CLICKS GROUP LIMITED

ANNUAL FINANCIAL STATEMENTS 2012

ANNUAL FINANCIAL STATEMENTS

CONTENTS

Annual financial statements for 31 August 2012.

These are the audited annual financial statements of the group and the company for the year ended 31 August 2012. They have been prepared under the supervision of the Chief Financial Officer, M Fleming CA(SA).

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the annual financial statements and group annual financial statements of Clicks Group Limited, comprising the statements of financial position at 31 August 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition the directors are responsible for preparing the Directors' Report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company and the group to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of annual financial statements

The consolidated and separate annual financial statements of Clicks Group Limited, as identified in the first paragraph, were approved by the board of directors on 13 November 2012 and signed by:

DM Nurek
Chairman

DA Kneale
Chief Executive Officer

Cape Town
13 November 2012

CERTIFICATE BY THE COMPANY SECRETARY

I certify that Clicks Group Limited has filed all Clicks Group returns and notices as required by a public company in terms of section 88(2)(e) of the Companies Act No. 71 of 2008, as amended, and that such returns and notices are, to the best of my knowledge and belief, true, correct and up to date.

DW Janks
Company Secretary

Cape Town
13 November 2012

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the group and company annual financial statements for the year ended 31 August 2012.

Nature of business

The company is an investment holding company listed in the Food and Drug Retailers sector of the JSE Limited. Its subsidiaries include the country's leading provider of health and beauty merchandise through a network of 595 stores in southern Africa. The company's subsidiaries cover the pharmaceutical supply chain from wholesale distribution to retail pharmacy as well as beauty and cosmetic products. The company operates primarily in southern Africa.

Group financial results

The results of operations for the year are set out in the consolidated statement of comprehensive income on page 8. The profit attributable to ordinary shareholders for the year is R689 million (2011: R651 million).

Share capital

In terms of the specific authority granted by shareholders in the general meeting held on 1 June 2011 as contemplated in section 38 of the Companies Act No. 71 of 2008 (as amended), the company elected to issue 5 471 386 shares for a subscription price of 1 cent and a premium thereon of R45.05 each to New Clicks South Africa Proprietary Limited in order to raise cash to make distributions to its shareholders.

During the year under review the company continued with its share buy-back programme as set out below.

17 197 177	shares held by a subsidiary of the company as treasury shares at 1 September 2011
5 471 386	shares issued to a subsidiary of the company in order to raise cash to make distributions
217 661	shares in terms of general repurchase between 1 September 2011 and 31 August 2012 by a subsidiary of the company
22 886 224	held by a subsidiary of the company as treasury shares at 31 August 2012

Distributions to shareholders

Interim

The directors approved a distribution of 44.1 cents per share (2011: 37.0 cents per share) comprising a dividend from distributable reserves ("the distribution"). The distribution was paid on 2 July 2012 to shareholders registered on 29 June 2012.

Final

The directors have approved a final distributions of 107.9 cents per share (2011: 88.0 cents per share). A distribution of 15.2 cents per "A" share (2011: 12.5 cents) was declared for participants in the employee share ownership programme. The source of such distributions will be from distributable reserves. The distributions will be payable on 28 January 2013 to shareholders registered on 25 January 2013.

Events after the financial year-end

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:

Independent non-executive directors

David Nurek (Chairman)
Fatima Abrahams
John Bester
Fatima Jakoet
Dr Nkaki Matlala
Martin Rosen

Executive directors

David Kneale (Chief Executive Officer)
Michael Fleming (Chief Financial Officer)
Bertina Engelbrecht

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

Resignation

Michael Harvey resigned as an executive director with effect from 12 June 2012.

Retirement and re-election of directors

In accordance with the company's memorandum of incorporation ("MOI") Fatima Jakoet, David Kneale and David Nurek retire by rotation at the forthcoming annual general meeting. The retiring directors, being eligible, offer themselves for re-election.

Directors' interest in shares

David Nurek, indirectly through a family trust, sold 39 682 shares at a price of R39.79 per share on 25 October 2011.

In terms of the cash-settled long-term employee incentive scheme which requires all participants at the end of the three-year incentive performance period to purchase shares on the open market to the equivalent of 25% of the after-tax cash settlement value, the executive directors and company secretary made the following purchases on 12 December 2011 at a price of R45.22 per share: David Kneale purchased 50 080 shares, Michael Harvey purchased 20 144 shares, Bertina Engelbrecht purchased 15 666 shares and David Janks purchased 3 736 shares.

David Janks, indirectly through a family trust, sold 712 shares at a price of R54.60 per share and 4 288 shares at a price of R55.15 per share on 27 July 2012.

Details of Directors' shareholdings are disclosed on page 60.

Incentive schemes

Information relating to the incentive schemes is set out on page 42 and 43.

Special resolutions

Special resolutions passed at the annual general meeting held on 17 January 2012:

Special Resolution No. 1: General authority to repurchase shares

Special Resolution No. 2: Approval of directors' fees

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

Subsidiary companies

The names of the company's main subsidiaries and financial information relating thereto appear on page 58.

The interest of the company in the aggregate income after taxation is R689 million (2011: R651 million).

AUDIT AND RISK COMMITTEE REPORT

The Clicks Group audit and risk committee is a formal statutory committee in terms of the Companies Act and sub-committee of the board and functions within documented terms of reference and complies with all relevant legislation, regulation and governance codes. This report of the audit and risk committee is presented to shareholders in compliance with the requirements of the Companies Act No. 71 of 2008, as amended ("the Companies Act").

Role of the committee

The audit and risk committee ("the committee") has an independent role with accountability to both the board and to shareholders. The committee's responsibilities include the statutory duties prescribed by the Companies Act, activities recommended by King III as well as additional responsibilities assigned by the board.

The responsibilities of the committee are as follows:

Integrated reporting

- Review the annual financial statements, interim report, preliminary results announcement and summarised integrated information and ensure compliance with International Financial Reporting Standards
- Consider the frequency of interim reports and whether interim results should be assured
- Review and approve the appropriateness of accounting policies, disclosure policies and the effectiveness of internal financial controls
- Perform an oversight role on the group's integrated reporting and consider factors and risks that could impact on the integrity of the integrated report
- Review sustainability disclosure in the integrated report and ensure it does not conflict with financial information
- Consider external assurance of material sustainability issues
- Recommend the integrated report for approval by the board

Combined assurance

- Ensure the combined assurance model addresses all significant risks facing the group
- Monitor the relationship between external and internal assurance providers and the group

Finance function

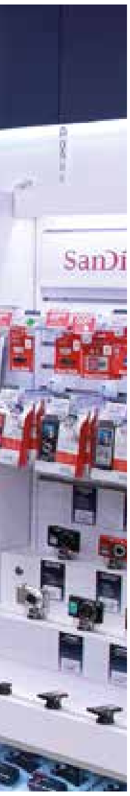
- Consider the expertise and experience of the chief financial officer
- Consider the expertise, experience and resources of the group's finance function

Internal audit

- Oversee the functioning of the internal audit department and approve the appointment and performance assessment of the group head of internal audit
- Approve the annual internal audit plan
- Ensure the internal audit function is subject to regular quality review as appropriate

Risk management

- Ensure the group has an effective policy and plan for risk management
- Oversee the development and annual review of the risk management policy and plan
- Monitor implementation of the risk management policy and plan
- Make recommendations to the board on levels of risk tolerance and risk appetite
- Ensure risk management is integrated into business operations
- Ensure risk management assessments are conducted on a continuous basis
- Ensure frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks



- Ensure that management considers and implements appropriate risk responses
- Ensure continuous risk monitoring by management
- Express the committee's opinion on the effectiveness of the system and process of risk management
- Ensure risk management reporting in the integrated report is comprehensive and relevant

External audit

- Nominate the external auditor for appointment by shareholders
- Approve the terms of engagement and remuneration of the auditor
- Ensure the appointment of the auditor complies with relevant legislation
- Monitor and report on the independence of the external auditor
- Define a policy for non-audit services that the auditor may provide and approve non-audit service contracts
- Review the quality and effectiveness of the external audit process
- Ensure a process is in place for the committee to be informed of any reportable irregularities identified by the external auditor

Composition of the committee

The committee comprised four independent non-executive directors during the period. These directors are all suitably skilled directors, with at least three members of the committee having recent and relevant financial experience. The committee is elected by shareholders at the annual general meeting.

The following directors served on the committee during the period under review:

Independent non-executive director	Qualifications
John Bester (Chairman)	B Com (Hons), CTA, CA (SA), CMS (Oxon)
Fatima Jakoet	B Sc, CTA, CA (SA) Higher Certificate in Financial Markets
Nkaki Matlala	B Sc, M Sc, M D, M Med (Surgery), FCS
David Nurek	Dip Law, Grad Dip Company Law

Biographical details of the committee members appear on pages 12 and 13 of the Integrated Report, with supplementary information contained in Annexure 2 to the Notice of Annual General Meeting on page 70 of the Integrated Report.

Subsequent to the year-end, David Nurek will stand down as a member of the committee, and may in future attend meetings by invitation. This addresses the previous non-application of the King III principle that the chairman of the board should not serve on the audit committee.

Fees paid to the committee members for 2012 and the proposed fees for 2013 are disclosed in the Remuneration Report on pages 44 and 45 of the Integrated Report.

The executive directors, group head of internal audit, senior management in the finance department and the external auditor attend meetings at the invitation of the committee.

The committee also meets separately with the external and internal auditors, without members of executive management being present.

The effectiveness of the committee is assessed as part of the annual board and committee self-evaluation process.

Internal audit

The internal audit function provides information to assist in the establishment and maintenance of an effective system of internal control to manage the risks associated with the business. The role of internal audit is contained in the internal audit charter. The charter is reviewed annually and is aligned with the recommendations of King III.

Internal audit facilitates the combined assurance process and is responsible for the following:

- Evaluating governance processes, including ethics
- Assessing the effectiveness of the risk methodology and internal financial controls
- Evaluating business processes and associated controls in accordance with the annual audit plan

The internal audit function is established by the board and its responsibilities are determined by the committee. Administratively, the group head of internal audit reports to the chief financial officer who, in turn, reports to the chief executive officer. The group head of internal audit has direct and unrestricted access to the chairman of the committee. The group head of internal audit is appointed and removed by the committee. The chairman of the committee meets with the group 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 to 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 cost and budgeting controls, and comprehensive management reporting.

The committee has considered the results of the formal documented review of the company's system of internal financial controls and risk management, including the design, implementation and effectiveness of the internal financial controls conducted by internal audit function during the 2012 year. The committee has also assessed information and explanations given by management and discussions with the external auditor on the results of the audit. Through this process no material matter has come to the attention of the board that has caused the directors to believe that the company's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

External audit

The committee appraised the independence, expertise and objectivity of KPMG Inc. as the external auditor, as well as approving the terms of engagement and the fees paid to KPMG (refer to note 5 of the annual financial statements on the group's website).

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 group 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.

In addition, the committee considered the requirements of King III, among other factors, and is satisfied that the external auditor is independent of the company.

Review of external auditor

On the recommendation of the committee, the board has undertaken to review the appointment of the external auditor as a good governance practice. In accordance with the audit committtee charter, the committee undertook to assess the tender process and make a recommendation to the board. Four auditing firms, including the incumbent auditor KPMG, were invited to tender for the audit for the 2013 financial year. Following the outcome of this process, the board will propose Ernst & Young Inc. for election as the group's external auditor at the annual general meeting in January 2013.

Policy on non-audit services

Non-audit services provided by the external auditor may not exceed 25% of the total auditors' remuneration. The services should exclude any work that may be subject to external audit and that could compromise the auditor's independence. All non-audit services undertaken during the year were approved in accordance with this policy.

During the year KPMG received fees of R80 302 (2011: R505 750) for non-audit services, equating to 2.6% (2011: 17.9%) of the total audit fees. These services related mainly to assisting with export approval procedures and royalty calculations.

KPMG satisfied the committee that appropriate safeguards have been adopted to maintain the independence of the external auditor when providing non-audit services.

Activities of the committee

The committee met four times during the financial year. Members of the committee, the external auditor and the group head of internal audit may request a non-scheduled meeting if they consider this necessary. The chairman of the 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 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 attends all statutory shareholder meetings to answer any questions on the committee's activities.

The committee performed the following activities relating to the audit function during the year under review, with certain of these duties being required in terms of the Companies Act:

- Recommended to the board and shareholders the appointment of the external auditors, approved their terms of engagement and remuneration, and monitored their independence, objectivity and effectiveness
- Determined the nature and extent of any non-audit services that the external auditor may provide to the group and preapproved any proposed contracts with the external auditors
- Reviewed the group'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 Integrated Annual Report and annual financial statements
- Evaluated the effectiveness of the committee.

Refer to page 38 of the Corporate Governance Report in the Integrated Report for an overview of the risk management process and function.

Evaluation of chief financial officer and finance function

The 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.

The committee is also satisfied as to the appropriateness, expertise and adequacy of resources of the finance function and the experience of senior members of management responsible for the finance function.

Approval of the audit and risk committee report

The committee confirms that it has functioned in accordance with its terms of reference for the 2012 financial year and that its report to shareholders has been approved by the board.

