CLICKS GROUP LIMITED

ANNUAL REPORT 2010

CONTENTS

OUR VALUES

We are truly passionate about our customers

We believe in integrity, honesty and openness

We cultivate understanding through respect and dialogue

We are disciplined in our approach

We deliver on our goals

Retail turnover up
14.7%

Operating margin up from 5.8% to
6.2%

Diluted headline EPS up
27.4%

Total distribution of
106.2 cents

Return on equity increases to
50.8%

250th pharmacy opened

Included in JSE SRI Index

Clicks Group is a
health and beauty
retail and supply group

GROUP PROFILE

Clicks Group is a health and beauty focused retail and supply group which has been listed on the JSE Limited since 1996, in the Food and Drug Retailers sector. Through market-leading retail brands Clicks, Musica and The Body Shop, the group has 561 stores across southern Africa.

Clicks Group is a leader in the healthcare market where Clicks is the largest retail pharmacy chain with 251 in-store dispensaries, as well as a direct-to-patient courier pharmacy service. Clicks also has the largest loyalty programme in South Africa with over 3 million active cardholders.

Founded in 1968 by entrepreneurial retailer Jack Goldin, Clicks was conceived as a drugstore but legislation at the time prevented corporate ownership of retail pharmacies in South Africa. This meant that Clicks operated as a drugstore without drugs until legislation was changed in 2003 to allow corporate pharmacy ownership. This paved the way for Clicks finally to fulfil its founding vision and the first Clicks pharmacy was opened in Cape Town in March 2004.

United Pharmaceutical Distributors (UPD) is South Africa's leading full-range national pharmaceutical wholesaler and was acquired in January 2003 to provide the distribution capability for the group's integrated healthcare strategy.

Clicks Group is largely a defensive business, with over 75% of group turnover in non-cyclical merchandise which has ensured continued strong growth through the recent economic downturn.

CLICKS GROUP LIMITED

Major Fund Managers	
Public Investment Corporation (SA)	16.9%
Fidelity Management & Research (US) / International (UK)	12.3%
Investec Asset Management (SA)	8.0%
Morgan Stanley Investment Management (UK)	6.0%
Oasis Asset Management (SA)	4.6%
Wellington Management Company (US/UK)	3.7%
William Blair (US)	3.1%

Group Executive Committee

David Kneale
Chief Executive Officer

Bertina Engelbrecht
Group Human Resources Director

Michael Harvey
Managing Director, Clicks

Keith Warburton
Chief Financial Officer

Through market-leading brands Clicks, Musica and The Body Shop, the group has

561 stores across southern Africa

Market share

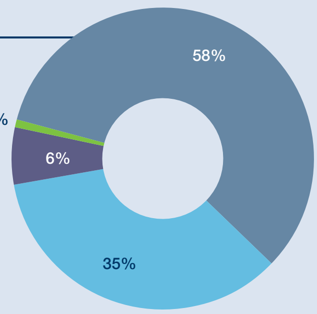
%	2010	2009
Clicks		
Retail pharmacy	**13.6**	11.1
Front shop health	**38.7**	37.2
Personal care	**24.9**	24.4
Colour cosmetics	**30.1**	29.6
Small household appliances	**20.0**	18.0
UPD		
Private pharmaceutical market	**23.7**	23.6
Musica		
CDs	**45**	44
DVDs	**23**	23
Gaming software	**9**	9

Store footprint

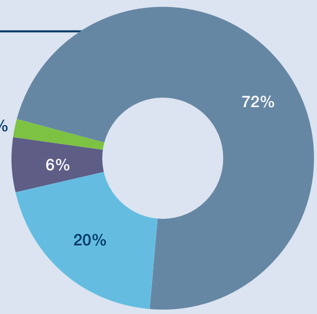
	2009	New	2010
Clicks	346	23	**369**
Musica	156	(4)	**152**
The Body Shop	38	2	**40**
Total	540	21	**561**

Business unit contribution

Turnover



Operating profit



CLICKS

MICHAEL HARVEY
Managing Director

Clicks is South Africa's leading health and beauty retailer, focusing mainly on female consumers in the middle to upper income markets. The brand offers value for money in convenient and appealing locations. Clicks has the largest retail pharmacy footprint in the country, with over 250 in-store dispensaries, and a national direct-to-patient courier pharmacy service.

UPD

VIKESH RAMSUNDER
Managing Director

UPD is the country's leading full-range national pharmaceutical wholesaler, supplying the pharmaceutical needs of Clicks and Clicks Direct Medicines, servicing private hospital groups and targeting independent pharmacies through the Link buying group which has 247 members. UPD also offers bulk distribution services to pharmaceutical manufacturers.

MUSICA

RALPH LORENZ
Managing Director

Musica is the largest retailer of music and entertainment-related merchandise in the country.

THE BODY SHOP

SEAN KRISTAFOR
General Manager

The Body Shop is a global brand marketing naturally-inspired beauty products.

GROUP STRATEGY

80%
Clicks sales
health and beauty

As a health and beauty retail and supply specialist, the Clicks Group is uniquely positioned in the South African market.

Good growth prospects in the health and beauty markets, together with the strength and scale of the group's brands, will allow the business to capitalise on organic growth opportunities to gain market share and ensure sustainable competitive advantage.

Organic growth will be complemented by tactical acquisitions of related businesses to accelerate entry and growth into new markets. Recent examples include the acquisition of Direct Medicines in the 2009 financial year which enabled Clicks to expand its retail pharmacy offer and enter the courier pharmacy market, while the acquisition of Botswana-based Kalahari Medical Distributors in 2008 enabled UPD to grow its export business.

While Musica is not considered core to the group's strategy, the business is the market-leading entertainment retailer in the country and is managed to maximise shareholder value.

Sustainable growth markets

The country's healthcare market is expected to show sustainable long-term growth owing to the increasing proportion of the population entering the private healthcare market and the critical need for primary healthcare services. As the life expectancy of South Africans increases, this ageing population will require healthcare services for longer.

Higher living standards have resulted in a steady growth in the middle class population and an expansion of the universe of formal retail shoppers. This is creating a growing market for the group's beauty products.

Risk management

The directors and management recognise that certain risks need to be taken to achieve the group's strategic objectives and to deliver sustainable growth and returns to shareholders.

Risk management is embedded in the group's annual business planning cycle and a disciplined approach is followed in evaluating risks and developing appropriate strategies to mitigate and manage the risk.

The major risks facing the group, together with mitigation strategies, are outlined in the Risk Management Report on pages 50 to 53.

