowings	108 583	–	–	–	108 583
Interest-bearing debt	34 009	154 539	41 998	–	230 546
Total financial liabilities	142 592	154 539	41 998	887 542	1 226 671
Net financial (liabilities)/assets	(73 354)	53 177	(41 998)	(636 117)	(698 292)

19.5 Fair values of financial instruments

At 31 August 2002, the carrying amounts of cash on hand, trade and other receivables, approximate their fair values due to their short-term maturities.The fair value of the amounts owing by the unlisted companies as calculated on the 'value in use' basis are considered to approximate their carrying amounts as disclosed on the balance sheet.

The carrying amounts of long-term liabilities, accounts payable and short-term borrowings approximate their fair amounts.

20 Share incentive scheme

New Clicks Holdings Share Trust (number of shares)

The aggregate number of shares and share options that may be utilised for the purposes of the New Clicks Holdings Share Trust is 20% of the aggregate of the company's issued share capital and the number of share options in issue.

	2002 '000	2001 '000
Shares and share options available for allocation to participants		
Balance at the beginning of the year	71 207	67 258
Increase as a result of conversion of convertible debentures	–	1 300
Increase as a result of capitalisation issues during the year	710	728
Increase as a result of net number of share options granted during the year	839	1 921
Balance at the end of the year	72 756	71 207
Shares allocated and options granted to employees		
Shares		
Balance at the beginning of the year	7 753	10 476
Purchased from participants	–	(1 197)
Released to participants	(984)	(1 526)
Balance at the end of the year	6 769	7 753
Options		
Balance at the beginning of the year	57 496	47 891
Granted to participants	6 060	10 317
Released to participants	(3 082)	–
Options forfeited by participants	(1 867)	(712)
Balance at the end of the year	58 607	57 496
Total shares allocated and options granted	65 376	65 249

21 Events subsequent to balance sheet date

Subsequent to the year end but before the date of this report, the group concluded an agreement whereby the proceedings instituted by Van Staden & Stolz (Proprietary) Limited in relation to the registration of PM & A by the South African Pharmacy Council were withdrawn.

Subsequent to the year end but before the date of this report the group has subordinated, in favour of other creditors, an amount of R78 million in respect of the loan to PM & A.

Notes to the Financial Statements (continued)

for the year ended 31 August 2002

	Group		Company	
	2002 R'000	2001 R'000	2002 R'000	2001 R'000
22 Cash flow information				
22.1 Operating profit before working capital changes				
Operating profit	318 560	262 614	61 362	68 951
Adjustment for:				
Depreciation	97 075	75 982	–	–
Loss on disposal of fixed assets	2 780	3 435	–	–
Exchange rate adjustment	419	(843)	–	–
	418 834	341 188	61 362	68 951
22.2 Working capital changes				
Increase in inventories	(93 082)	(123 338)	–	–
(Increase)/decrease in accounts receivable	(81 409)	354	–	–
Increase in accounts payable	163 786	45 712	–	–
	(10 705)	(77 272)	–	–
22.3 Tax paid				
Tax (liability) prepaid at beginning of year	(8 874)	(47 473)	7 320	(2 234)
Current tax provided	(79 838)	(59 501)	(19 380)	(5 866)
Exchange rate adjustment	737	(482)	–	–
Tax (prepaid) liability at end of year	(1 533)	8 874	1 062	(7 320)
	(89 508)	(98 582)	(10 998)	(15 420)
22.4 Acquisition of subsidiaries and businesses				
Fixed assets	123	5 059	–	–
Trademarks	30	6 500	–	–
Inventory	–	9 893	–	–
Accounts receivable	–	5 550	–	–
Accounts payable	–	(10 291)	–	–
Goodwill	89 570	102 325	–	–
	89 723	119 036	–	–
22.5 Shareholders' funds raised				
Shares issued	14 150	–	14 150	–
Shares issued on conversion of debentures	–	20 800	–	20 800
	14 150	20 800	14 150	20 800
22.6 Cash and cash equivalents				
Cash on hand and at bank	–	18 827	–	–
Short-term borrowings	(108 583)	(34 333)	–	–
	(108 583)	(15 506)	–	–