John Bester
Chairman: Audit and risk committee

13 November 2012

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Clicks Group Limited

We have audited the annual financial statements and the group annual financial statements of Clicks Group Limited, which comprise the statements of financial position at 31 August 2012, statements of comprehensive income, statements of changes in equity, statements of cash flows 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 8 to 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 the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 annual financial statements present fairly, in all material respects, the consolidated and separate financial position of Clicks Group Limited at 31 August 2012, 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 the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 August 2012, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

KPMG Inc.
Registered Auditor

Per David Friedland
Chartered Accountant (SA)
Registered Auditor
Director
13 November 2012

8th Floor, MSC House
1 Mediterranean Street
Cape Town
8001

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 August 2012

	Notes	2012 R'000	2011 R'000
Revenue	1	16 243 377	14 833 118
Turnover	1	15 436 947	14 135 948
Cost of merchandise sold		(11 961 536)	(10 879 173)
Gross profit		3 475 411	3 256 775
Other income	1	800 554	688 935
Total income		4 275 965	3 945 710
Expenses		(3 264 637)	(3 008 120)
Depreciation and amortisation	2	(171 535)	(149 714)
Occupancy costs	3	(471 897)	(422 596)
Employment costs	4	(1 582 459)	(1 496 491)
Other costs	5	(1 038 746)	(939 319)
Operating profit		1 011 328	937 590
Loss on disposal of property, plant and equipment		(6 578)	(6 250)
Profit before financing costs		1 004 750	931 340
Net financing costs	6	(46 396)	(33 626)
Financial income	1,6	5 876	8 235
Financial expense	6	(52 272)	(41 861)
Profit before taxation		958 354	897 714
Income tax expense	7	(269 974)	(246 749)
Total profit for the year		688 380	650 965
Other comprehensive income/(loss):			
Exchange differences on translation of foreign subsidiaries		1 615	(220)
Cash flow hedges		1 485	2 105
Change in fair value of effective portion		2 063	2 924
Deferred tax on movement of effective portion		(578)	(819)
Other comprehensive income for the year, net of tax		3 100	1 885
Total comprehensive income for the year		691 480	652 850
Profit attributable to:			
Equity holders of the parent		688 687	650 932
Non-controlling interest		(307)	33
		688 380	650 965
Total comprehensive income attributable to:			
Equity holders of the parent		691 787	652 817
Non-controlling interest		(307)	33
		691 480	652 850
Earnings per share (cents)			
Basic	8	272.0	248.3
Diluted	8	271.9	248.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 August 2012

	Notes	2012 R'000	2011 R'000
ASSETS			
Non-current assets		**1 490 348**	1 414 484
Property, plant and equipment	9	**1 010 657**	949 906
Intangible assets	10	**306 286**	301 579
Goodwill	11	**103 510**	103 510
Deferred tax assets	12	**57 401**	53 756
Loans receivable	13	**12 494**	5 733
Current assets		**3 286 064**	2 840 299
Inventories	14	**2 080 375**	1 802 557
Trade and other receivables	15	**1 171 541**	998 944
Loans receivable	13	**3 710**	17 901
Cash and cash equivalents		**25 451**	17 790
Derivative financial assets	16	**4 987**	3 107
Total assets		**4 776 412**	4 254 783
EQUITY AND LIABILITIES			
Equity		**1 348 904**	965 187
Share capital	17	**3 054**	2 999
Share premium	17	**3 497**	–
Treasury shares	17	**(927 963)**	(703 070)
Share option reserve	18	**55 905**	40 943
Cash flow hedging reserve	19	**3 590**	2 105
Non-distributable reserve	20	**(219)**	(1 834)
Distributable reserve		**2 210 632**	1 623 329
Equity attributable to equity holders of the parent		**1 348 496**	964 472
Non-controlling interest		**408**	715
Non-current liabilities		**286 601**	264 829
Interest-bearing borrowings	21	**–**	19
Employee benefits	22	**105 989**	92 473
Deferred tax liabilities	12	**39 555**	46 695
Operating lease liability	23	**141 057**	125 642
Current liabilities		**3 140 907**	3 024 767
Trade and other payables	24	**2 768 759**	2 431 756
Employee benefits	22	**109 861**	164 669
Provisions	25	**8 828**	5 217
Interest-bearing borrowings	21	**214 566**	375 217
Income tax payable		**37 536**	44 489
Derivative financial liabilities	16	**1 357**	3 419
Total equity and liabilities		**4 776 412**	4 254 783

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2012

	Number of shares '000	Share capital (Note 17) R'000	Share premium (Note 17) R'000	Share option reserve (Note 18) R'000
Balance at 1 September 2010	266 283	2 841	–	24 600
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Additional shares issued	6 988	70	299 657	–
Employee share ownership plan shares issued	29 153	291	–	–
Distributions to shareholders	–	–	(299 657)	–
Share based payment reserve movement	–	–	–	16 343
Treasury shares cancelled	–	(203)	–	–
Net cost of own shares purchased	(49 465)	–	–	–
Treasury shares purchased	(49 806)	–	–	–
Disposal of treasury shares	341	–	–	–
Total transactions with owners	(13 324)	158	–	16 343
Total comprehensive income for the year	–	–	–	–
Profit for the year	–	–	–	–
Cash flow hedge reserve	–	–	–	–
Exchange differences on translation of foreign subsidiaries	–	–	–	–
Balance at 31 August 2011	252 959	2 999	–	40 943
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Additional shares issued	**–**	**55**	**246 486**	**–**
Dividends/distributions to shareholders	**–**	**–**	**(242 989)**	**–**
Share based payment reserve movement	**–**	**–**	**–**	**39 562**
Transfer of share option reserve to distributable reserve	**–**	**–**	**–**	**(24 600)**
Net cost of own shares purchased	**83**	**–**	**–**	**–**
Treasury shares purchased	**(217)**	**–**	**–**	**–**
Disposal of treasury shares	**300**	**–**	**–**	**–**
Total transactions with owners	**83**	**55**	**3 497**	**14 962**
Total comprehensive income for the year	**–**	**–**	**–**	**–**
Profit for the year	**–**	**–**	**–**	**–**
Cash flow hedge reserve	**–**	**–**	**–**	**–**
Exchange differences on translation of foreign subsidiaries	**–**	**–**	**–**	**–**
Balance at 31 August 2012	**253 042**	**3 054**	**3 497**	**55 905**

Treasury shares (Note 17) R'000	Cash flow hedging reserve (Note 19) R'000	Non–distributable reserve (Note 20) R'000	Distributable reserve R'000	Equity attributable to equity holders of the parent R'000	Non–controlling interest R'000	Total equity R'000
(510 850)	–	(1 614)	1 625 669	1 140 646	682	1 141 328
(299 727)	–	–	–	–	–	–
(291)	–	–	–	–	–	–
4 220	–	–	(70)	(295 507)	–	(295 507)
–	–	–	–	16 343	–	16 343
651 652	–	–	(651 449)	–	–	–
(548 074)	–	–	(1 753)	(549 827)	–	(549 827)
(552 406)	–	–	–	(552 406)	–	(552 406)
4 332	–	–	(1 753)	2 579	–	2 579
(192 220)	–	–	(653 272)	(828 991)	–	(828 991)
–	2 105	(220)	650 932	652 817	33	652 850
–	–	–	650 932	650 932	33	650 965
–	2 105	–	–	2 105	–	2 105
–	–	(220)	–	(220)	–	(220)
(703 070)	2 105	(1 834)	1 623 329	964 472	715	965 187
(246 541)	**–**	**–**	**–**	**–**	**–**	**–**
30 322	**–**	**–**	**(124 618)**	**(337 285)**	**–**	**(337 285)**
–	**–**	**–**	**–**	**39 562**	**–**	**39 562**
–	**–**	**–**	**24 600**	**–**	**–**	**–**
(8 674)	**–**	**–**	**(1 366)**	**(10 040)**	**–**	**(10 040)**
(12 013)	**–**	**–**	**–**	**(12 013)**	**–**	**(12 013)**
3 339	**–**	**–**	**(1 366)**	**1 973**	**–**	**1 973**
(224 893)	**–**	**–**	**(101 384)**	**(307 763)**	**–**	**(307 763)**
–	**1 485**	**1 615**	**688 687**	**691 787**	**(307)**	**691 480**
–	**–**	**–**	**688 687**	**688 687**	**(307)**	**688 380**
–	**1 485**	**–**	**–**	**1 485**	**–**	**1 485**
–	**–**	**1 615**	**–**	**1 615**	**–**	**1 615**
(927 963)	**3 590**	**(219)**	**2 210 632**	**1 348 496**	**408**	**1 348 904**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 August 2012

The statement of cash flows has been prepared by applying the indirect method.

	Note	2012 R'000	2011 R'000
Cash effects from operating activities			
Profit before working capital changes		**1 235 114**	1 075 227
Working capital changes		**(161 586)**	(105 055)
Cash generated by operations		**1 073 528**	970 172
Interest received		**5 787**	8 156
Interest paid		**(39 252)**	(29 269)
Taxation paid		**(276 458)**	(271 988)
Cash inflow from operating activities before distributions		**763 605**	677 071
Dividends/distributions paid to shareholders	26	**(337 285)**	(295 507)
Net cash effects from operating activities		**426 320**	381 564
Cash effects from investing activities			
Investment in property, plant and equipment and intangible assets to maintain operations		**(84 322)**	(70 160)
Investment in property, plant and equipment and intangible assets to expand operations		**(171 467)**	(145 541)
Acquisition of business net of cash acquired		**–**	(10 225)
Proceeds from disposal of property, plant and equipment		**2 651**	1 572
Decrease in loans receivable		**5 189**	15 001
Net cash effects from investing activities		**(247 949)**	(209 353)
Cash effects from financing activities			
Purchase of treasury shares		**(12 013)**	(552 406)
Proceeds from disposal of treasury shares		**1 973**	2 579
Interest-bearing borrowings (repaid)/raised		**(160 670)**	243 354
Net cash effects from financing activities		**(170 710)**	(306 473)
Net increase/(decrease) in cash and cash equivalents		**7 661**	(134 262)
Cash and cash equivalents at the beginning of the year		**17 790**	152 052
Cash and cash equivalents at the end of the year		**25 451**	17 790

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 August 2012

	2012 R'000	2011 R'000
Cash flow information		
Profit before working capital changes		
Profit before taxation	**958 354**	897 714
Adjustment for:	**230 364**	143 887
Depreciation and amortisation	**181 102**	158 285
Reversal of previous unrealised foreign exchange losses	**(3 237)**	(7 745)
Unrealised foreign exchange loss	**–**	3 237
Movement in operating lease liability	**15 415**	10 331
Loss on disposal of property, plant and equipment	**6 578**	6 250
Impairment of financial assets	**2 330**	–
Fair value adjustment – derivatives	**–**	(41 797)
Equity-settled share option costs	**28 176**	15 326
Net financing costs	**46 396**	33 626
	1 235 114	1 075 227
Working capital changes		
Increase in inventories	**(277 818)**	(231 309)
Increase in trade and other receivables	**(171 427)**	(130 302)
Increase in trade and other payables	**338 360**	152 256
Decrease in employee benefits	**(54 312)**	(55 705)
Increase/(decrease) in provisions	**3 611**	(1 027)
Disposal of derivative financial instruments	**–**	161 032
	(161 586)	(105 055)
Taxation paid		
Income tax payable at the beginning of the year	**(43 476)**	(45 292)
Current tax charged to profit or loss	**(269 951)**	(270 172)
Income tax payable at the end of the year	**36 969**	43 476
	(276 458)	(271 988)
Cash and cash equivalents at the end of the year		
Current accounts	**25 451**	17 790
	25 451	17 790

OPERATIONAL SEGMENTAL ANALYSIS

Segmental statement of income for the year ended 31 August 2012

	Retail	
	2012 R'000	2011 R'000
Segment revenue	**12 137 754**	11 182 487
Turnover	**11 680 079**	10 792 845
Cost of merchandise sold	**(8 323 983)**	(7 642 239)
Gross profit	**3 356 096**	3 150 606
Other income	**457 675**	389 642
Total income	**3 813 771**	3 540 248
Segment expenses	**(2 959 258)**	(2 737 419)
Depreciation and amortisation	**(156 055)**	(136 155)
Occupancy costs	**(469 742)**	(420 846)
Employment costs	**(1 447 632)**	(1 375 123)
Other costs	**(885 829)**	(805 295)
Operating profit	**854 513**	802 829
(Loss)/profit on disposal of property, plant and equipment	**(6 714)**	(6 263)
Segment result from operations	**847 799**	796 566
Net financing costs		
Financial income		
Financial expense		
Profit before taxation		
Income tax expense		
Total profit for the year		
Capital expenditure	**(223 749)**	(215 225)
Depreciation and amortisation	**165 622**	144 726
Non-cash items:		
Fair value adjustment – derivative	**–**	(41 797)
Foreign exchange loss	**–**	3 237
Loss/(profit) on disposal of property, plant and equipment	**6 714**	6 263
Operating lease accrual	**15 415**	10 331
Equity settled share option costs	**26 476**	14 290

UPD		Intragroup elimination		Group	
2012 R'000	2011 R'000	**2012 R'000**	2011 R'000	**2012 R'000**	2011 R'000
6 626 556	5 953 753	**(2 526 809)**	(2 311 357)	**16 243 377**	14 833 118
6 223 807	5 601 891	**(2 466 939)**	(2 258 788)	**15 436 947**	14 135 948
(6 106 105)	(5 499 675)	**2 468 552**	2 262 741	**(11 961 536)**	(10 879 173)
117 702	102 216	**1 613**	3 953	**3 475 411**	3 256 775
402 749	351 862	**(59 870)**	(52 569)	**800 554**	688 935
520 451	454 078	**(58 257)**	(48 616)	**4 275 965**	3 945 710
(365 399)	(323 270)	**60 020**	52 569	**(3 264 637)**	(3 008 120)
(15 480)	(13 559)	**–**	–	**(171 535)**	(149 714)
(3 281)	(2 831)	**1 126**	1 081	**(471 897)**	(422 596)
(134 827)	(121 368)	**–**	–	**(1 582 459)**	(1 496 491)
(211 811)	(185 512)	**58 894**	51 488	**(1 038 746)**	(939 319)
155 052	130 808	**1 763**	3 953	**1 011 328**	937 590
136	13	**–**	–	**(6 578)**	(6 250)
155 188	130 821	**1 763**	3 953	**1 004 750**	931 340
				(46 396)	(33 626)
				5 876	8 235
				(52 272)	(41 861)
				958 354	897 714
				(269 974)	(246 749)
				688 380	650 965
(32 040)	(10 701)			**(255 789)**	(225 926)
15 480	13 559			**181 102**	158 285
–	–			**–**	(41 797)
–	–			**–**	3 237
(136)	(13)			**6 578**	6 250
–	–			**15 415**	10 331
1 700	1 036			**28 176**	15 326