Strategic objectives

Management has identified two core strategic objectives to drive the sustainable growth of the business and achieve financial targets:

Pre-eminence in health and beauty retailing	Pre-eminence in healthcare supply and pharmacy management

These objectives are supported by two strategic enablers:

Enhancing organisational capability to deliver sustained performance	Efficient management of cash and capital

Performance against strategic objectives for 2010

The performance against these objectives is covered throughout the annual report and specific achievements are summarised below:

Pre-eminence in health and beauty retailing

- 80% of Clicks' sales from health and beauty (2009: 78%)
- Front shop health market share at 38.7% (2009: 37.2%)
- Beauty market shares:
  Personal care 24.9% (2009: 24.4%)
  Colour cosmetics 30.1% (2009: 29.6%)
- Opened net 23 Clicks stores (target 20 to 30 stores)
- 17.8% of Clicks' sales from private label and exclusive brands (2009: 17.6%). Front shop private label 23.0% of sales (2009: 21.8%)
- Fine fragrance market share increased to 8% (target was 7%)
- ClubCard membership up to 3.1 million (2009: 2.7 million)

Pre-eminence in healthcare supply and pharmacy management

- Opened 44 new pharmacies in Clicks (target was 30 to 40)
- Increased Clicks' retail pharmacy market share to 13.6% (2009: 11.1%)
- Clicks Direct Medicines grew medical schemes network to 25 (2009: 15)
- UPD's private pharmaceutical wholesale market share at 23.7% (2009: 23.6%)
- Link network increased to 247 pharmacies
- UPD export turnover increased 21%
- Partnering with government in national HIV testing campaign

Strategic focus areas and plans for 2011

Clicks Group follows a consistent strategic direction in its quest to enhance shareholder value. The strategic focus adopted by the group five years ago has again been analysed and debated by management and remains core to the future of the group. The strategic objectives as outlined above therefore remain unchanged for the year ahead. The delivery against these objectives is supported by the strategic focus areas of each business unit which is covered in the Operational Review on pages 30 to 37.

Pre-eminence in health and beauty retailing

- Open 20 to 30 new Clicks stores
- Grow sales from private label and exclusive brands to 20% – 25%
- Continued product innovation in beauty and electrical merchandise
- Grow Clicks ClubCard membership base to 3.5 million (2010: 3.1 million)

Pre-eminence in healthcare supply and pharmacy management

- Open 30 to 40 dispensaries in Clicks stores
- Grow Clicks' retail pharmacy market share (medium-term goal 30%)
- Grow UPD export business
- Build distribution agency business in UPD

GROUP TARGETS

Financial targets

Clicks Group sets medium-term financial targets to be achieved over each rolling three-year period. Following the completion of the planning for the three years to 2013, five of the financial targets have been revised upwards to reflect improved performance and prospects.

	Medium-term targets 2010 – 2012	Performance in 2010	**Medium-term targets 2011 – 2013**
Return on shareholders' interest (ROE) (%)	40 – 50	50.8	**50 – 60***
Shareholders' interest to total assets (%)	30 – 35	27.8	**30 – 35**
Return on total assets (%)	13 – 16	13.9	**14 – 18***
Inventory days	55 – 60	55	**50 – 55***
Operating margin (%)			
• Group	5.5 – 6.5	6.2	**6 – 7***
• Clicks	6 – 7	6.9	**6.5 – 7.5***
• UPD	2.7 – 3	3.1	**2.7 – 3**
• Musica	5 – 6	5.5	**5 – 6**
• The Body Shop	14 – 16	17.9	**14 – 16**

* indicates targets that have been revised

The following assumptions have been applied in determining these targets:

- No marked change in the trading environment
- No increase in dispensing fees currently charged by Clicks
- The operating margin of UPD does not include (a) any trading benefit from an increase in the single exit price of medicines in the forthcoming financial year or (b) the business gaining significant third party distribution agency contracts

Sustainability targets

Clicks Group is currently developing an integrated sustainability strategy and has defined four commitments which are central to the delivery of the strategy:

- Building a trusted, accessible healthcare network
- Sourcing products valued by our customers
- Empowering motivated, passionate people
- Lightening our footprint

Sustainability indicators and targets will be determined for each of these commitments and will be disclosed to shareholders in the 2011 financial report.

Operating plans for 2011

Store development and trading space	
Net new stores planned for 2011	
• Clicks	20 – 30
• Musica	–
• The Body Shop	3
Clicks pharmacies (in new and existing stores)	30 – 40
Refurbishments and relocations	20 – 25
Total trading space growth	4% – 5%

Capital expenditure (Rm)	
Store development	131
Information technology	78
Other	41
Total	250

INVESTMENT CASE

Over 75%
of turnover is
non-cyclical

R2.7 billion
returned to share-
holders since 2005

Clicks Group offers a sustainable investment proposition for investors seeking non-cyclical equity exposure to the retail and healthcare sectors in South Africa.

Market positioning and business model

- Positioning as a health and beauty retail and supply specialist is unique in South Africa
- Over 75% of group turnover is non-cyclical
- As a value retailer Clicks is highly price competitive
- Predominantly cash-based retailer
- Organic growth complemented by tactical acquisitions to accelerate growth in new markets

Market leadership

- Group occupies market-leading positions in all businesses
- Clicks independently rated as SA's first choice for health and beauty
- First mover advantage in corporate pharmacy market
- UPD is the country's only national full-range pharmaceutical wholesaler
- Musica is the leading music and entertainment retailer in SA

Customer offering

- National retail coverage through more than 560 stores
- Largest retail pharmacy network with 251 in-store dispensaries
- Pharmacy network complemented by direct-to-patient courier pharmacy service
- Clicks ClubCard largest loyalty programme in the country with 3.1 million active members
- Over 74% of Clicks sales generated through the Clicks ClubCard

Financial performance and wealth creation

- ROE more than trebled over past five years from 14.2% to 50.8%
- Diluted headline earnings per share: 29.8% five-year compound growth
- Distributions per share: 29.0% five-year compound growth
- Shareholder wealth of R8 billion created since 2005
- Culture of investing for growth: capital expenditure of R1 billion in past five years
- Active capital management programme enhancing earnings
- Over R2.7 billion returned to shareholders in past five years
- Highly cash-generative business

Organic growth prospects

- Clicks to expand store base to 500 in the medium term
- Objective to operate a pharmacy and clinic in every Clicks store – opportunity to double current base of 251 pharmacies
- Clicks has 13.6% retail pharmacy market share – goal is to grow to 30% in the medium term
- Corporate pharmacy is only six years old in SA and already accounts for 25% of market. This is anticipated to double in the longer term in line with corporate pharmacy markets in other developed economies
- Dispensaries take at least three years to reach maturity – 39% of Clicks dispensaries have been operating for less than two years
- UPD to benefit from growth in Clicks Pharmacy, Clicks Direct Medicines and increasing loyalty from Link pharmacy network
- UPD positioned to grow third party agency distribution contracts
- Clicks private label and exclusive brands offer differentiated product at higher margins, targeting to grow to 25% of sales from current 17.8%