Segmental statement of financial position at 31 August 2012

	Retail	
	2012 R'000	2011 R'000
SEGMENT ASSETS		
Segment non-current assets	**1 242 390**	1 179 382
Property, plant and equipment	**850 537**	800 400
Intangible assets	**298 351**	299 622
Goodwill	**18 855**	18 855
Deferred tax assets	**57 199**	53 436
Intragroup loans	**4 954**	1 336
Loans receivable	**12 494**	5 733
Segment current assets	**2 140 911**	1 958 844
Inventories	**1 528 585**	1 350 567
Trade and other receivables	**187 729**	194 548
Intragroup loans	**390 452**	390 452
Loans receivable	**3 710**	17 901
Cash and cash equivalents	**25 448**	2 269
Derivative financial assets	**4 987**	3 107
Total segment assets	**3 383 301**	3 138 226
SEGMENT EQUITY AND LIABILITIES		
Segment equity	**897 001**	676 036
Share capital	**3 054**	2 999
Share premium	**3 497**	–
Treasury shares	**(927 963)**	(703 070)
Share option reserve	**54 491**	41 243
Cash flow hedging reserve	**3 590**	2 105
Non-distributable reserve	**(339)**	(685)
Distributable reserve	**1 760 671**	1 333 444
Equity attributable to equity holders of the parent	**897 001**	676 036
Non-controlling interest	**–**	–
Segment non-current liabilities	**559 634**	446 368
Interest-bearing borrowings	**–**	–
Intragroup loans	**280 829**	186 475
Employee benefits	**98 193**	87 556
Deferred tax liabilities	**39 555**	46 695
Operating lease liability	**141 057**	125 642
Segment current liabilities	**1 926 666**	2 015 822
Trade and other payables	**1 531 066**	1 436 550
Intragroup loans	**–**	–
Employee benefits	**100 229**	151 050
Provisions	**8 828**	5 217
Interest-bearing borrowings	**248 520**	375 097
Income tax payable	**36 666**	44 489
Derivative financial liabilities	**1 357**	3 419
Total segment equity and liabilities	**3 383 301**	3 138 226

UPD		Intragroup elimination		Group	
2012	2011	**2012**	2011	**2012**	2011
R'000	R'000	**R'000**	R'000	**R'000**	R'000
533 741	422 913	**(285 783)**	(187 811)	**1 490 348**	1 414 484
160 120	149 506	**–**	–	**1 010 657**	949 906
7 935	1 957	**–**	–	**306 286**	301 579
84 655	84 655	**–**	–	**103 510**	103 510
202	320	**–**	–	**57 401**	53 756
280 829	186 475	**(285 783)**	(187 811)	**–**	–
–	–	**–**	–	**12 494**	5 733
1 897 220	1 528 926	**(752 067)**	(647 471)	**3 286 064**	2 840 299
560 928	462 891	**(9 138)**	(10 901)	**2 080 375**	1 802 557
1 302 335	1 050 514	**(318 523)**	(246 118)	**1 171 541**	998 944
–	–	**(390 452)**	(390 452)	**–**	–
–	–	**–**	–	**3 710**	17 901
33 957	15 521	**(33 954)**	–	**25 451**	17 790
–	–	**–**	–	**4 987**	3 107
2 430 961	1 951 839	**(1 037 850)**	(835 282)	**4 776 412**	4 254 783
461 041	300 052	**(9 138)**	(10 901)	**1 348 904**	965 187
–	–	**–**	–	**3 054**	2 999
–	–	**–**	–	**3 497**	–
–	–	**–**	–	**(927 963)**	(703 070)
1 414	(300)	**–**	–	**55 905**	40 943
–	–	**–**	–	**3 590**	2 105
120	(1 149)	**–**	–	**(219)**	(1 834)
459 099	300 786	**(9 138)**	(10 901)	**2 210 632**	1 623 329
460 633	299 337	**(9 138)**	(10 901)	**1 348 496**	964 472
408	715	**–**	–	**408**	715
12 750	6 272	**(285 783)**	(187 811)	**286 601**	264 829
–	19	**–**	–	**–**	19
4 954	1 336	**(285 783)**	(187 811)	**–**	–
7 796	4 917	**–**	–	**105 989**	92 473
–	–	**–**	–	**39 555**	46 695
–	–	**–**	–	**141 057**	125 642
1 957 170	1 645 515	**(742 929)**	(636 570)	**3 140 907**	3 024 767
1 556 216	1 241 324	**(318 523)**	(246 118)	**2 768 759**	2 431 756
390 452	390 452	**(390 452)**	(390 452)	**–**	–
9 632	13 619	**–**	–	**109 861**	164 669
–	–	**–**	–	**8 828**	5 217
–	120	**(33 954)**	–	**214 566**	375 217
870	–	**–**	–	**37 536**	44 489
–	–	**–**	–	**1 357**	3 419
2 430 961	1 951 839	**(1 037 850)**	(835 282)	**4 776 412**	4 254 783

BUSINESS UNIT SEGMENTAL ANALYSIS

for the year ended 31 August 2012

		Clicks		Musica		The Body Shop	
		2012 R'000	2011 R'000	2012 R'000	2011 R'000	2012 R'000	2011 R'000
Statement of financial position							
Property, plant and equipment		**589 508**	537 557	**46 295**	51 139	**11 040**	10 518
Intangible assets		**287 660**	289 258	**1 285**	1 888	**956**	4
Goodwill		**18 855**	18 855	**–**	–	**–**	–
Inventories		**1 394 408**	1 203 108	**116 537**	135 541	**17 640**	11 918
Trade and other receivables		**171 603**	174 473	**13 644**	13 377	**2 281**	1 593
Cash and cash equivalents		**3 495**	7 457	**–**	129	**61**	57
Other assets		**13 257**	3 369	**–**	–	**–**	–
Total assets		**2 478 786**	2 234 077	**177 761**	202 074	**31 978**	24 090
Employee benefits – non-current		**15 170**	13 108	**686**	1 645	**169**	–
Operating lease liability		**126 024**	110 580	**13 486**	13 179	**1 547**	1 883
Trade and other payables		**1 258 042**	1 168 222	**110 128**	72 329	**10 222**	9 815
Employee benefits – current		**71 437**	90 896	**5 802**	9 907	**856**	1 441
Other liabilities		**2 660**	3 079	**1 522**	1 783	**–**	–
Total liabilities		**1 473 333**	1 385 885	**131 624**	98 843	**12 794**	13 139
Net assets		**1 005 453**	848 192	**46 137**	103 231	**19 184**	10 951
Statement of comprehensive income							
Turnover		**10 685 592**	9 789 459	**871 515**	895 600	**122 972**	107 786
Gross profit		**2 983 059**	2 778 398	**294 837**	299 099	**78 200**	73 109
Other income		**437 827**	367 707	**17 808**	20 379	**2 040**	1 556
Total income		**3 420 886**	3 146 105	**312 645**	319 478	**80 240**	74 665
Expenses		**(2 633 020)**	(2 395 269)	**(269 835)**	(288 060)	**(56 403)**	(54 090)
Operating profit		**787 866**	750 836	**42 810**	31 418	**23 837**	20 575
Ratios							
Increase/(decrease) in turnover	%	**9.2**	13.0	**(2.7)**	(5.9)	**14.1**	(2.8)
Selling price inflation	%	**1.2**	1.0	**(4.9)**	(2.4)	**(1.9)**	(6.6)
Comparable stores' turnover growth	%	**5.9**	8.5	**–**	(6.2)	**13.8**	(3.3)
Gross profit margin	%	**27.9**	28.4	**33.8**	33.4	**63.6**	67.8
Total income margin	%	**32.0**	32.1	**35.9**	35.7	**65.3**	69.3
Operating expenses as a percentage of turnover	%	**24.6**	24.5	**31.0**	32.2	**45.9**	50.2
Increase/(decrease) in operating expenses	%	**9.9**	12.5	**(6.3)**	(0.8)	**4.3**	6.7
Increase/(decrease) in operating profit	%	**4.9**	25.8	**36.3**	(40.2)	**15.9**	3.5
Operating profit margin	%	**7.4**	7.7	**4.9**	3.5	**19.4**	19.1
Inventory days		**66**	63	**74**	83	**144**	125
Trade debtor days		**8**	11	**–**	–	**–**	–
Trade creditor days		**46**	45	**49**	24	**22**	37
Number of stores		**420**	400	**134**	148	**41**	42
at 1 September 2011/2010		**400**	369	**148**	152	**42**	40
opened		**27**	32	**2**	5	**2**	2
closed		**(7)**	(1)	**(16)**	(9)	**(3)**	–
Number of pharmacies		**306**	283	**–**	–	**–**	–
at 1 September 2011/2010		**283**	251	**–**	–	**–**	–
new/converted		**26**	32	**–**	–	**–**	–
closed		**(3)**	–	**–**	–	**–**	–
Total leased area	m^2	**272 708**	261 363	**27 328**	30 780	**2 850**	2 892
Weighted retail trading area	m^2	**206 299**	194 887	**25 910**	26 923	**2 234**	2 190
Weighted annual sales per m^2	R	**50 418**	48 770	**33 637**	33 265	**55 046**	49 217
Number of permanent employees		**6 562**	6 642	**653**	773	**119**	122

Group Services		Total retail operations		UPD		Intragroup elimination		Total operations	
2012 R'000	2011 R'000	**2012 R'000**	2011 R'000	**2012 R'000**	2011 R'000	**2012 R'000**	2011 R'000	**2012 R'000**	2011 R'000
203 694	201 186	**850 537**	800 400	**160 120**	149 506	**–**	–	**1 010 657**	949 906
8 450	8 472	**298 351**	299 622	**7 935**	1 957	**–**	–	**306 286**	301 579
–	–	**18 855**	18 855	**84 655**	84 655	**–**	–	**103 510**	103 510
–	–	**1 528 585**	1 350 567	**560 928**	462 891	**(9 138)**	(10 901)	**2 080 375**	1 802 557
201	5 105	**187 729**	194 548	**1 302 335**	1 050 514	**(318 523)**	(246 118)	**1 171 541**	998 944
21 892	(5 374)	**25 448**	2 269	**33 957**	15 521	**(33 954)**	–	**25 451**	17 790
460 539	468 596	**473 796**	471 965	**281 031**	186 795	**(676 235)**	(578 263)	**78 592**	80 497
694 776	677 985	**3 383 301**	3 138 226	**2 430 961**	1 951 839	**(1 037 850)**	(835 282)	**4 776 412**	4 254 783
82 168	72 803	**98 193**	87 556	**7 796**	4 917	**–**	–	**105 989**	92 473
–	–	**141 057**	125 642	**–**	–	**–**	–	**141 057**	125 642
152 674	186 184	**1 531 066**	1 436 550	**1 556 216**	1 241 324	**(318 523)**	(246 118)	**2 768 759**	2 431 756
22 134	48 806	**100 229**	151 050	**9 632**	13 619	**–**	–	**109 861**	164 669
611 573	656 530	**615 755**	661 392	**396 276**	391 927	**(710 189)**	(578 263)	**301 842**	475 056
868 549	964 323	**2 486 300**	2 462 190	**1 969 920**	1 651 787	**(1 028 712)**	(824 381)	**3 427 508**	3 289 596
(173 773)	(286 338)	**897 001**	676 036	**461 041**	300 052	**(9 138)**	(10 901)	**1 348 904**	965 187
–	–	**11 680 079**	10 792 845	**6 223 807**	5 601 891	**(2 466 939)**	(2 258 788)	**15 436 947**	14 135 948
–	–	**3 356 096**	3 150 606	**117 702**	102 216	**1 613**	3 953	**3 475 411**	3 256 775
–	–	**457 675**	389 642	**402 749**	351 862	**(59 870)**	(52 569)	**800 554**	688 935
–	–	**3 813 771**	3 540 248	**520 451**	454 078	**(58 257)**	(48 616)	**4 275 965**	3 945 710
–	–	**(2 959 258)**	(2 737 419)	**(365 399)**	(323 270)	**60 020**	52 569	**(3 264 637)**	(3 008 120)
–	–	**854 513**	802 829	**155 052**	130 808	**1 763**	3 953	**1 011 328**	937 590
–	–	**8.2**	10.9	**11.1**	4.3	**9.2**	26.3	**9.2**	6.2
–	–	**0.7**	0.6	**0.1**	3.3	**–**	–	**0.5**	1.6
–	–	**5.5**	6.9	**–**	–	**–**	–	**5.5**	6.9
–	–	**28.7**	29.2	**1.9**	1.8	**–**	–	**22.5**	23.0
–	–	**32.7**	32.8	**8.4**	8.1	**–**	–	**27.7**	27.9
–	–	**25.3**	25.4	**5.9**	5.8	**–**	–	**21.1**	21.3
–	–	**8.1**	10.8	**13.0**	3.7	**–**	–	**8.5**	9.8
–	–	**6.4**	20.0	**18.5**	(19.4)	**–**	–	**7.9**	13.8
–	–	**7.3**	7.4	**2.5**	2.3	**–**	–	**6.6**	6.6
–	–	**67**	65	**34**	31	**–**	–	**63**	60
–	–	**8**	11	**64**	60	**–**	–	**46**	46
–	–	**46**	43	**74**	66	**–**	–	**61**	57
–	–	**595**	590	**–**	–	**–**	–	**595**	590
–	–	**590**	561	**–**	–	**–**	–	**590**	561
–	–	**31**	39	**–**	–	**–**	–	**31**	39
–	–	**(26)**	(10)	**–**	–	**–**	–	**(26)**	(10)
–	–	**306**	283	**–**	–	**–**	–	**306**	283
–	–	**283**	251	**–**	–	**–**	–	**283**	251
–	–	**26**	32	**–**	–	**–**	–	**26**	32
–	–	**(3)**	–	**–**	–	**–**	–	**(3)**	–
–	–	**302 886**	295 035	**–**	–	**–**	–	**302 886**	295 035
–	–	**234 443**	224 000	**–**	–	**–**	–	**234 443**	224 000
–	–	**48 607**	46 911	**–**	–	**–**	–	**48 607**	46 911
335	336	**7 669**	7 873	**394**	389	**–**	–	**8 063**	8 262

Clicks Group Limited is a company domiciled in South Africa. The consolidated financial statements as at and for the year ended 31 August 2012 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"), AC500 series issued by SAICA and the South African Companies Act No. 71 of 2008 as amended and the JSE Listing Requirements.