SIX-YEAR CONSOLIDATED SUMMARY OF PROFITS

for the year ended 31 August

R'm	5-year compound annual growth %	2010	2009 (restated)	2008	2007	2006	2005
Turnover	8.8%	**13 277**	12 175	11 244	11 205	10 001	8 714
Cost of merchandise sold	8.4%	**(10 373)**	(9 657)	(9 021)	(8 982)	(8 047)	(6 936)
Gross profit	10.3%	**2 904**	2 518	2 223	2 223	1 954	1 778
Other income	10.2%	**626**	564	501	501	450	386
Expenses	8.1%	**(2 706)**	(2 373)	(2 126)	(2 190)	(2 010)	(1 835)
Depreciation and amortisation	5.3%	**(128)**	(114)	(95)	(98)	(103)	(99)
Occupancy costs	5.7%	**(390)**	(339)	(303)	(336)	(317)	(295)
Employment costs	11.4%	**(1 399)**	(1 157)	(993)	(1 040)	(942)	(815)
Other costs	4.7%	**(789)**	(763)	(735)	(716)	(648)	(626)
Operating profit	20.2%	**824**	709	598	534	394	329
Adjustment for capital items		**(14)**	(7)	39	27	(5)	(23)
Profit before financing costs	21.5%	**810**	702	637	561	389	306
Net financing costs	(4.5%)	**(39)**	(55)	(51)	(39)	(58)	(49)
Financial income		**10**	14	19	16	11	8
Financial expense		**(49)**	(69)	(70)	(55)	(69)	(57)
Profit before tax	24.6%	**771**	647	586	522	331	257
Income tax expense	21.9%	**(207)**	(175)	(145)	(141)	(84)	(77)
Profit for the year	25.7%	**564**	472	441	381	247	180
Attributable to:							
Equity holders of the parent		**565**	472	441	381	247	180
Adjustment for:							
Impairment of plant, property, equipment and intangible assets		**6**	–	–	–	3	4
Loss/(profit) on disposal of property, plant and equipment		**5**	6	(12)	(24)	1	–
Profit on sale of Discom		**–**	–	(28)	–	–	–
Profit on sale of operations		**–**	–	(1)	–	–	–
Goodwill impairment		**–**	–	–	–	1	17
Headline earnings	23.4%	**576**	478	400	357	252	201
Headline earnings per share (cents)							
– basic	29.2%	**212.3**	167.7	134.0	106.1	73.1	59.0
– diluted	29.8%	**211.4**	165.9	131.5	103.0	71.0	57.4
Earnings per share (cents)							
– basic	31.7%	**208.6**	165.6	148.0	113.2	71.4	52.7
– diluted	32.3%	**207.7**	163.8	145.2	109.9	69.4	51.3
Number of shares in issue (m)	(5.2%)	**284**	303	324	336	355	370
Weighted average number of shares (net of treasury shares) (m)	(4.4%)	**271**	285	298	336	344	340
Weighted average diluted number of shares (net of treasury shares) (m)	(4.9%)	**272**	288	304	346	354	349

Notes:

1. The consolidated summary of profits include the results of the Discom business unit disposed of during September 2007 as if part of continuing operations and not as discontinued operations.
2. Comparative figures have been restated for the reclassification of certain expenses between occupancy costs and other costs within the UPD business.
3. For an explanation of terms used, please refer to the Definitions section on page 137 of this report.

US Dollars'm	5-year compound annual growth %	2010	2009	2008	2007	2006	2005
Turnover	5.5%	**1 826**	1 345	1 517	1 556	1 543	1 399
Cost of merchandise sold	5.1%	**(1 427)**	(1 067)	(1 217)	(1 248)	(1 242)	(1 113)
Gross profit	6.9%	**399**	278	300	308	301	286
Other income	6.8%	**86**	62	68	70	69	62
Expenses	4.9%	**(373)**	(262)	(287)	(304)	(310)	(294)
Depreciation and amortisation	2.4%	**(18)**	(13)	(13)	(14)	(16)	(16)
Occupancy costs	2.8%	**(54)**	(37)	(41)	(47)	(49)	(47)
Employment costs	7.9%	**(192)**	(128)	(134)	(144)	(145)	(131)
Other costs	1.7%	**(109)**	(84)	(99)	(99)	(100)	(100)
Operating profit	15.7%	**112**	78	81	74	60	54
Adjustment for capital items		**(2)**	(1)	5	4	(1)	(4)
Profit before financing costs	17.1%	**110**	77	86	78	59	50
Net financing costs	(5.6%)	**(6)**	(6)	(6)	(6)	(9)	(8)
Financial income		**1**	2	3	2	2	1
Financial expense		**(7)**	(8)	(9)	(8)	(11)	(9)
Profit before tax	19.9%	**104**	71	80	72	50	42
Income tax expense	18.5%	**(28)**	(19)	(20)	(20)	(13)	(12)
Profit for the year	20.4%	**76**	52	60	52	37	30
Attributable to:							
Equity holders of the parent		**78**	52	60	53	38	29
Adjustment for:							
Impairment of plant, property, equipment and intangible assets		**1**	–	–	–	–	1
Loss/(profit) on disposal of property, plant and equipment		**1**	1	(2)	(3)	–	–
Profit on sale of Discom		**–**	–	(4)	–	–	–
Profit on sale of operations		**–**	–	–	–	–	–
Goodwill impairment		**–**	–	–	–	–	3
Headline earnings	19.4%	**80**	53	54	50	38	33
Exchange rate: average rate		**7.27**	9.05	7.41	7.20	6.48	6.23

Notes:

1. The ZAR six-year consolidated summary of profits was translated to USD using the average rate.

SIX-YEAR CONSOLIDATED STATEMENT OF FINANCIAL POSITION at 31 August

R'm	5-year compound annual growth %	**2010**	2009	2008	2007	2006	2005
Assets							
Non-current assets		**1 384**	1 362	1 253	1 334	1 284	1 299
Property, plant and equipment	5.9%	**889**	830	734	745	697	669
Investment property		**–**	–	–	–	7	7
Intangible assets		**314**	302	302	391	397	397
Goodwill		**106**	96	86	84	84	84
Deferred tax assets		**52**	88	73	45	24	74
Loans receivable		**23**	46	58	69	75	68
Current assets		**2 727**	2 819	2 332	2 676	2 399	2 033
Inventories	1.8%	**1 571**	1 422	1 371	1 403	1 443	1 440
Trade and other receivables	10.9%	**869**	908	808	796	879	518
Loans receivable		**16**	11	8	5	1	–
Cash and cash equivalents		**152**	410	101	413	40	60
Derivative financial assets		**119**	68	44	59	36	15
Total assets	4.3%	**4 111**	4 181	3 585	4 010	3 683	3 332
Equity and liabilities							
Equity	(4.2%)	**1 142**	1 126	1 141	1 296	1 593	1 417
Share capital		**3**	3	3	3	4	4
Share premium		**–**	–	121	436	816	964
Share option reserve		**25**	25	24	24	20	14
Treasury shares		**(511)**	(488)	(463)	(259)	(70)	(250)
Non-distributable reserves		**(2)**	(5)	–	–	–	1
Distributable reserve		**1 626**	1 589	1 456	1 092	823	684
Equity attributable to equity holders of the parent		**1 141**	1 124	1 141	1 296	1 593	1 417
Non-controlling interest		**1**	2	–	–	–	–
Non-current liabilities		**297**	317	371	338	326	309
Interest-bearing borrowings		**17**	37	62	78	151	168
Employee benefits		**96**	91	131	65	28	17
Deferred tax liabilities		**69**	83	80	92	46	38
Operating lease liability		**115**	106	98	103	101	86
Current liabilities		**2 672**	2 738	2 073	2 376	1 764	1 606
Bank overdraft		**–**	–	–	–	47	14
Trade and other payables	10.8%	**2 290**	2 408	1 828	1 902	1 490	1 370
Employee benefits		**203**	241	104	136	105	71
Provisions		**6**	6	8	48	41	42
Interest-bearing borrowings		**117**	30	54	203	63	93
Income tax payable		**47**	33	76	87	18	13
Derivative financial liabilities		**9**	20	3	–	–	3
Total equity and liabilities	4.3%	**4 111**	4 181	3 585	4 010	3 683	3 332

Notes:

1. The 2007 statement of financial position presents the group statement of financial position including the Discom assets and liabilities rather than as part of non-current assets and liabilities held for sale. The Discom business unit was disposed of during September 2007.
2. The non-controlling interest relating to the 2008 financial year was less than R1 million and accordingly is reported as zero.
3. The Discom and Clicks trademarks were reinstated in 2005 after the adoption of IFRS.
4. The share premium has been used for distributions to shareholders as well as share cancellations in the 2007, 2008, 2009 and 2010 financial years.
5. For an explanation of terms used, please refer to the Definitions section on page 137 of this report.

US Dollars'm	5-year compound annual growth %	2010	2009	2008	2007	2006	2005
Assets							
Non-current assets		**188**	175	161	187	178	199
Property, plant and equipment	3.3%	**121**	107	95	104	97	103
Investment property		**–**	–	–	–	1	1
Intangible assets		**43**	39	39	55	55	61
Goodwill		**14**	12	11	12	12	13
Deferred tax assets		**7**	11	9	6	3	11
Loans receivable		**3**	6	7	10	10	10
Current assets		**370**	363	301	374	334	313
Inventories	(0.8%)	**213**	183	177	196	201	222
Trade and other receivables	8.1%	**118**	117	104	111	122	80
Loans receivable		**2**	1	1	1	–	–
Cash and cash equivalents		**21**	53	13	58	6	9
Derivative financial assets		**16**	9	6	8	5	2
Total assets	1.7%	**558**	538	462	561	512	512
Equity and liabilities							
Equity	(6.7%)	**155**	144	147	181	221	219
Share capital		**–**	–	–	–	1	1
Share premium		**–**	–	16	61	113	149
Share option reserve		**3**	3	3	3	3	2
Treasury shares		**(69)**	(63)	(60)	(36)	(10)	(39)
Non-distributable reserves		**–**	(1)	–	–	–	–
Distributable reserve		**221**	205	188	153	114	106
Equity attributable to equity holders of the parent		**155**	144	147	181	221	219
Non-controlling interest		**–**	–	–	–	–	–
Non-current liabilities		**40**	42	48	47	45	48
Interest-bearing borrowings		**2**	5	8	11	21	26
Employee benefits		**13**	12	17	9	4	3
Deferred tax liabilities		**9**	11	10	13	6	6
Operating lease liability		**16**	14	13	14	14	13
Current liabilities		**363**	352	267	333	246	245
Bank overdraft		**–**	–	–	–	7	2
Trade and other payables	8.2%	**311**	309	236	267	206	210
Employee benefits		**28**	31	13	19	15	11
Provisions		**1**	1	1	7	6	6
Interest-bearing borrowings		**16**	4	7	28	9	14
Income tax payable		**6**	4	10	12	3	2
Derivative financial liabilities		**1**	3	–	–	–	–
Total equity and liabilities	1.7%	**558**	538	462	561	512	512
Exchange rate: closing rate		**7.37**	7.77	7.75	7.16	7.19	6.48

Note:

1. The ZAR six-year consolidated statement of financial position was translated to USD using the closing rate.

SIX-YEAR CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 August

R'm	5-year aggregate effect	**2010**	2009	2008	2007	2006	2005
Cash effects of operating activities							
Operating profit before working capital changes	3 512	**837**	825	722	622	506	454
Working capital changes	430	**(203)**	490	(223)	521	(155)	(196)
Cash generated by operations	3 942	**634**	1 315	499	1 143	351	258
Interest received	68	**9**	14	19	15	11	8
Interest paid	(261)	**(35)**	(43)	(60)	(52)	(71)	(58)
Taxation (paid)/received	(630)	**(175)**	(229)	(193)	38	(71)	(109)
Cash inflow from operating activities before distributions	3 119	**433**	1 057	265	1 144	220	99
Distributions paid to shareholders	(816)	**(245)**	(191)	(157)	(121)	(102)	(112)
Net cash effects of operating activities	2 303	**188**	866	108	1 023	118	(13)
Cash effects of investing activities							
Investment in property, plant and equipment and intangible assets to maintain operations	(441)	**(86)**	(110)	(89)	(76)	(80)	(83)
Investment in property, plant and equipment and intangible assets to expand operations	(480)	**(120)**	(114)	(85)	(79)	(82)	(87)
Acquisition of additional goodwill	(1)	**–**	–	–	–	(1)	(2)
Proceeds from disposal of business	316	**–**	–	316	–	–	–
Acquisition of business, net of cash acquired	(34)	**(22)**	(10)	(2)	–	–	–
Acquisition of remaining interest in subsidiary	(3)	**(3)**	–	–	–	–	–
Proceeds from disposal of property, plant and equipment	108	**2**	2	35	48	21	16
Decrease/(increase) in loan receivables	86	**19**	15	7	4	41	(26)
Net cash effects of investing activities	(449)	**(210)**	(217)	182	(103)	(101)	(182)
Cash effects of financing activities							
Proceeds from the issue of share capital	76	**–**	–	–	2	74	57
Purchase of treasury shares	(1 872)	**(322)**	(338)	(607)	(558)	(47)	(127)
Proceeds from disposal of treasury shares	222	**15**	42	44	121	–	–
Interest-bearing borrowings raised/(repaid)	(174)	**71**	(44)	(39)	(65)	(97)	(81)
Net cash effects of financing activities	(1 748)	**(236)**	(340)	(602)	(500)	(70)	(151)
Net (decrease)/increase in cash and cash equivalents	106	**(258)**	309	(312)	420	(53)	(346)

Notes:

1. The 2007 statement of cash flows presents the group statement of financial position including the Discom assets and liabilities rather than as part of non-current assets and liabilities held for sale. The Discom business unit was disposed of during September 2007.
2. For an explanation of terms used, please refer to the Definitions section on page 137 of this report.