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.

The financial statements were approved by the directors on 13 November 2012.

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 judgements

Estimates and judgements 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 that 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 reporting 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 purchases, with many of these agreements applying to the calendar year. For certain agreements, the rebates increase as a proportion of necessary 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. Rebates are accrued monthly, with an extensive reassessment of the rebates earned being performed at the reporting date. Consequently the rebates actually received may vary from that accrued in the financial statements.

Impairment of financial assets

At the reporting date, 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 reporting date. Determining the recoverability of an account involves estimation as to the likely financial condition of the customer and their ability subsequently to 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.

Assessment of useful lives and residual values of property, plant and equipment: Items of property, plant and equipment are depreciated over their useful lives taking into account residual values. 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 obtained and, where applicable, up to the date that control ceased.

Special purpose entities ("SPEs") are consolidated if, based on an evaluation of the substance of its relationship with the group and the SPEs' 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 the majority of risks incidental to the SPEs' activities, or retaining the majority of the residual or ownership risks related to the SPEs or their assets.

All intra-group transactions and balances, including any unrealised gains and losses arising from intra-group 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.

Non-controlling interests in subsidiaries are identified separately from the group's equity therein. The interest of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combinations and goodwill

Business combinations from 1 September 2009

Business combinations occurring on or after 1 September 2009 are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value at acquisition date and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the fair value at the acquisition date of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which are deemed to be an asset or liability, will be recognised in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to 31 August 2009

In comparison to the requirement mentioned above, the following treatment applied prior to 31 August 2009:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate transactions. Any additional shares acquired do not affect previously recognised goodwill.

When the group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised only if the group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration affected goodwill.

Transactions and non-controlling interests

Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company. When the group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to distributable reserve).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Written put option agreements and (synthetic) forward agreements that allow the group to purchase its non-controlling interests are recognised as a liability at the present value of the expected 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.

Non-controlling interests continue to be recognised as they retain present access to the economic benefits underlying ownership interests. Dividends paid to non-controlling interests are recognised in equity as transactions with equity holders.

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 the group's 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 reporting 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 Rands at exchange rates at the reporting date. The income and expenses of foreign operations are translated to South African Rands at the average exchange rates for the period.

Gains and losses on translation are recognised in other comprehensive income and presented within equity in the 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 or loss. Subsequent to initial recognition, these instruments are measured according to their nature.

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 non-derivative financial instruments and financial instruments at fair value through profit or loss, as set out below. 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, subsequent to initial recognition, are measured at amortised cost using the effective interest method less any accumulated impairment losses.

Cash and cash equivalents

Cash and cash equivalents are categorised in the statement of financial position as loans and receivables and, subsequent to initial recognition, are measured at amortised cost.

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 payments are included in trade and other payables.

Interest-bearing borrowings

Interest-bearing borrowings are financial liabilities with fixed or determinable payments. Subsequent to initial recognition, 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.

Derivative financial instruments and hedging activities

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 method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Where a derivative financial instrument is used to hedge the variability in cash flows of the foreign exchange exposure of a recognised monetary asset or liability, hedge accounting may be applied. These derivatives are designated as cash flow hedges.

Cash flow hedges

Hedge relationships are formally documented at inception. The documentation includes identification of the hedged item and the hedging instrument, details the risk that is being hedged and the way in which effectiveness will be assessed at inception and during the period of the hedge. If the hedge is not highly effective in offsetting changes in fair values or cash flows attributable to the hedged risk, consistent with the documented risk management strategy, hedge accounting is discontinued.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income. The ineffective portion is recognised in profit or loss.

When the forecast transaction results in the recognition of a financial asset or financial liability, the cumulative gain or loss is reclassified from other comprehensive income in the same period in which the hedged forecast cash flows/hedged item affects profit or loss. Otherwise the cumulative gain or loss is removed from other comprehensive income and recognised in profit or loss at the same time as the hedged transaction.

When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of property, plant and equipment.

Hedge accounting is discontinued if the hedge no longer meets the criteria for hedge accounting; if the hedging instrument expires or is sold, terminated or exercised; if the forecast transaction is no longer expected to occur; or if hedge designation is revoked. On the discontinuance of hedge accounting (except where a forecast transaction is no longer expected to occur), the cumulative unrealised gain or loss recognised in other comprehensive income is recognised in profit or loss when the forecast transaction occurs and affects profit or loss. Where a forecast transaction is no longer expected to occur, the cumulative unrealised gain or loss is recognised immediately in profit or loss.

Derivatives not qualifying for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Such derivatives are classified at fair value through profit or loss and changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

The fair value of interest rate swaps is the estimated amount that the group would receive or pay to terminate the swap at the reporting date. The fair value of forward exchange contracts is their quoted market price at the reporting period date.

The fair value of option contracts is valued using the Binomial option pricing model.

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 it transfers the rights to receive the contractual cash flows on the financial asset 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 statement of financial position 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.

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.

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

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 capitalised in line with the accounting policy outlined under financial expenses.

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 within 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 life 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 recognised in the statement of financial position. 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 profit or loss 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. The resulting difference arising from the straight-line basis and contractual cash flows is recognised as an operating lease obligation or asset. 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 or loss as incurred.

Intangible assets that 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 are 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 for the current and comparative periods are as follows:

Capitalised software development	5 to 10 years
Purchased computer software	3 to 5 years
Contractual rights	5 years
Trademarks	on the basis of the anticipated benefits expected to arise from each trademark

Amortisation methods, residual values and remaining useful lives of intangible assets with finite useful lives are reassessed annually.

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 reporting date to determine whether there is any indication of impairment. If any such 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 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 it 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.

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. Reversal 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 or loss.

An impairment loss in respect of goodwill is never reversed.

Financial assets

At the reporting 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, the reversal is recognised in profit or loss.

Share capital

Share capital

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 are recognised as a deduction from share premium, net of any tax effect.

Treasury shares

Ordinary shares in Clicks Group Limited that have been acquired by the group in terms of an approved share repurchase programme, held by the Share Incentive Trust or held by the Clicks Group Employee Share Ownership 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. 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 and annual leave represent the amount that the group has a present obligation to pay as a result of employees' services provided up to the reporting 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 reporting 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 reporting 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 up to August 2005 is measured using the Binomial option pricing model, while the fair value of options granted as part of the Clicks Group employee share option plan is measured using the Monte Carlo 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.

Group share scheme recharge arrangements

A recharge arrangement exists whereby the cost of acquiring shares, issued in accordance with certain share schemes granted by the parent company, shall be funded by way of contributions from subsidiary companies in respect of participants who are their employees. The recharge arrangement is accounted for separately from the underlying equity-settled share-based payment upon initial recognition, as follows:

- The subsidiary recognises a recharge liability and a corresponding adjustment against equity for the capital contribution recognised in respect of the share-based payment.
- The parent recognises a recharge asset and a corresponding adjustment to the carrying amount of the investment in the subsidiary.

The recharge arrangement is eliminated on consolidation.

Subsequent to initial recognition the recharge arrangement is remeasured at fair value at each subsequent reporting date until settlement date to the extent vested. The amount of the recharge in excess of the capital contribution recognised in respect of a share-based payment (in subsidiary's financial statements) or the cost of investment in the subsidiary (in parent's accounts) is recognised as a return of capital. In the parents' accounts, the recharge is recognised as a reduction in the cost of the investment in the subsidiary and the excess of the recharge reduces the cost of the investment in the subsidiary until it has a balance of zero. Any further decreases in the cost of investment in subsidiary will be recognised by the parent as dividend income in profit or loss. In the subsidiary's financial statements, the excess is treated as a distribution/dividend to its parent.

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 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 that is not expected to be settled within twelve months is discounted to present value using market yields, at the reporting 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 that is recognised immediately 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 reporting 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 reporting 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. Turnover is measured at the fair value of the consideration received or receivable net of returns, trade discounts, discounts on ClubCard 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 used in-store. The fair value, which includes the expected redemption rate attributed to the credits awarded, is deferred as a liability and recognised as revenue on redemption of the vouchers by customers.

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.

Other recovery income

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 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.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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 in other comprehensive income or directly in equity, in which case the tax is recognised in other comprehensive income or in equity, respectively.

Current tax is the expected tax payable on the taxable profit for the current year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised 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 will probably 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 substantively 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

The group has adopted the "management approach" to reporting segment information, basing this on the group's internal management reporting data used internally by the chief operating decision-maker ("CODM").

An operating segment is defined as a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity) whose operating results are regularly reviewed by the entity's CODM to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

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	Standard's name	Description
IAS 19	Employee Benefits	Amendments to the standard include measuring expected returns on plan assets based on rates used to discount the defined benefit, past service cost to be expensed when the plan amendment occurs whether or not they have vested and short and long-term benefits will be distinguished based on expected timing of settlement, rather than employee entitlement.
IFRS 9	Financial Instruments	Principal change is the reduction from four classifications of financial assets (fair value through profit or loss, loans and receivables, held-to-maturity and those measured at amortised cost) to two (assets measured at fair value through profit or loss and those measured at amortised cost). The new standard reduces complexity.
IFRS 10	Consolidated Financial Statements	Introduces single concept of control as determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides guidance on how to determine if control exists.
IFRS 13	Fair Value Measurement	Provides new guidance on fair value measurement and additional disclosure requirements.

The other remaining standards, amendments and interpretations issued but not yet effective have been assessed for applicability to the group, and management has concluded that they are not applicable to the business of the group and are not expected to have a significant impact on future financial statements.

1 Revenue

	Group 2012 R'000	2011 R'000
Turnover	15 436 947	14 135 948
Financial income	5 876	8 235
Other income	800 554	688 935
Distribution and logistics fees	413 741	361 324
Rental income	207	401
Advertising income, cost recoveries and other	386 606	327 210
	16 243 377	14 833 118

2 Depreciation and amortisation

	2012	2011
Depreciation on property, plant and equipment (see note 9)	167 357	143 107
Amortisation of intangible assets (see note 10)	13 745	15 178
Total depreciation and amortisation	181 102	158 285
Depreciation included in cost of merchandise sold	(9 567)	(8 571)
Depreciation and amortisation included in expenses	171 535	149 714

3 Occupancy costs

	2012	2011
Operating leases	431 431	388 369
Turnover rental expense	21 440	24 923
Movement in operating lease liability (see note 23)	15 415	10 331
Movement in provision for onerous contracts (see note 25)	3 611	(1 027)
	471 897	422 596

4 Employment costs

	2012	2011
Directors' emoluments	19 189	23 292
Non-executive fees	2 092	1 978
Executive	17 097	21 314
Salary and bonus	13 079	18 825
Other benefits	4 018	2 489
Cash-settled share appreciation rights costs	–	2 787
Restraint of trade	3 255	–
Equity-settled share option costs (see note 18)	28 176	15 326
Long-term incentive scheme (see note 22)	42 128	40 994
Staff salaries and wages	1 414 215	1 301 003
Contributions to defined contribution plans	81 987	77 783
Leave pay costs (see note 22)	17 795	13 625
Bonuses (see note 22)	42 433	85 401
Increase in liability for defined benefit plans (see note 22)	1 294	2 069
Total employment costs	1 650 472	1 562 280
Employment costs included in cost of merchandise sold	(68 013)	(65 789)
Employment costs included in expenses	1 582 459	1 496 491
Included in total employment costs are the following aggregate amounts (including directors' emoluments) relating to transactions with key management personnel:	49 100	56 070
Short-term employee benefits	19 154	28 438
Post-employment benefits	2 171	1 915
Other benefits	5 236	710
Long-term incentive scheme	22 539	22 220
Share-based payments	–	2 787
Non-executive directors' fees	2 092	1 978
	51 192	58 048

4 Employment costs (continued)

4.1 Directors' remuneration

Executive directors' remuneration – 2012

Director (R'000)	Salary	RONA short-term incentive	Performance-based long-term incentive	Pension fund	Other benefits	Total
Bertina Engelbrecht	1 993	–	3 800	286	1	6 080
Michael Fleming	3 185	–	–	466	59	3 710
Michael Harvey*	2 284	–	5 001	210	2 188	9 683
David Kneale	5 617	–	12 155	807	1	18 580
Total	13 079	–	20 956	1 769	2 249	38 053

Executive directors' remuneration – 2011

Director (R'000)	Salary	RONA short-term incentive	Performance-based long-term incentive	Pension fund	Other benefits	Total
Bertina Engelbrecht	1 862	852	4 740	268	1	7 723
Michael Fleming**	1 252	817	–	183	23	2 275
Michael Harvey	2 489	1 183	6 095	229	238	10 234
David Kneale	5 201	3 570	15 152	747	2	24 672
Keith Warburton#	1 599	–	–	117	7 135	8 851
Total	12 403	6 422	25 987	1 544	7 399	53 755

* Resigned 12 June 2012. Amount reflected under Other benefits includes contractual payments for six months' notice pay, leave pay due and a pro rata payment of 13th cheque. Under the long-term incentive (LTI) scheme rules, Michael Harvey qualified for the LTI payment due at the end of November 2012. This amount was settled and is reflected above under Performance-based long-term incentive. In addition, a restraint of trade payment of R3 255 000 was paid and precludes him from being employed in corporate retail pharmacy for a period of 12 months.