US Dollars'm	5-year aggregate effect	**2010**	2009	2008	2007	2006	2005
Cash effects of operating activities							
Operating profit before working capital changes	467	**115**	91	97	86	78	73
Working capital changes	45	**(28)**	56	(31)	72	(24)	(30)
Cash generated by operations	512	**87**	147	66	158	54	43
Interest received	10	**1**	2	3	2	2	1
Interest paid	(36)	**(5)**	(5)	(8)	(7)	(11)	(9)
Taxation (paid)/received	(81)	**(24)**	(25)	(26)	5	(11)	(17)
Cash inflow from operating activities before distributions	405	**59**	119	35	158	34	18
Distributions paid to shareholders	(109)	**(34)**	(21)	(21)	(17)	(16)	(18)
Net cash effects of operating activities	296	**25**	98	14	141	18	–
Cash effects of investing activities							
Investment in property, plant and equipment and intangible assets to maintain operations	(59)	**(12)**	(12)	(12)	(11)	(12)	(13)
Investment in property, plant and equipment and intangible assets to expand operations	(65)	**(17)**	(13)	(11)	(11)	(13)	(14)
Proceeds from disposal of business	43	**–**	–	43	–	–	–
Acquisition of business, net of cash acquired	(4)	**(3)**	(1)	–	–	–	–
Proceeds from disposal of property, plant and equipment	15	**–**	–	5	7	3	3
Decrease/(increase) in loan receivables	13	**3**	2	1	1	6	(4)
Net cash effects of investing activities	(57)	**(29)**	(24)	26	(14)	(16)	(28)
Cash effects of financing activities							
Proceeds from the issue of share capital	11	**–**	–	–	–	11	9
Purchase of treasury shares	(248)	**(44)**	(37)	(82)	(78)	(7)	(20)
Proceeds from disposal of treasury shares	30	**2**	5	6	17	–	–
Interest-bearing borrowings raised/(repaid)	(24)	**10**	(5)	(5)	(9)	(15)	(13)
Net cash effects of financing activities	(231)	**(32)**	(37)	(81)	(70)	(11)	(24)
Net (decrease)/increase in cash and cash equivalents	8	**(36)**	37	(41)	57	(9)	(52)
Exchange rate: average rate		**7.27**	9.05	7.41	7.20	6.48	6.23

Note:

1. The ZAR six-year consolidated statement of cash flows was translated to USD using the average rate.

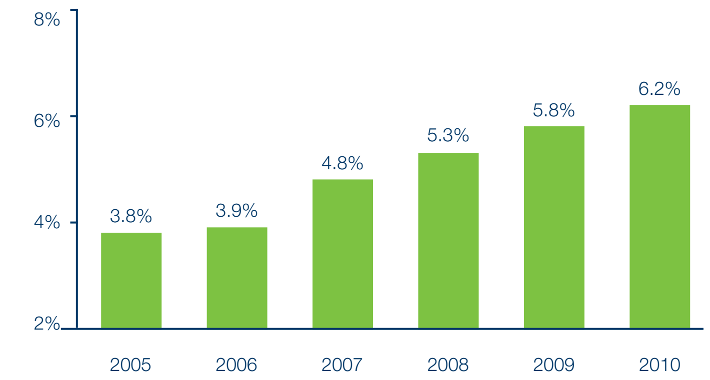
SIX-YEAR SALIENT FEATURES

for the year ended 31 August

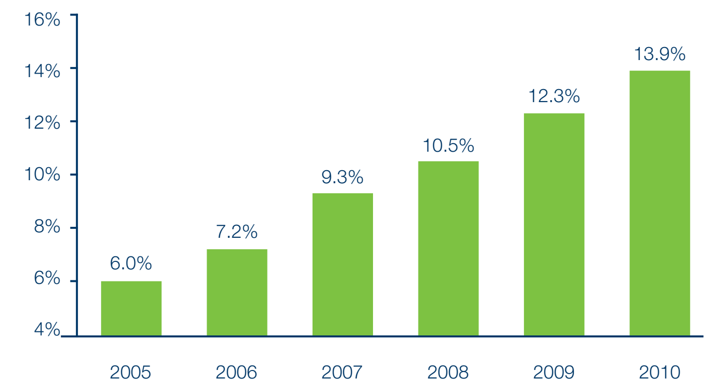
			5–year compound annual growth %	2010	2009
Cash flow					
Net cash effects of operating activities		R'm		**188**	866
Capital expenditure		R'm	6.3%	**231**	234
Depreciation and amortisation		R'm	5.5%	**137**	122
Performance					
Turnover growth		%		**9.0**	8.3
Comparable stores' turnover growth		%		**11.2**	13.2
Gross profit growth		%		**15.3**	13.2
Gross profit margin		%		**21.9**	20.7
Operating margin		%		**6.2**	5.8
Inventory days				**55**	54
Trade debtor days				**42**	46
Trade creditor days				**52**	64
Current ratio		times		**1.0**	1.0
Return on total assets		%		**13.9**	12.3
Return on shareholders' interest		%	29.0%	**50.8**	42.3
Interest-bearing debt to shareholders' interest at year-end		%		**11.7**	6.0
Interest-bearing debt, including cash, to shareholders' interest at year-end		%		**(1.7)**	(30.5)
Effective tax rate		%		**26.8**	27.0
Statistics					
Number of permanent employees				**8 064**	7 585
Number of stores				**561**	540
Weighted retail trading area		m^2		**212 769**	204 382
Share statistics					
Number of shares in issue (gross)		m		**284.0**	302.8
Number of shares in issue (net of treasury shares)		m		**266.3**	276.3
Weighted average number of shares (net of treasury shares)		m		**271.1**	285.2
Weighted average diluted number of shares (net of treasury shares)		m		**272.3**	288.3
Headline earnings per share	– undiluted	cents		**212.3**	167.7
	– diluted	cents	29.8%	**211.4**	165.9
Distribution per share		cents	29.0%	**106.2**	84.0
Distribution cover		times		**2.0**	2.0
Share price	– closing	cents	35.9%	**3 750**	2 030
	– high	cents		**3 799**	2 099
	– low	cents		**1 960**	1 192
Net asset value per share		cents	0.6%	**429**	407
Net tangible asset value per share		cents	(0.3%)	**271**	263
Market capitalisation (gross)		R'm	28.8%	**10 650**	6 148
Market capitalisation (net of treasury shares)		R'm	29.3%	**9 986**	5 609
Price earnings ratio		times	5.3%	**17.7**	12.2
Volume of shares traded		m		**306.4**	222.3
Percentage of shares traded		%		**113.0**	77.9
Free float (including treasury shares)		%		**93.5**	91.1
Shareholders' return		cents		**1 826**	564
Increase in share price		cents		**1 720**	480
Distribution per share		cents		**106**	84
Other information					
Inflation rate					
CPI		%		**3.5**	7.7
Prime overdraft rate	– closing	%		**10.0**	10.5
	– average	%		**10.3**	13.3
FTSE/JSE Africa share indices					
All Share Index				**27 254**	24 929
General Retailers Index			9.1%	**34 216**	24 277
Food and Drug Retailers Index			31.0%	**51 349**	34 405
Exchange rates					
Rand/US Dollar	– closing rate	R/US$	2.6%	**7.37**	7.77
	– average rate	R/US$	3.1%	**7.27**	9.05