** Appointed to the board 31 March 2011

Resigned 31 March 2011

Non-executive directors' remuneration

Director (R'000)	2012 Directors' fees	2011 Directors' fees
David Nurek	692	680
Fatima Abrahams	281	315
John Bester	379	355
Fatima Jakoet	256	240
Nkaki Matlala	295	213
Martin Rosen	189	175
Total	2 092	1 978
Total directors' remuneration		
Executive directors (excluding the share appreciation scheme paid in 2011)	38 053	53 755
Non-executive directors	2 092	1 978
Total directors' remuneration	40 145	55 733

5 Other costs

	Group 2012 R'000	2011 R'000
Other operating costs include:		
Auditor's remuneration	**3 194**	3 334
Audit fees	**3 114**	2 828
Other services and expenses	**80**	506
Fees paid for outside services		
Technical services	**23 260**	26 119
Foreign exchange (gains)/losses – realised	**(3 966)**	17 641
Foreign exchange losses – unrealised (see note 16)	**1 357**	3 236
Share option hedge gains (see note 16)	**–**	(41 840)
Fuel hedge contracts losses/(gains)	**–**	43
Impairment/(reduction in impairment) of trade and other receivables (see note 28.5)	**3 006**	(152)
Water and electricity	**102 757**	83 354
Retail	**97 505**	78 897
Distribution	**5 252**	4 457

6 Net financing costs

	Group 2012 R'000	2011 R'000
Recognised in profit or loss		
Interest income on bank deposits	**4 762**	5 014
Non-cash interest income	**89**	84
Interest income on loans and receivables measured at amortised cost	**1 025**	3 137
Financial income	**5 876**	8 235
Cash interest expense	**39 252**	29 003
Non-cash interest expense	**13 020**	12 597
Change in fair value of financial assets designated at fair value through profit or loss	**–**	261
Financial expense	**52 272**	41 861
Net financing cost	**(46 396)**	(33 626)

7 Income tax expense

	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
South African normal tax				
Current tax				
Current year	**266 267**	261 382	**–**	–
Prior-year overprovision	**(4 716)**	(1 888)	**–**	–
Secondary tax on companies				
Current year	**364**	–	**364**	–
Deferred tax				
Current year	**668**	(22 466)	**–**	–
Prior-year overprovision	**(352)**	(443)	**–**	–
Foreign tax				
Current tax				
Current year	**3 619**	9 644	**–**	–
Prior-year underprovision	**677**	59	**–**	–
Withholding tax	**3 740**	975	**–**	–
Deferred tax				
Current year	**(293)**	(514)	**–**	–
Taxation per income statement	**269 974**	246 749	**364**	–
Current year	**(10 808)**	(290)	**–**	–
Cash flow hedge recognised in other comprehensive income	**578**	819	**–**	–
Equity-settled transaction	**(11 386)**	(1 109)	**–**	–
Total income tax expense	**259 166**	246 459	**364**	
Reconciliation of rate of tax	**%**	%	**%**	%
Standard rate – South Africa	**28.00**	28.00	**28.00**	28.00
Adjusted for:				
Disallowable expenditure	**0.28**	0.19	**–**	–
Exempt income and allowances	**(0.09)**	(0.66)	**(28.00)**	(28.00)
Foreign tax rate variations	**0.01**	0.15	**–**	–
Foreign withholding tax	**0.39**	0.11	**–**	–
Prior-year overprovision	**(0.46)**	(0.30)	**–**	–
Secondary tax on companies	**0.04**	–	**–**	–
Effective tax rate	**28.17**	27.49	**–**	–

Two subsidiaries of the group have estimated tax losses of R8.8 million (2011: R9.3 million) available for set-off against future taxable income of those subsidiaries. A deferred tax asset of R2.5 million (2011: R2.6 million) has been recognised in respect of the total estimated tax losses (see note 12).

8 Earnings per share

	Group 2012 R'000	2011 R'000
Reconciliation of headline earnings		
Profit attributable to equity holders of the parent	**688 687**	650 932
Adjustments:		
Loss on disposal of property, plant and equipment	**4 736**	4 500
Loss before tax	**6 578**	6 250
Tax	**(1 842)**	(1 750)
Insurance recovery income	**(1 018)**	–
Profit before tax	**(1 416)**	–
Tax	**398**	–
Headline earnings	**692 405**	655 432

	2012 cents	2011 cents
Earnings per share	**272.0**	248.3
Headline earnings per share	**273.5**	250.1
Diluted earnings per share	**271.9**	248.0
Diluted headline earnings per share	**273.4**	249.7

	2012 R'000	2011 R'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	**270 652**	284 007
Treasury shares held for the full year and/or cancelled	**(17 693)**	(17 724)
Treasury shares purchased during the year weighted for period held	**(8)**	(4 374)
Treasury shares utilised for share options weighted for period in issue	**203**	209
Weighted average number of shares in issue for the year	**253 154**	262 118
Reconciliation of weighted average number of shares to weighted average diluted number of shares in issue		
Weighted average number of shares in issue for the year (net of treasury shares)	**253 154**	262 118
Dilutive effect of share options and forward purchase of shares (net of treasury shares)	**104**	397
Weighted average diluted number of shares in issue for the year	**253 258**	262 515

9 Property, plant and equipment

	Group					
	2012			2011		
	Cost R'000	**Accumulated depreciation and impairment losses R'000**	**Carrying amount R'000**	Cost R'000	Accumulated depreciation and impairment losses R'000	Carrying amount R'000
Land	**25 809**	**–**	**25 809**	25 809	–	25 809
Buildings	**332 055**	**37 223**	**294 832**	331 656	33 861	297 795
Computer equipment	**284 187**	**162 128**	**122 059**	223 811	120 255	103 556
Equipment	**183 077**	**105 854**	**77 223**	160 198	92 002	68 196
Furniture and fittings	**896 248**	**429 642**	**466 606**	776 635	342 337	434 298
Motor vehicles	**45 777**	**21 649**	**24 128**	38 948	18 696	20 252
	1 767 153	**756 496**	**1 010 657**	1 557 057	607 151	949 906

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.

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
Carrying amount at 1 September 2010	25 809	292 136	79 971	74 281	394 203	21 653	888 053
Additions	–	7 560	56 224	7 843	135 531	5 586	212 744
Disposals	–	(459)	(734)	(393)	(3 786)	(2 412)	(7 784)
Depreciation	–	(3 521)	(32 100)	(17 032)	(85 063)	(5 391)	(143 107)
Transfers		2 079	195	3 497	(6 587)	816	–
Carrying amount value at 31 August 2011	**25 809**	**297 795**	**103 556**	**68 196**	**434 298**	**20 252**	**949 906**
Additions	**–**	**994**	**63 121**	**25 676**	**135 738**	**11 506**	**237 035**
Disposals	**–**	**(595)**	**(869)**	**(225)**	**(5 686)**	**(1 854)**	**(9 229)**
Depreciation	**–**	**(2 671)**	**(44 012)**	**(17 137)**	**(97 776)**	**(5 761)**	**(167 357)**
Transfers	**–**	**(691)**	**263**	**713**	**32**	**(15)**	**302**
Carrying amount value at 31 August 2012	**25 809**	**294 832**	**122 059**	**77 223**	**466 606**	**24 128**	**1 010 657**

10 Intangible assets

	Group					
	2012			2011		
	Cost R'000	Accumulated amortisation and impairment losses R'000	Carrying amount R'000	Cost R'000	Accumulated amortisation and impairment losses R'000	Carrying amount R'000
Clicks trademark (see note 10.1)	272 000	–	272 000	272 000	–	272 000
Link trademark	6 000	6 000	–	6 000	6 000	–
Bodyshop trademark	981	25	956	–	–	–
Unicorn trademark	59	5	54	35	1	34
Capitalised software development	85 492	61 028	24 464	67 744	50 415	17 329
Contractual rights (see note 10.2)	17 020	8 208	8 812	17 018	4 802	12 216
	381 552	75 266	306 286	362 797	61 218	301 579

10.1 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.

10.2 The group acquired the pharmacy business of Amalgamated Pharmacy Group Proprietary Limited in 2010.

As part of the acquisition, the group acquired the contractual rights to certain medical aid contracts. These contractual rights are being amortised over five years. The adjustment to purchase price was made in respect of licences not received in the previous year.

The carrying amount of the group's intangible assets is reconciled as follows:

	Clicks trademark R'000	Link trademark R'000	Bodyshop trademark R'000	Unicorn trademark R'000	Capitalised software develop-ment R'000	Con-tractual rights R'000	Total R'000
Carrying amount at 1 September 2010	272 000	30	–	–	26 095	16 348	314 473
Additions	–	–	–	35	2 922	–	2 957
Amortisation	–	(30)	–	(1)	(11 650)	(3 497)	(15 178)
Disposals	–	–	–	–	(38)	–	(38)
Adjustments to purchase price	–	–	–	–	–	(635)	(635)
Carrying amount at 31 August 2011	272 000	–	–	34	17 329	12 216	301 579
Additions	–	–	981	24	17 749	–	18 754
Amortisation	–	–	(25)	(4)	(10 312)	(3 404)	(13 745)
Transfers	–	–	–	–	(302)	–	(302)
Carrying amount at 31 August 2012	272 000	–	956	54	24 464	8 812	306 286

11 Goodwill

	Group 2012 R'000	2011 R'000
Balance at the beginning of the year	**103 510**	105 335
Adjustment to purchase price	**–**	(1 825)
Balance at the end of the year	**103 510**	103 510
Goodwill comprises:		
United Pharmaceutical Distributors Proprietary Limited ('UPD') (see note 11.1).	**83 950**	83 950
Kalahari Medical Distributors Proprietary Limited ('Kalahari') (see note 11.2).	**704**	704
Clicks Direct Medicines Proprietary Limited and Direct Patient Support Proprietary Limited ('Direct Medicines') (see note 11.3).	**12 327**	12 327
Amalgamated Pharmacy Group Proprietary Limited ('Amalgamated Pharmacy Group') (see note 11.4).	**6 529**	6 529

11.1 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 10 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) Discount rate of 12.2% per annum being the group's pre-tax weighted average cost of capital;

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

iv) The net asset value of the business will be realised on disposal.

11.2 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.

11.3 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 2013;

ii) Conservative growth of 5% per annum from 2014 to perpetuity; and

iii) Discount rate of 12.2% per annum being the group's pre-tax weighted average cost of capital.

11.4 Due to the synergies that arose on acquisition, the goodwill relating to the purchase of the pharmacy business from Amalgamated Pharmacy Group has been attributed to the Clicks business as a cash-generating unit, which represents the lowest level within the group at which the goodwill is monitored for internal management purposes.

Goodwill relating to the above acquisition has been tested for impairment at the same level as the Clicks business unit.

The recoverable amount was determined based on the value in use.

The tests performed on all cash-generating units did not indicate any impairment as at year-end.

Based on the impairment testing performed by management the result of the calculation was not sensitive to any of the above assumptions.

12 Deferred tax assets/(liabilities)

	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
Deferred tax assets	**57 401**	53 756	**–**	–
Deferred tax liabilities	**(39 555)**	(46 695)	**–**	–
	17 846	7 061	**–**	–
Balance at the beginning of the year	**7 061**	(16 652)	**–**	–
Current deferred tax (charge)/credit to profit or loss	**(23)**	23 423	**–**	–
Current deferred tax credit to other comprehensive income and equity (see note 7)	**10 808**	290	**–**	–
Balance at the end of the year	**17 846**	7 061	**–**	–
Arising as a result of:				
Capital gains tax	**(30 053)**	(30 053)	**–**	–
Employee obligations	**91 805**	83 420	**–**	–
Income and expense accrual	**53 491**	53 128	**–**	–
Inventory	**23 788**	22 159	**–**	–
Onerous leases	**1 845**	1 870	**–**	–
Operating lease liability	**39 645**	35 366	**–**	–
Prepayments	**(14 069)**	(10 947)	**–**	–
Property, plant and equipment	**(66 837)**	(66 790)	**–**	–
STC credits	**–**	528	**–**	–
Tax losses*	**2 472**	2 621	**–**	–
Trademarks	**(76 172)**	(76 172)	**–**	–
Other	**(8 069)**	(8 069)	**–**	–
Balance at the end of the year	**17 846**	7 061	**–**	–

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 asset recognised by two (2011: two) subsidiary companies, the directors consider that sufficient future taxable income will be generated by the subsidiary companies to utilise the deferred tax assets recognised.

13 Loans receivable

	Group 2012 R'000	Group 2011 R'000
New Clicks Foundation Trust (see note 13.1)	**5 021**	5 021
Intercare Managed Healthcare Proprietary Limited (see note 13.2)	**–**	213
Intercare Managed Healthcare Proprietary Limited (see note 13.2)	**–**	16 635
Sign and Seal Trading 205 Proprietary Limited (see note 13.3)	**803**	1 765
Triton Enterprise Development Proprietary Limited (see note 13.4)	**10 380**	–
Total loans receivable	**16 204**	23 634
Short-term portion included in current assets	**(3 710)**	(17 901)
Non-current loans receivable	**12 494**	5 733

13.1 The loan to New Clicks Foundation Trust is unsecured, interest-free and no fixed date as the borrower has the unconditional right to defer payment of the loan for at least 12 months from the reporting date.

13.2 The Intercare loans were settled during the year ended 31 August 2012.

13.3 The loan to Sign and Seal Trading 205 Proprietary Limited ("Style Studio") consists of a loan repayable over five years at the prime interest rate. The last instalment was paid after 31 August 2012.

13.4 The loan to Triton Enterprise Development Proprietary Limited consists of a loan of R3.71 million repayable in full by October 2012 at the prime interest-rate and a long-term loan of R6.67 million repayable on 31 August 2017. The long-term loan is interest-free.

A second mortgage bond over property purchased by Triton Enterprise Development Proprietary Limited and a special notarial bond over movable assets serve as security for the loan.

14 Inventories

	Group 2012 R'000	Group 2011 R'000
Inventories comprise:		
Goods for resale	**1 991 815**	1 728 230
Goods in transit	**88 560**	74 327
	2 080 375	1 802 557
Inventories stated at net realisable value	**45 183**	49 113

The value of inventories stated at net realisable value is determined based 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.

15 Trade and other receivables

	2012	2011
Trade and other receivables comprise:		
Trade receivables	**1 066 235**	877 308
Less: impairment of trade receivables	**(23 229)**	(20 708)
Trade receivables – net	**1 043 006**	856 600
Prepayments	**53 720**	40 994
Income accruals	**73 292**	64 128
Income tax receivable	**567**	1 013
Other	**956**	36 209
	1 171 541	998 944

The carrying amount of trade and other receivables approximate their fair value. Trade and other receivables are predominantly non-interest bearing. Refer to note 28.5 for the credit risk management of trade and other receivables.