	2008	2007	2006	2005
	108	1 023	118	(13)
	176	155	162	170
	103	104	109	105
	1.1	12.0	14.8	8.6
	9.2	13.2	9.9	8.9
	0.1	13.8	9.8	*
	19.8	19.8	19.5	20.4
	5.3	4.8	3.9	3.8
	55	57	66	76
	44	53	57	41
	52	66	60	62
	1.1	1.1	1.4	1.3
	10.5	9.3	7.2	6.0
	32.8	24.7	16.7	14.2
	10.1	4.6	7.4	5.4
	1.3	(10.2)	13.8	15.1
	24.7	27.0	25.5	30.1
	7 122	9 076	9 058	8 947
	519	665	664	663
	194 888	242 211	237 575	249 417
	324.1	336.0	355.5	370.3
	290.3	316.1	347.6	340.5
	298.2	336.3	344.3	339.9
	303.8	346.3	354.4	349.4
	134.0	106.1	73.1	59.0
	131.5	103.0	71.0	57.4
	61.1	48.2	33.2	29.7
	2.2	2.2	2.2	2.0
	1 550	1 525	1 035	810
	1 799	1 689	1 121	990
	1 185	984	780	690
	393	410	459	416
	260	260	320	275
	5 024	5 123	3 679	2 999
	4 500	4 821	3 598	2 758
	11.8	14.8	14.2	13.7
	300.3	316.1	226.9	131.9
	100.7	94.1	65.9	38.8
	89.4	96.7	97.1	98.3
	86	538	258	70
	25	490	225	40
	61	48	33	30
	11.6	5.8	3.9	2.3
	15.5	13.5	11.5	10.5
	14.7	12.5	10.7	10.8
	27 702	28 660	21 954	15 414
	24 909	31 715	23 521	22 163
	27 580	23 676	18 136	13 329
	7.75	7.16	7.19	6.48
	7.41	7.20	6.48	6.23

Operating margin



Return on total assets



Notes:

1. The summary of profits includes the results of the Discom business unit as if part of continuing operations, which was disposed of during September 2007.
2. For an explanation of terms used, please refer to the Definitions section on page 137 of this report.

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

BOARD OF DIRECTORS


David Nurek


Fatima Abrahams


John Bester


Bertina Engelbrecht


Michael Harvey


Fatima Jakoet


David Kneale


Dr Nkaki Matlala


Martin Rosen


Keith Warburton

Governance practices are regularly reviewed to align with legislative and regulatory changes

David Nurek (60)

Independent non-executive chairman

Dip Law, Grad Dip Company Law
Chairman of the nominations committee
Member of the audit and risk, remuneration and transformation committees

Appointed June 1997

David practised as an attorney with Sonnenberg Hoffman Galombik for 32 years, including 23 years as a partner and director. He joined Investec Group in 2000 and is regional chairman of the group's Western Cape businesses and global head of legal risk for the Investec Group. He is non-executive chairman of Distell Group, Foschini Group and Lewis Group, and a non-executive director of Aspen Pharmacare, Sun International, Trencor and Mobile Industries.

Fatima Abrahams (48)

Independent non-executive director

B Econ (Hons) (cum laude), M Com and D Com
Chairman of the remuneration and transformation committees
Member of the nominations committee

Appointed March 2008

Professor Abrahams is an academic, experienced company director and a registered industrial psychologist. She is currently a senior professor at the University of the Western Cape, having also served as dean of the Faculty of Economic and Management Sciences. Professor Abrahams is chairperson of TSiBA Education, a non-profit private higher educational institution, and is a non-executive director of Foschini Group and Lewis Group.

John Bester (64)

Independent non-executive director

B Com (Hons), CA (SA), CMS (Oxon)
Chairman of the audit and risk committee
Member of the remuneration committee

Appointed October 2008

John served as a partner of Ernst & Young for 10 years and has held financial director positions in commerce and industry. He is a non-executive director of Personal Trust International, HomeChoice Holdings and Western Province Rugby (Proprietary) Limited, and a trustee of the Children's Hospital Trust.

Bertina Engelbrecht (47)

Group human resources director

B Proc, LL M, admitted attorney
Member of the transformation committee

Appointed as a director in March 2008

An experienced human resources professional, Bertina joined Clicks Group in July 2006. She was previously general manager for Shell SA Energy and regional human resources manager for Shell Oil Products Africa. Prior to this Bertina was director of organisational effectiveness at Sea Harvest, managed her own consultancy practice and spent eight years with Transnet. Bertina was appointed as a non-executive director of Kagiso Trust Investments in July 2008.

Michael Harvey (41)

Managing director, Clicks

Member of the transformation committee

Appointed as a director in April 2006

Michael joined Clicks as a management trainee in 1989. After gaining experience in store management he assumed responsibility for regional operations in the Gauteng area and later in the Eastern and Western Cape. He was appointed marketing director of Clicks in 2000 and the following year moved to Discom, then part of the group, where he was appointed managing director in 2002. Michael was appointed managing director of Clicks in February 2005.

Fatima Jakoet (50)

Independent non-executive director

B Sc, CTA, CA (SA), Higher certificate in financial markets
Member of the audit and risk committee

Appointed March 2008

After spending six years in the auditing profession, Fatima went on to lecture in financial accounting and then spent over a decade in various positions in corporate South Africa. Fatima is a non-executive director of the SA Reserve Bank Group, Metropolitan Holdings Group, Tongaat Hulett and MTN West and Central Africa Region.

David Kneale (56)

Chief executive officer

BA
Member of the transformation committee

Appointed as a director in April 2006

David was appointed chief executive officer of Clicks Group in January 2006. He was previously chief commercial officer of health and beauty retailer, Boots Group plc, in the United Kingdom. During his career at Boots David held positions in finance, buying and marketing before being appointed director of merchandise and marketing in 1995 and managing director of international retail development in 1997. After three years as managing director of Waterstone's Booksellers and a director of HMV Group, he returned to Boots in 2002 as director of trading and was appointed chief commercial officer in January 2003.

Dr Nkaki Matlala (57)

Independent non-executive director

B Sc, M Sc, M D, M Med (Surgery), FCS

Appointed in August 2010

Dr Matlala is an experienced surgeon and is currently the chief clinical officer and a director of Medi-Clinic Southern Africa. He was deputy president of the National Medical and Dental Association in the late eighties, and worked for a number of years in academic medicine and private surgical practice before establishing Safika Health in 1999. He joined Medi-Clinic in 2005. Dr Matlala is the chairman of the Hospital Association of South Africa, and a founder member and chairperson of Phodiso Holdings, a healthcare investment company.