16 Derivative financial instruments

	2012	2011
Derivative financial assets		
Balance at the beginning of the year	**3 107**	119 235
Realised loss on forward exchange contracts recognised in other comprehensive income	**(2 924)**	–
Realised loss on forward exchange contracts	**(183)**	–
Realised loss on fuel hedge contracts recognised in profit or loss	**–**	(43)
Unrealised gain on forward exchange contracts recognised in other comprehensive income	**4 987**	2 924
Unrealised gain on forward exchange contracts recognised in profit or loss	**–**	183
Change in fair value of share option hedge recognised in profit or loss	**–**	41 840
Proceeds from disposal of share option hedge	**–**	(161 032)
Balance at the end of the year	**4 987**	3 107
Derivative financial liabilities		
Balance at the beginning of the year	**3 419**	8 991
Realised gain on forward exchange contracts recognised in profit or loss	**(3 419)**	(7 414)
Unrealised loss on forward exchange contracts recognised in profit or loss	**1 357**	3 419
Realised gain on interest rate swap contracts recognised in profit or loss	**–**	(1 246)
Realised gain on foreign exchange options recognised in profit or loss	**–**	(331)
Balance at the end of the year	**1 357**	3 419

	Group 2012		Group 2011	
	Assets R'000	Liabilities R'000	Assets R'000	Liabilities R'000
Forward exchange contracts	**4 987**	**(1 357)**	3 107	(3 419)

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 2012 was R216 million (2011: R185 million).

17 Share capital and share premium

	Group and Company 2012 R'000	Group and Company 2011 R'000
Authorised – group and company		
600 million (2011: 600 million) ordinary shares of one cent each	**6 000**	6 000
50 million (2011: 50 million) "A" ordinary shares of one cent each	**500**	500
Issued ordinary shares – group and company		
2012: 276.123 million (2011: 270.652 million) ordinary shares of one cent each and 29.153 million (2011: 29.153 million) "A" ordinary shares of one cent each	**3 054**	2 999
Share premium – group	**3 497**	–
Share premium – company	**14 089**	10 592

The company and the group have different values for share premium due to preliminary expenses of R2.1 million being 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.

	Ordinary shares '000	"A" Ordinary shares '000	Group and Company Total 2012 '000	Group and Company Total 2011 '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	**276 123**	**29 153**	**305 276**	299 805
Treasury shares held at the end of the year	**(23 081)**	**(29 153)**	**(52 234)**	(46 846)
Net number of shares in issue at the end of the year	**253 042**	**–**	**253 042**	252 959
Of the shares in issue, the group holds the following treasury shares:				
Shares held by a subsidiary – 22.886 million (2011: 17.197 million) ordinary shares of one cent each – cost			**925 972**	697 405
Shares held by the Share Trust – 0.195 million (2011: 0.495 million) ordinary shares of one cent each – cost			**1 700**	5 374
Shares held by the Clicks Group Employee Share Ownership Trust – 29.153 million (2011: 29.153 million) "A" ordinary shares of one cent each – cost			**291**	291
			927 963	703 070

No ordinary shares were cancelled during the year (2011: 20 343 271 shares of one cent each were cancelled by the group, which were held as treasury shares by a subsidiary).

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 entities within the group, all voting rights are suspended until those shares are reissued.

The unlisted "A" ordinary shares have the same rights and rank *pari passu* with the ordinary shares in all respects except for distribution rights.

The holders of "A" ordinary shares are entitled to an annual distribution equal to 10% of the cumulative distribution declared in relation to an ordinary share in a financial year.

18 Share option reserve

Options issued up to August 2005

The group granted options to qualifying employees based on performance at an option price that was not less than the market price of the share at the date of the grant. 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.

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.

No further grants of options under the share option plan have been made subsequent to August 2005.

	Group and Company	
	Number of shares 2012 '000	Number of shares 2011 '000
Shares allocated and options granted to employees up to August 2005		
Options		
Balance at the beginning of the year	**353**	691
Delivered to participants	**(300)**	(338)
Options forfeited by participants	**(28)**	–
Balance at the end of the year	**25**	353

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**	**Weighted average exercise price 2012**
April 2001	R7.40	20 000		(20 000)	–	**–**	
August 2003	R6.30	303 000		(250 000)	(28 000)	**25 000**	
August 2005	R8.32	30 000		(30 000)	–	**–**	
Total		353 000	–	(300 000)	(28 000)	**25 000**	**R 6.58**

Options issued in terms of the Employee Share Ownership Programme (ESOP)

In October 2010, Clicks Group Limited announced an employee share ownership programme.

In terms of the trust deed, the group issued unlisted "A" ordinary shares ("A" shares), equating to 10% of the issued share capital of the group net of treasury shares.

Options are subject to a seven and eight-year vesting period. Upon vesting, options are converted into Clicks Group ordinary shares, 50% in February 2018 and 50% in February 2019 after the repayment of the notional debt.

	Group and Company	
	Number of shares 2012 '000	Number of shares 2011 '000
"A" Shares issued in terms of the ESOP	**29 153 295**	29 153 295

Details of share option allocations:

Grant date	Share 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**
February 2011	R41.54	25 190 049	–	–	(4 684 327)	**20 505 722**
February 2012	R41.11	–	4 846 796	–	(608 564)	**4 238 232**
Unallocated share options						**4 409 341**
						29 153 295

Fair value of share-based payments in respect of options

Options granted have been valued using the Monte Carlo option pricing model by an independent, external valuator. The fair value of the options determined at the grant date is amortised over the vesting period to the extent that the options are ultimately exercised or are expected to be exercised.

18 Share option reserve (continued)

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 forfeiture rate (%)
February 2011 – 7 year vesting period	R41.54	8.45	3.89	24.56	15.33
February 2011 – 8 year vesting period	R41.54	8.60	4.11	25.00	15.33
February 2012 – 7 year vesting period	R41.11	7.38	2.80	27.00	14.20
February 2012 – 8 year vesting period	R41.11	7.38	2.80	27.00	14.20

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 share option reserve recognises the cost at fair value of options issued to employees as accrued over the vesting period.

	Group 2012 R'000	Group 2011 R'000
Share option reserve		
Balance at the beginning of the year	**40 943**	24 600
Transfer to distributable reserve	**(24 600)**	–
	39 562	16 343
Equity-settled share-based payment expense	**28 176**	15 326
Deferred tax recorded directly in equity arising on consolidation	**11 386**	1 017
Balance at the end of the year	**55 905**	40 943
Represented by:		
Estimate of options not yet vested but expected to vest	**55 905**	16 343
Options vested and not forfeited	**–**	24 600
	55 905	40 943

19 Cash flow hedging reserve

	2012	2011
The cash flow hedging reserve represents the effective portion of fair value gains or losses in respect of cash flow hedges.		
Reconciliation of cash flow hedging reserve		
Balance at beginning of year	**2 105**	–
Gain recognised on cash flow hedge	**2 063**	2 924
Deferred tax recognised in other comprehensive income	**(578)**	(819)
Balance at end of year	**3 590**	2 105

The cash flow hedging reserve represents the cumulative portion of gains or losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is reclassified to profit or loss only when the hedged transaction affects profit or loss.

20 Non-distributable reserve

	Group 2012 R'000	Group 2011 R'000
Foreign currency translation reserve		
Unrealised loss on the translation of assets and liabilities of subsidiaries whose financial statements are denominated in foreign currencies	**(219)**	(1 834)
	(219)	(1 834)
Reconciliation of foreign currency translation reserve		
Balance at beginning of year	**(1 834)**	(1 614)
Exchange differences on translation of foreign subsidiaries	**1 615**	(220)
Balance at end of year	**(219)**	(1 834)

21 Interest-bearing borrowings

	2012 R'000	2011 R'000
Non-current		
Finance leases (see note 23.1)	**–**	19
	–	19
Current		
Bank borrowings	**214 566**	358 462
Unsecured liability	**–**	120
Financial liability	**–**	16 635
	214 566	375 217
Total borrowings	**214 566**	375 236

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 27.

	Contractual interest rate	Year of maturity	Carrying amount 2012 R'000	Carrying amount 2011 R'000
Unsecured bank loan	overnight borrowing rate	on demand	**214 566**	358 462
Unsecured loan	prime	2012	**–**	120
Finance lease liabilities	prime less 1%		**–**	19
Financial liability				
Portion – fixed	11.9%	2012	**–**	4 133
Portion – variable	prime less 1%	2012	**–**	12 502
Total interest-bearing borrowings			**214 566**	375 236
Amount repayable within one year included in current liabilities			**(214 566)**	(375 217)
Non-current interest-bearing borrowings			**–**	19

22 Employee benefits

	Long-term incentive scheme (note 22.1) R'000	Post-retirement medical obligations (note 22.2) R'000	Total R'000
Long-term employee benefits			
Balance at 1 September 2010	61 444	34 830	96 274
Current service cost	54 658	1 246	55 904
Benefit payments	–	(615)	(615)
Interest cost	11 522	2 483	14 005
Actuarial (gain)/loss	(13 664)	823	(12 841)
Reclassification to short-term employee benefits	(60 254)	–	(60 254)
Balance at 31 August 2011	**53 706**	**38 767**	**92 473**
Current service cost	**63 522**	**1 294**	**64 816**
Benefit payments	**–**	**(789)**	**(789)**
Interest cost	**9 440**	**3 491**	**12 931**
Actuarial (gain)	**(21 394)**	**–**	**(21 394)**
Reclassification to short-term employee benefits	**(42 048)**	**–**	**(42 048)**
Balance at 31 August 2012	**63 226**	**42 763**	**105 989**

22.1 Long-term incentive scheme

During 2012, the group issued 4.6 million (2011: 4.7 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 loss/(gain) based on the projected unit credit method, which is taken to profit or loss. The exercise price of each appreciation right was determined as R29.96 (2011: R25.37) 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 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 R42.8 million (2011: R38.8 million). Provision has been made for the full unfunded liability.

The principal actuarial assumptions at the last valuation date (31 August 2011) were:

i) A discount rate of 8.7% 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; and
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):

	R'000
– Medical-aid inflation increases by 1% per annum over assumptions made	7 954
– Medical-aid inflation decreases by 1% per annum over assumptions made	(6 286)
– Retirement age decreases by two years	5 113

22 Employee benefits (continued)

	Long-term incentive scheme (note 22.1) R'000	Share appreciation rights R'000	Leave pay accrual (note 22.3) R'000	Bonus accrual (note 22.4) R'000	Overtime accrual (note 22.5) R'000	Total R'000
Short-term employee benefits						
Balance at 1 September 2010	64 323	8 408	47 445	78 591	3 802	202 569
Reclassification from long-term employee benefits	60 254	–	–	–	–	60 254
Benefit payments	(71 396)	(11 195)	(13 431)	(101 021)	(7 681)	(204 724)
Charge included in profit or loss	–	2 787	13 625	85 401	4 757	106 570
Balance at 31 August 2011	**53 181**	**–**	**47 639**	**62 971**	**878**	**164 669**
Reclassification from long-term employee benefits	**42 048**	**–**	**–**	**–**	**–**	**42 048**
Benefit payments	**(63 568)**	**–**	**(14 399)**	**(78 327)**	**(4 551)**	**(160 845)**
Charge included in profit or loss	**–**	**–**	**17 795**	**42 433**	**3 761**	**63 989**
Balance at 31 August 2012	**31 661**	**–**	**51 035**	**27 077**	**88**	**109 861**

22.3 The leave pay accrual is based on actual leave days by employee multiplied by the employee's current total daily cost to company.

22.4 The bonus accrual includes a guaranteed 13th 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. No incentive bonuses have been provided for in the 2012 financial year.

22.5 The overtime accrual is in respect of overtime worked in August 2012, which is paid in September 2012.

Pension and provident funds

Three 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; and

– the Clicks Group Negotiated Provident Fund.

The group's employees based in Namibia are all members of the Namflex Umbrella Pension Fund. All permanent full-time staff members are obliged to join, at their choice, one of the funds.

The funds are all defined contribution schemes and the group carries no liability in relation to these funds. All funds provide death and disability cover, while the negotiated funds also include a funeral benefit. Combined membership across the funds was 8 043 (2011: 8 181) at year-end.

Medical-aid funds

At year end, 18% (2011: 17%) of the permanent full-time employees were members of a medical-aid scheme. Increasing the health benefits available to employees will be a focus area for the group in the years ahead.

Employee and company contributions to the above funds are included in employment costs detailed in note 4.

23 Lease commitments

	Group 2012 R'000	Group 2011 R'000
Operating lease liability	**141 057**	125 642
Operating leases with fixed escalations are charged to the statement of comprehensive income on a straight-line basis.		
The associated liability will reverse during the latter part of each lease term when the actual cash-flow exceeds the profit or loss 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 one year	**377 944**	345 154
– Later than one year, not later than five years	**1 013 829**	964 188
– Later than five years	**413 820**	399 836
	1 805 593	1 709 178
Future minimum lease payments receivable under non-cancellable operating leases due, these relate to Intercare Management Healthcare Proprietary Limited:		
– Not later than one year	**14 799**	13 577
– Later than one year, not later than five years	**44 110**	57 757
– Later than five years	**-**	1 152
	58 909	72 486
The net future minimum lease payments under non-cancellable operating leases due:		
– Not later than one year	**363 145**	331 577
– Later than one year, not later than five years	**969 719**	906 431
– Later than five years	**413 820**	398 684
	1 746 684	1 636 692

Generally, leases are taken out on a 10-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.

23.1 Finance lease liability

The finance lease liability is payable as follows:

	Future minimum lease payments 2012 R'000	Interest 2012 R'000	Present value of minimum lease payments 2012 R'000	Future minimum lease payments 2011 R'000	Interest 2011 R'000	Present value of minimum lease payments 2011 R'000
– Not later than one year	**–**	**–**	**–**	19	–	19

24 Trade and other payables

	Group 2012 R'000	Group 2011 R'000
Trade and other payables comprise:		
Trade payables	**2 206 548**	1 923 138
ClubCard deferred income (see note 24.1)	**74 026**	68 750
Non-trade payables and accruals	**488 185**	439 868
	2 768 759	2 431 756

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.