Martin Rosen (60)

Independent non-executive director

Member of the nominations committee

Appointed April 2006

Martin is an accomplished retailer and marketer, having spent 33 years with Pick n Pay before starting his own marketing consultancy in 2004. After 17 years in the retail operations of Pick n Pay, Martin was appointed group marketing director in 1998 and managing director of Pick n Pay Group Enterprises in 2001.

Keith Warburton (52)

Chief financial officer

B Com, CTA, CA (SA)

Appointed as a director in April 2006

Keith has extensive experience in senior financial management in the retail sector. He was previously financial director of Metro Cash and Carry and later financial director and deputy managing director of Score Supermarkets. Keith was appointed financial director of Truworths in 1997 and two years later joined HomeChoice Holdings as chief operating officer. He left the corporate environment in 2001 to establish a business consultancy and joined Clicks Group as chief financial officer in September 2005. Keith has resigned from the group with effect from 31 March 2011.

CHAIRMAN'S STATEMENT

R4.4 billion
increase in market capitalisation

David Nurek
Chairman

While the group is only required to report in compliance with King III for the 2011 financial year, the board has elected to start implementing the code.

Financial performance

It is a pleasure to report on the group's sustained strong growth and the impressive returns generated for shareholders in the past year. This was achieved despite the continued challenging trading conditions which prevailed throughout the period.

The group's headline earnings increased by 20.3% to R576 million through improved trading and efficient margin management. Diluted headline earnings per share (HEPS) continued to benefit from the share buy-back programme and increased 27.4% to 211.4 cents per share. Diluted HEPS has grown at a compound rate of 29.8% over the past five years.

A final distribution of 75.7 cents per share was declared, bringing the total distribution to 106.2 cents for the year, an increase of 26.4% on last year. The group has returned almost R2.7 billion to shareholders in distributions and share buy-backs since 2005.

Our market capitalisation on the JSE increased by R4.4 billion as the share price increased by 85% over the past year, comfortably outperforming the Food and Drug Retailers Index (up 49%), the General Retailers Index (up 41%) and the All Share Index (up 9.3%).

The group's performance has not gone unnoticed by international investors and the foreign shareholding in Clicks Group has increased from 12.3% to 47.1% over the past year, with 29.3% of the shares held by institutions in the United States and Canada. Liquidity in the share, measured by the percentage of shares traded, improved to 113% (2009: 78%) in the past year.

The group's trading and financial performance is covered in the Chief Executive's Report and in the Chief Financial Officer's Report which follow.

Governance in South Africa

South Africa is acknowledged internationally for its corporate governance standards. The recently released World Economic Forum (WEF) Global Competitiveness Report 2010 – 2011 ranks South Africa first out of 139 economies for auditing and reporting standards, and also for the regulation of securities exchanges. The country is ranked second globally for the efficacy of corporate boards and tenth for the strength of investor protection.

South Africa was also recently ranked top for corporate governance disclosure out of 24 emerging markets by the International Standards of Accounting and Reporting, a working group of the UN Committee on Trade and Development.

These accolades for a developing economy like South Africa highlight the level of international regard for our regulation, reporting and governance standards. This creates confidence at a time when the country is increasingly attractive to international investors and provides reassurance for foreign fund managers investing in our local companies.

It is, however, regrettable that South Africa's overall economic competitiveness in the WEF Report declined nine places to 54th in the world, and the country languishes at the foot of the global index for health and primary education (129th) and the quality of maths and science education (137th).

Governance in Clicks Group

Clicks Group strives to achieve the highest standards of corporate governance and follows stringent legislative and regulatory compliance practices to ensure the sustainability of the business. The group therefore embraces the King Report on Governance for South Africa 2009 (King III) in the interests of elevating governance standards and enhancing transparent reporting.

While the group is only required to report in compliance with King III for the 2011 financial year, the board has elected to start implementing the code. A sub-committee of the board comprising executive management and non-executive directors has evaluated the principles of King III against current governance practices. The group has adopted the code and in terms of the "apply or explain" principle will clarify the recommendations that will not be applied. These have been detailed in the Corporate Governance Report on page 39.

Clicks Group was recognised in the Ernst & Young Excellence in Corporate Reporting awards when the 2009 annual report was placed ninth out of the top 100 companies on the JSE. These awards are widely regarded as the benchmark for quality financial reporting and recognise the group's efforts in continually enhancing disclosure to the investment community.

Board of directors

Our board comprises four executive directors and six non-executive directors, with all the non-executives classified as independent in terms of King II. The independence of the non-executive directors will be reviewed by the nominations committee in January 2011 in line with the King III recommendations. Our board continues to transform and 40% of the directors are now black and 33% are women.

In the annual board evaluation process the directors identified two main issues to be addressed. These were the need to amalgamate the audit committee and risk committee and to recruit a non-executive director with specialist healthcare expertise and a network in the healthcare sector.

The audit and risk committees have now been combined and the committee's mandate extended to incorporate the audit and risk-related aspects of King III as well as responsibility for governance and environmental sustainability.

We were pleased to appoint Dr Nkaki Matlala, an experienced surgeon and healthcare executive, as an independent non-executive director in August 2010. Dr Matlala is a prominent figure in the South African healthcare environment and will add a new dimension to our boardroom debate and we look forward to benefiting from his healthcare knowledge.

Our chief financial officer, Keith Warburton, has resigned from the group and plans to take a break from corporate life. In his five years with the group Keith has made an outstanding contribution in transforming the financial reporting, working capital and capital management functions. Together with the executive team he has been instrumental in the group's improved performance and has laid a solid foundation for his successor. We wish Keith every success in the future.

Outlook

Inflation as measured by the consumer price index has declined to its lowest level in more than four years, higher real wage increases are being granted across most sectors of the economy and interest rates have remained stable after falling by 550 basis points over the past two years. However, further interest rate cuts are possible.

Lower interest rates are not yet translating into increased spending as consumers deleverage and reduce debt levels. This is reflected in the ratio of household debt to disposable income reducing from 80% at the end of 2009 to 78.2% by mid-2010.

Consumers are facing increasing utility costs, unemployment levels are high with limited jobs being created, and consumer confidence remains fragile.

Against this background the group remains cautious on the outlook for a recovery in consumer spending in the year ahead.

Acknowledgements

In closing I thank David Kneale and his executive team of Keith Warburton, Michael Harvey and Bertina Engelbrecht for their strong and decisive leadership. Thank you also to my fellow non-executive board colleagues for their insight and guidance.

Once again I thank the more than 9 900 staff at our stores, distribution centres and at head office for their contribution over the past year.

Thank you to our suppliers, industry regulators, business partners and media for your continued support. I also thank our shareholders locally and internationally, and the broader investment community for their active following of the group, and welcome those shareholders who invested in Clicks Group for the first time during the year.