25 Provisions

	Group 2012 R'000	Group 2011 R'000
Provision for onerous contracts		
Balance at the beginning of the year	**5 217**	6 244
Movement in provision during the year recognised in occupancy costs	**3 611**	(1 027)
Balance at the end of the year	**8 828**	5 217

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 a straight-line operating lease accrual has already been recognised (see note 23).

	Onerous contracts 2012 R'000	Onerous contracts 2011 R'000
At 1 September	**5 217**	6 244
Arising during the year	**3 611**	(1 027)
At 31 August	**8 828**	5 217
Current	**8 828**	5 217
Non-current	**–**	–
	8 828	5 217

26 Dividends/distributions to shareholders

	2012 R'000	2011 R'000
Previous year final cash distribution out of share premuim – 88.0 cents per share paid 27 January 2012 (2011: 75.7 cents per share paid 31 January 2011)	**242 989**	199 593
Current year interim cash distribution out of distributable reserves – 44.1 cents per share paid 29 June 2012 (2011: 37.0 cents per share paid 4 July 2011 out of share premium)	**121 774**	100 134
"A" shares – previous year final cash distribution out of distributable reserves – 12.5 cents per share paid 27 January 2012	**3 644**	–
Total dividends/distributions to shareholders	**368 407**	299 727
Distributions on treasury shares	**(30 322)**	(4 220)
Distributions on "A" shares held in trust	**(800)**	–
Distributions paid outside the group	**337 285**	295 507

On 18 October 2012, the directors approved the final proposed dividend of 107.9 cents per share and 15.2 cents per "A" share. The source of such distributions will be from distributable reserves and paid in cash.

Distribution policy

The distribution cover is 1.8 (2011:2.0) times.
For further details refer to the Directors' Report on page 3.

27 Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate 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 are primarily denominated are USD, GBP and Euro. 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, GBP and Euro with all other variables held constant is disclosed in note 28. The effect of this movement is based on the outstanding forward foreign exchange contracts held by the group at year-end.

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 2011 and 2012, 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 28.3.

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.

Credit Guarantee Insurance Corporation of Africa Limited is utilised to cover the majority of wholesale customers with a credit balance over a predetermined 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. 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 30.

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. At year end the group's total uncommitted facilities available were R1 560 million (2011: R1 135.5 million) of which R1 345 million remained undrawn (2011: R777.1 million).

See note 28.6 for details for maturity analysis of the group's financial liabilities.

27 Financial risk management (continued)

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 25% to 30%. This is obtained through achieving the group's earnings targets, management of working capital, through share buy-backs and distributions.

In 2012 the shareholders' interest to total assets was 28.2% (2011: 22.7%).

28 Financial instruments

Market risk

28.1 Treasury risk management

The treasury committee meets on a regular basis to analyse currency and interest rate exposures and re-evaluate treasury management strategies.

28.2 Foreign exchange risk management

The group is exposed to foreign currency risk as it imports merchandise. This risk is 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 16).

	31 August 2012			31 August 2011		
	USD '000	GBP '000	Euro '000	USD '000	GBP '000	Euro '000
Exposure to currency risk – foreign exchange contracts						
Forecast purchases at the end of the year	**18 602**	**2 117**	**3 042**	20 799	2 486	896
Forward exchange contracts subject to cash flow hedging	**18 602**	**2 117**	**3 042**	13 500	2 236	810
Forward exchange contracts not subject to cash flow hedging	**–**	**–**	**–**	7 299	250	86
Net exposure	**–**	**–**	**–**	–	–	–

The following exchange rates applied during the year:

	Average rate		Reporting date mid-spot rate	
	2012	2011	**2012**	2011
USD	**8.00**	6.91	**8.48**	7.07
GBP	**12.59**	11.08	**13.39**	11.52
Euro	**10.44**	9.59	**10.61**	10.20

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	
	2012 R'000	2011 R'000	**2012 R'000**	2011 R'000	**2012 R'000**	2011 R'000
Loss	**(15 579)**	(14 792)	**(2 774)**	(2 833)	**(3 224)**	(916)

For a 10% weakening of the South African Rand against the relevant currency, there would be an equal but opposite increase in profit.

28 Financial instruments (continued)

28.3 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 that 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 2012 would be R6.3 million lower/higher (2011: R3.8 million lower/higher). This is mainly attributable to the group's exposure to interest rates on its variable rate borrowings.

28.4 Fair values of financial instruments

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

		31 August 2012		31 August 2011	
		Carrying value R'000	Fair value R'000	Carrying value R'000	Fair value R'000
Financial assets					
Trade receivables (see note 15)	Loans and receivables	**1 043 006**	**1 043 006**	856 600	856 600
Loans receivable (excluding loan receivable from Intercare) (see note 13)	Loans and receivables	**16 204**	**16 204**	6 999	7 215
Loan receivable from Intercare (see note 13)	Loans and receivables	**–**	**–**	16 635	16 665
Cash and cash equivalents	Loans and receivables	**25 451**	**25 451**	17 790	17 790
Forward exchange contracts used for hedging (see note 16)	Assets at fair value through profit or loss	**–**	**–**	183	183
Forward exchange contracts used for cash flow hedging (see note 16)	Assets at fair value through other comprehensive income	**4 987**	**4 987**	2 924	2 924
Financial liabilities					
Unsecured bank loans (see note 21)	Financial liabilities measured at amortised cost	**214 566**	**214 566**	358 462	358 462
Forward exchange contracts used for hedging (see note 16)	Financial liabilities at fair value through profit or loss	**1 357**	**1 357**	3 419	3 419
Unsecured loan (see note 21)	Financial liabilities measured at amortised cost	**–**	**–**	120	120
Trade and other payables (see note 24)	Financial liabilities measured at amortised cost	**2 642 033**	**2 642 033**	2 339 120	2 339 120
Loan advanced related to Intercare (see note 13)	Financial liabilities measured at amortised cost	**–**	**–**	16 635	16 665
Finance lease liability	Financial liabilities measured at amortised cost	**–**	**–**	19	19

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.

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.

28 Financial instruments (continued)

28.4 Fair values of financial instruments (continued)

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:

	2012 %	2011 %
Borrowings	8.5	9.0
Leases	n/a	9.0

Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques for assets and liabilities measured at fair value based on whether the inputs to those techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the group's market assumptions.

The table below provides the valuation method of financial instruments carried at fair value. The different levels have been defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available, and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Financial assets and financial liabilities measured at fair value

	Group 2012	
	Level 2 R'000	Total R'000
Financial assets		
Forward exchange contracts used for cash flow hedging (see note 16)	4 987	4 987
Total	4 987	4 987
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Forward exchange contracts used for hedging (see note 16)	1 357	1 357
Total	1 357	1 357

	Group 2011	
	Level 2 R'000	Total R'000
Financial assets		
Financial assets at fair value through profit or loss		
Forward exchange contracts used for hedging (see note 16)	183	183
Financial assets at fair value through other comprehensive income		
Forward exchange contracts used for cash flow hedging (see note 16)	2 924	2 924
Total	3 107	3 107
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Forward exchange contracts used for hedging (see note 16)	3 419	3 419
Total	3 419	3 419

28 Financial instruments (continued)

28.5 Credit risk management

Credit risk refers to the risk that a counterparty may 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	
	2012 R'000	2011 R'000
	1 068 457	874 390
Trade receivables (see note 15)	**1 043 006**	856 600
Cash and cash equivalents	**25 451**	17 790
Other loans	**16 204**	23 634
	1 084 661	898 024

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	
	2012 R'000	2011 R'000
Retail customers	**70 911**	85 131
Wholesale customers	**972 095**	771 469
	1 043 006	856 600

Retail customers

The ageing of trade receivables at the reporting date was:

	Gross 2012 R'000	**Impairment 2012 R'000**	**Net 2012 R'000**	Gross 2011 R'000	Impairment 2011 R'000	Net 2011 R'000
Not past due	**70 743**	**(1 457)**	**69 286**	81 972	–	81 972
Past due 0 – 30 days	**3 315**	**(2 124)**	**1 191**	7 208	(5 330)	1 878
Past due 31 – 120 days	**5 719**	**(5 285)**	**434**	8 175	(6 894)	1 281
Total	**79 777**	**(8 866)**	**70 911**	97 355	(12 224)	85 131

Retail trade receivables mainly relate to receivables from medical aids with respect to pharmacy debtors.

Trade debtors are classified as past due when they have passed their payment date by one day.

28 Financial instruments (continued)

28.5 Credit risk management (continued)

Wholesale customers

The ageing of trade receivables at the reporting date was:

	Gross 2012 R'000	Impairment 2012 R'000	Net 2012 R'000	Gross 2011 R'000	Impairment 2011 R'000	Net 2011 R'000
Not past due	**883 954**	**–**	**883 954**	755 593	–	755 593
Past due 0 – 30 days	**62 023**	**–**	**62 023**	7 863	–	7 863
Past due 31 – 120 days	**40 481**	**(14 363)**	**26 118**	16 497	(8 484)	8 013
Total	**986 458**	**(14 363)**	**972 095**	779 953	(8 484)	771 469

Trade debtors are classified as past due when they have passed their payment date by one day.

Wholesale customers are primarily hospitals and independent pharmacists.

UPD minimises its exposure to credit risk by insuring debtors with balances greater than a predetermined amount.

There is an excess (which varies between hospitals and independent pharmacists) that is carried by UPD with the balance being covered by Credit Guarantee Insurance Corporation of Africa Limited.

The split between insured and uninsured debtors is as follows:

	Gross amount 2012 R'000	Gross amount 2011 R'000
Insured	**876 988**	617 437
Uninsured	**109 470**	162 516
	986 458	779 953

Uninsured debtors consist mainly of a concentration of debtors with a monthly turnover of less than R40 000 and low-risk debtors such as government debtors.

The exposure to credit risk in respect of these debtors is managed through credit evaluations and security taken out, where appropriate.

Impairment loss

The impairment is determined based on information regarding the financial position of each trade receivable 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 are as follows:

	Retail		Wholesale	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
Balance at the beginning of the year	**(12 224)**	(18 743)	**(8 484)**	(16 022)
Reduction in/(additional)allowances made	**2 873**	753	**(5 879)**	(601)
Trade receivables written off during the year as uncollectable	**485**	5 766	**–**	8 139
Balance at the end of the year	**(8 866)**	(12 224)	**(14 363)**	(8 484)

The creation of impairment losses have been included in "other costs" in profit or loss (see note 5).

Amounts charged to the allowance account are generally written off to profit or loss 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 is considered to be impaired at the end of the financial year.

28 Financial instruments (continued)

28.6 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 risking 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:

	Interest terms	2012 Carrying amount R'000	Contractual cash flows R'000	1 year or less R'000
Non-derivative liabilities				
Interest-bearing borrowings (see note 21)	Variable in relation to prime	**214 566**	**214 566**	**214 566**
Trade and other payables (see note 24)		**2 642 033**	**2 642 033**	**2 642 033**
		2 856 599	**2 856 599**	**2 856 599**
Derivative financial liabilities				
Forward exchange contracts (see note 16)		**1 357**	**215 769**	**215 769**
Total financial liabilities		**2 857 956**	**3 072 368**	**3 072 368**

	Interest terms	2011 Carrying amount R'000	Contractual cash flows R'000	1 year or less R'000
Non-derivative liabilities				
Interest-bearing borrowings (see note 21)	Variable in relation to prime	371 103	371 755	371 755
Trade and other payables (see note 24)		2 339 120	2 339 120	2 339 120
		2 710 223	2 710 875	2 710 875
Derivative financial liabilities				
Forward exchange contracts (see note 16)		3 419	185 414	185 414
Total financial liabilities		2 713 642	2 896 289	2 896 289

29 Capital commitments

	Group	
	2012 R'000	2011 R'000
Capital expenditure approved by the directors		
Contracted	**17 442**	31 405
Not contracted	**338 258**	225 695
	355 700	257 100

The capital expenditure will be financed from borrowings and internally generated funds.

30 Financial guarantees

Group companies provide surety for other group companies to the value of R1.56 billion with respect to facilities held with various banks. At year end R215 million had been drawn down by group companies.

In the opinion of the directors, the possibility of loss arising from these guarantees is remote.

31 Related party transactions

31.1 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 with each other. These intragroup transactions have been eliminated on consolidation. For a list of the group's subsidiaries, see page 58.

Directors and key management

Related party transactions include:

(i) Dividends paid and received from subsidiary companies

(ii) Loans to subsidiary companies

Certain non-executive directors are also non-executive directors of other public companies that transact with the group.

The relevant directors do not believe that they have control, joint control or significant influence over the financial or operating policies of those companies.

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 4.

Shares held by directors and their related entities

The percentage of shares held by directors of the company and their related entities at the year-end is disclosed in the analysis of the shareholders section on page 60 of this annual report.

Contributions to pension and providend fund

Contributions paid to pension and provident fund are included in note 4 and additional information in note 22.

31.2 Company

The company has the following related party transactions:

		Group	
		2012 R'000	2011 R'000
31.2.1	Dividends received from subsidiary companies	400 000	892 866
	Total dividends received from related parties	400 000	892 866
31.2.2	Dividends paid		
	New Clicks South Africa Proprietary Limited	30 023	3 557
	The Clicks Group Employee Share Ownership Trust	3 644	–
	New Clicks Holdings Share Trust	299	662
	Total dividends paid to related parties	33 966	4 219
31.2.3	Loans to subsidiary companies		
	New Clicks South Africa Proprietary Limited	569 645	568 267
	Clicks Group Employee Share Ownership Trust	291	291
	Clicks Centurion Proprietary Limited	9 000	9 000
		578 936	577 558

A schedule of the loans to and investments in related parties is included on page 58.

The company received dividends from New Clicks South Africa Proprietary Limited, a wholly owned subsidiary, of R400 million (2011: R893 million), comprising cash dividends of R400 million (2011: Rnil), and a dividend in substance of Rnil (2011: R893 million). The company in turn paid distributions on treasury shares held by that subsidiary of R30 million (2011: R3.6 million).

Details regarding distributions relating to treasury shares are included in note 26.

32 Borrowing powers

In terms of the memorandum of incorporation, the borrowing powers of the company are unlimited.

33 Operating segments

The group has identified four reportable segments, as described below, based on its operating brands. The operating brands offer different products and services, and are managed separately. For each of the operating brands, the group's chief decision-makers review internal management reports on a monthly basis. The following describes the operations in each of the group's reportable segments:

Retail

- Clicks is a specialist health, beauty and homeware retailer with stores within the Republic of South Africa, Namibia, Swaziland and Botswana.
- Musica is a retailer of entertainment-related merchandise, with stores in the Republic of South Africa, Namibia and Botswana.
- The Body Shop specialises in naturally inspired luxury toiletries, cosmetics, gifting and grooming, with stores in the Republic of South Africa, Namibia and Botswana.

Distribution

- UPD is a national full-range pharmaceutical wholesaler, and also provides distribution capability for the Clicks Group. UPD operates within the Republic of South Africa and Botswana.

The information regarding the results of each reportable segment is included on page 18. Performance is measured based on segment operating profit, as included in the internal management reports that are reviewed by the group's chief operating decision-makers. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment transactions are on an arm's-length basis.

Major customers

There are no external customers that account for more than 10% of the group's revenue.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 August 2012

	Note	2012 R'000	2011 R'000
Bank charges		(2)	(1)
Dividend income – subsidiary		400 000	892 866
Profit before taxation		399 998	892 865
Income tax expense	7	(364)	–
Profit for the year		399 634	892 865
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year		399 634	892 865

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 August 2012

	Notes	2012 R'000	2011 R'000
Assets			
Non-current assets		919 477	889 923
Interest in subsidiary companies (see page 58)		919 477	889 923
Current assets		278 927	792
Cash and cash equivalents		278 927	792
Total assets		1 198 404	890 715
Equity		1 196 459	890 515
Share capital	17	3 054	2 999
Share premium	17	14 089	10 592
Share option reserve		43 502	39 926
Distributable reserve		1 135 814	836 998
Current liabilities			
Trade and other payables		1 945	200
Total equity and liabilities		1 198 404	890 715

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2012

	Number of shares '000	Share capital (Note 17) R'000	Share premium (Note 17) R'000	Share option reserve (Note 18) R'000	Distributable reserve R'000	Total R'000
Balance at 1 September 2010	284 006	2 841	10 662	24 600	836 999	875 102
Additional shares issued	6 988	70	299 657	–	–	299 727
Employee share ownership plan shares issued	29 153	291	–	–	–	291
Shares cancelled	(20 343)	(203)	–	–	(892 866)	(893 069)
Equity-settled capital contribution to subsidiary	–	–	–	15 326	–	15 326
Total comprehensive income for the year	–	–	–	–	892 865	892 865
Distributions to shareholders (see note 26)	–	–	(299 727)	–	–	(299 727)
Balance at 31 August 2011	**299 804**	**2 999**	**10 592**	**39 926**	**836 998**	**890 515**
Additional shares issued	**5 472**	**55**	**246 486**	**–**	**–**	**246 541**
Equity-settled capital contribution to subsidiary	**–**	**–**	**–**	**28 176**	**–**	**28 176**
Transfer of share option reserve to distributable reserve	**–**	**–**	**–**	**(24 600)**	**24 600**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**399 634**	**399 634**
Distributions to shareholders (see note 26)	**–**	**–**	**(242 989)**	**–**	**(125 418)**	**(368 407)**
Balance at 31 August 2012	**305 276**	**3 054**	**14 089**	**43 502**	**1 135 814**	**1 196 459**

No ordinary shares were cancelled during the year (2011: 20 343 271 shares of one cent each were cancelled by the group, which were held by a subsidiary).

See note 17 for an explanation of the difference between the share premium of the group and company.

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 August 2012

	2012 R'000	2011 R'000
Cash effects of operating activities		
Profit/(loss) before working capital changes	**399 998**	(1)
Working capital changes	**1 745**	(1 723)
Cash generated/(utilised) by operations	**401 743**	(1 724)
Taxation paid	**(364)**	–
Cash inflow/(outflow) from operating activities before distributions	**401 379**	(1 724)
Dividends/distributions paid to shareholders	**(368 407)**	(299 727)
Net cash effects of operating activities	**32 972**	(301 451)
Cash effects of investing activities		
Purchase of treasury shares from subsidiary company	**–**	(203)
(Increase)/decrease in loan receivables	**(1 378)**	1 640
Net cash effects of investing activities	**(1 378)**	1 437
Cash effects of financing activities		
Proceeds from the issue of share capital	**246 541**	300 018
Net cash effects of financing activities	**246 541**	300 018
Net movement in cash and cash equivalents	**278 135**	4
Cash and cash equivalents at the beginning of the year	**792**	788
Cash and cash equivalents at the end of the year	**278 927**	792

NOTES TO THE COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 August 2012

	2012 R'000	2011 R'000
Profit before working capital changes		
Profit before taxation	**399 998**	892 865
Adjustment for:		
Dividend in substance	**–**	(892 866)
	399 998	(1)
Working capital changes		
Increase/(decrease) in trade and other payables	**1 745**	(1 723)
	1 745	(1 723)
Taxation paid		
Income tax receivable at the beginning of the year	**–**	–
Current tax charge	**364**	–
Income tax payable at the end of the year	**–**	–
	364	–

INTEREST IN SUBSIDIARY COMPANIES

at 31 August 2012

Name of company/entity and nature of business	Country of incorporation	Ordinary issued share capital/ trust capital	Shares at cost less amounts written off 2012 R'000	Shares at cost less amounts written off 2011 R'000	Amount owing by subsidiaries 2012 R'000	Amount owing by subsidiaries 2011 R'000
Directly held						
i) Trading						
New Clicks South Africa Proprietary Limited	South Africa	R500	**272 439**	272 439	**569 645**	568 267
ii) Clicks Group Employee Share Ownership Trust	South Africa	R1000	**–**	–	**291**	291
iii) Property owning Clicks Centurion Proprietary Limited	South Africa	R10	*****	*	**9 000**	9 000
Indirectly held						
i) Trading						
Safeway (Swaziland) Proprietary Limited	Swaziland	E2	**–**	–	**–**	–
The Clicks Organisation (Botswana) Proprietary Limited	Botswana	BWP 3 000	**–**	–	**–**	–
Clicks Group (Namibia) Proprietary Limited	Namibia	N$100	**–**	–	**–**	–
The Clicks Group Finance Company Proprietary Limited	South Africa	R999	**–**	–	**–**	–
Unicorn 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	BWP 360	**–**	–	**–**	–
Clicks Direct Medicines Proprietary Limited	South Africa	R700	**–**	–	**–**	–
Direct Patient Support Proprietary Limited	South Africa	R100	**–**	–	**–**	–
ii) Name protection and dormant 9 companies (2011: 9 companies)			**–**	–	**–**	–
			272 439	272 439	**578 936**	577 558

	2012 R'000	2011 R'000
Shares at cost less amounts written off	**272 439**	272 439
Amounts owing by subsidiary companies	**578 936**	577 558
Share based payments capitalised	**68 102**	39 926
Interest in subsidiaries	**919 477**	889 923

All subsidiary companies/entities are wholly-owned with the exception of The Link Investment Trust ("Link") and Kalahari Distributors Proprietary Limited ("Kalahari").

Clicks Group Limited has a 56% interest in Link and 90% in Kalahari.

The loan to Link 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 Link were impaired in prior years as 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 exists.

* Values less than R1 000

ANALYSIS OF SHAREHOLDERS

as at 31 August 2012

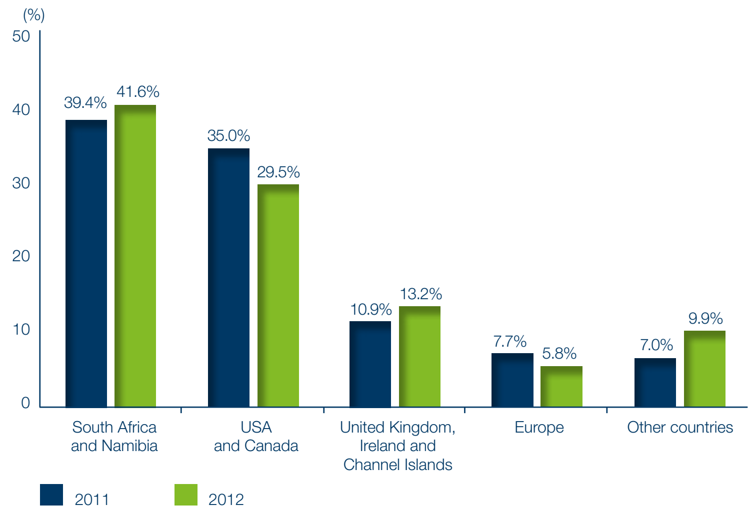
Public and non-public shareholders	Number of holders	Percentage of holders	Number of shares	Percentage of shares
Public shareholders	5 048	99.9%	252 488 880	91.4%
Non-public shareholders				
Shares held by directors	6	0.1%	552 944	0.2%
Treasury stock held by New Clicks South Africa Proprietary Limited	1	0.0%	22 886 224	8.3%
The New Clicks Holdings Share Trust	1	0.0%	195 450	0.1%
Total non-public shareholders	8	0.1%	23 634 618	8.6%
Total shareholders	5 056	100.0%	276 123 498	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 2012:

Major beneficial shareholders holding 3% or more	2012 Percentage of shares	2011 Percentage of shares
Government Employees Pension Fund	13.8%	12.6%
New Clicks South Africa Proprietary Limited	8.3%	6.1%

Major fund managers managing 3% or more	2012 Percentage of shares	2011 Percentage of shares
Public Investment Corporation (SA)	12.2%	12.1%
Baillie Gifford & Co (UK)	9.1%	5.8%
Coronation Fund Managers (SA)	7.4%	2.1%
Aberdeen Asset Managers (UK)	3.7%	2.2%
Morgan Stanley Investment Management (UK)	3.7%	5.6%
JPMorgan Asset Management (US, UK and Asia)	3.6%	2.0%
Mondrian Investment Partners (UK)	3.2%	1.8%
Government of Singapore Investment Corporation (Singapore)	3.0%	2.5%
Fidelity Management & Research (US)/International (UK)	3.0%	3.6%

Geographic distribution of shareholders



ANALYSIS OF SHAREHOLDERS

as at 31 August 2012 continued

Classification of registered shareholdings	Number of holders	Percentage of holders	Number of shares	Percentage of shares
Banks	100	2.0%	131 416 123	47.6%
Pension funds	138	2.7%	48 369 979	17.5%
Mutual funds	113	2.2%	26 854 007	9.7%
Own holdings	1	0.0%	22 972 936	8.3%
Brokers	40	0.8%	17 116 942	6.2%
Individuals	3 459	68.4%	8 235 572	3.0%
Nominees and trusts	880	17.4%	7 498 997	2.7%
Investment companies	10	0.2%	3 111 492	1.1%
Endowment funds	55	1.1%	2 676 695	1.0%
Insurance companies	15	0.3%	2 231 869	0.8%
Other	245	4.9%	5 638 886	2.1%
	5 056	100.0%	276 123 498	100.0%

Distribution of registered shareholdings	Number of holders	Percentage of holders	Number of shares	Percentage of shares
1 – 1 000	2 616	51.7%	1 063 958	0.4%
1 001 – 10 000	1 911	37.8%	6 626 617	2.4%
10 001 – 100 000	370	7.3%	11 626 822	4.2%
100 001 – 1 000 000	121	2.4%	42 094 245	15.2%
1 000 001 shares and over	38	0.8%	214 711 856	77.8%
	5 056	100.0%	276 123 498	100.0%

Directors' shareholdings at 31 August

	2012			2011		
Director	Direct beneficial shares	Indirect beneficial shares	Total	Direct beneficial shares	Indirect beneficial shares	Total
David Nurek	**–**	**240 000**	**240 000**	–	279 682	279 682
John Bester	**12 000**	**10 000**	**22 000**	12 000	10 000	22 000
Bertina Engelbrecht	**68 019**	**–**	**68 019**	52 353	–	52 353
Michael Harvey[1]	**n/a**	**n/a**	**n/a**	166 314	–	166 314
David Kneale	**220 925**	**–**	**220 925**	170 845	–	170 845
Martin Rosen	**2 000**	**–**	**2 000**	2 000	–	2 000
Total	**302 944**	**250 000**	**552 944**	403 512	289 682	693 194

[1] Resigned 12 June 2012

The total number of ordinary shares in issue is 276 123 498 (2011: 270 652 112). Percentage of issued share capital held by directors is 0.20% (2011: 0.25%). Details of all dealings in Clicks Group shares by directors during the financial year are contained in the Directors' Report on page 3.

SHAREHOLDERS' DIARY

Annual general meeting	23 January 2013
Preliminary profit announcements	
Interim results to February 2013	On or about 25 April 2013
Final results to August 2013	On or about 24 October 2013
Publication of 2013 Integrated Annual Report	November 2013
Ordinary share dividend	
2012 final dividend	
Last day to trade with dividend included	18 January 2013
Date of dividend payment	28 January 2013
2013 interim dividend	
Last day to trade with dividend included	July 2013
Date of dividend payment	July 2013
2013 final dividend	
Last day to trade with payment included	January 2014
Date of dividend payment	January 2014

CORPORATE INFORMATION

Clicks Group Limited
Incorporated in the Republic of South Africa
Registration number 1996/000645/06
JSE share code: CLS
ISIN: ZAE000134854

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Company secretary
David Janks, BA, LL B
E-mail: David.Janks@clicksgroup.co.za

Auditors
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Principal bankers
The Standard Bank of South Africa

Attorneys
Cliffe Dekker Hofmeyr Inc.
Bowman Gilfillan Inc.

JSE sponsor
Investec Bank Limited

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