David Nurek
Independent Non-executive Chairman

CHIEF EXECUTIVE'S REPORT

R13.3 billion
group turnover

David Kneale
Chief Executive Officer

The operating margins of both Clicks and UPD benchmark favourably against comparable international businesses.

Trading performance

Economic conditions remained challenging throughout the past year. Consumers have therefore remained cautious and a strong value offer has been core to attracting customers into stores. While we have seen the early signs of recovery in the latter part of the year, this has not flowed through to sales of more discretionary products.

Retailers have also experienced a significant reduction in selling price inflation which has effectively halved in our business over the past year.

In this environment the Clicks Group produced another strong performance and entrenched its leadership position across the health and beauty markets.

Group turnover increased to R13.3 billion. Retail turnover across Clicks, Musica and The Body Shop rose 14.7% to R9.7 billion, driven by the performance of Clicks stores which continued to deliver excellent real growth and lifted turnover by 16.7%.

The market-leading performance of Clicks should be seen in the context of total retail sales in South Africa for the period which increased by 5.3%, while the overall pharmaceutical and medical goods, cosmetics and toiletries category was 8.1% higher.

The entertainment markets are the toughest in which the group operates. However, Musica remains the market leader and has held its commanding market shares in CDs and DVDs without discounting margins. The Body Shop too delivered a creditable performance as discretionary spending in the luxury beauty market remains under pressure.

UPD maintained its leadership position in the private pharmaceutical wholesale and distribution market. Turnover increased by 5.2% and by 12.2% on a comparable basis as distribution agency sales generated by UPD are no longer reflected in turnover.

Operating margin increased by 40 basis points to 6.2%, with the margins of both Clicks and UPD benchmarking favourably against comparable international businesses.

The group's performance is covered in detail in the Chief Financial Officer's Report on page 24 and in the Operational Reviews on pages 30 to 37.

Clicks Group has entrenched its leadership position across the health and beauty markets

Group strategy

The group's strategy is founded on two key objectives:

- Pre-eminence in health and beauty retailing; and
- Pre-eminence in healthcare supply and pharmacy management.

Encouraging progress has been made against both of these objectives. Health and beauty merchandise now accounts for 80% of sales in Clicks and the business has gained share in all its core merchandise markets, with pleasing growth in emerging categories such as fine fragrance and ethnic hair care. Clicks has expanded its store base to 369, grown the ClubCard customer base to more than 3 million and been independently rated as the country's first choice health and beauty retailer.

In the healthcare supply and pharmacy arena we have grown our pharmacy network past the 250 mark with the opening of 44 dispensaries in the past year, growing our share of the retail pharmacy market to 13.6%. UPD has a leading share of the private pharmaceutical wholesale market and has experienced strong growth in its sales to Clicks pharmacies, the Link pharmacy buying group and also to export customers.

Our strategy, focus areas for delivering the strategy and our medium-term financial targets are detailed on pages 4 to 6.

Our strategic objectives are supported by two strategic enablers: firstly, enhancing capability to deliver sustained performance. We are creating a performance-driven organisation where our people can learn, grow and be rewarded fairly. Talent development and succession planning processes are being embedded across the group, a transparent job evaluation system has been implemented and staff are surveyed annually to assess their commitment. These measures contributed to a reduction in staff turnover from 26% to 20%.

Our IT systems landscape is currently being reviewed to ensure we can support continued business growth. The focus will be on improving technical agility, using fewer systems, applying simpler processes and over time reducing the cost to run the systems. IT-related capital expenditure has been increased for 2011 to support this process.

The second enabler is efficient cash and capital management. The group's ROE has continued its strong growth trend and improved from 42.3% to 50.8% in the past year. We have set a new medium-term target for ROE of 50% to 60%. Our progress in managing cash and capital is covered in the Chief Financial Officer's Report.

The two biggest challenges we face in delivering our strategic objectives are the sourcing and registration of private label products in Clicks and addressing the shortage of pharmacists.

Private label is core to the Clicks growth strategy. We plan to increase the contribution from private label and exclusive branded products to 25% from the current 18%. Failure to source and register quality private label scheduled medicines, over-the-counter drugs and front shop products at appropriate margins could impact negatively on our longer term profitability.

The group is currently the largest employer of pharmacists in the private sector. The shortage of healthcare professionals is an industry challenge which could limit our ability to expand the Clicks pharmacy network and also increase costs.

Both of these challenges are covered in the Clicks Operational Review on pages 30 to 33 and in the Risk Management Report on pages 50 to 53.

Healthcare regulation

We welcomed the publication of draft regulations on a maximum dispensing fee which may be charged by retail pharmacists. The proposed four-tier pricing structure will provide a fair return to pharmacists and bring much-needed stability to the pharmacy sector.

While the regulations provide margin opportunity for Clicks our focus in the short term will remain on price competitiveness and gaining market share.

It should be stressed, however, that the uncertain regulatory environment of the past six years has not impacted on our trading or performance.

We would also urge the Department of Health (DoH) to finalise regulations relating to the maximum logistics fee that can be paid to pharmaceutical wholesalers. This would help to level the playing field and manage costs along the pharmaceutical supply chain.

The ability of Clicks to expand its range of private label scheduled medicines could be constrained by the pace of the medicine registration process. We are working in co-operation with the Medicine Control Council to accelerate the speed at which new, lower-cost generic drugs can be brought to market. This will enable patients to benefit from the lower cost of healthcare.

44
new pharmacies
opened

Primary healthcare

The healthcare agenda needs to move beyond regulation to focus on improving the delivery of primary healthcare in our country. Healthcare costs are likely to spiral unsustainably in the absence of an effective primary healthcare system. A cost-effective solution needs to be implemented as the government moves towards implementing its National Health Insurance programme.

We believe retail pharmacy can play a central role in this delivery and would welcome the opportunity of working together with the Pharmaceutical Society of South Africa to make this a reality. We continue to engage with government to consider retail pharmacy as a partner in the delivery of primary healthcare, and building the pharmacy profession to be the gatekeeper to primary healthcare delivery.

Pharmacists are ideally positioned to provide more accessible and lower-cost health advice and services, without compromising patient care. These services could include family planning and immunisations, while patients should be able to collect chronic medication from pharmacies. This would help to alleviate pressure on state hospitals and clinics while reducing costs to consumers. Pharmacists and nurses need to be empowered to prescribe a broader range of scheduled medicines to reduce the cost of patient care.

Clicks is well positioned to provide these primary healthcare services through its national network of in-store dispensaries and clinics. We have partnered successfully with the DoH in using our pharmacies for the national HIV counselling and testing campaign started earlier this year.

Sustainability

Clicks Group is committed to adopting sustainable business practices to ensure the long-term competitiveness of the operations. The initial focus of our sustainability activities is on driving efficiency, transformation, product-related opportunities and supply chain initiatives. Sustainability targets are in the process of being incorporated into our operating plans and will be disclosed in the annual report from 2011.

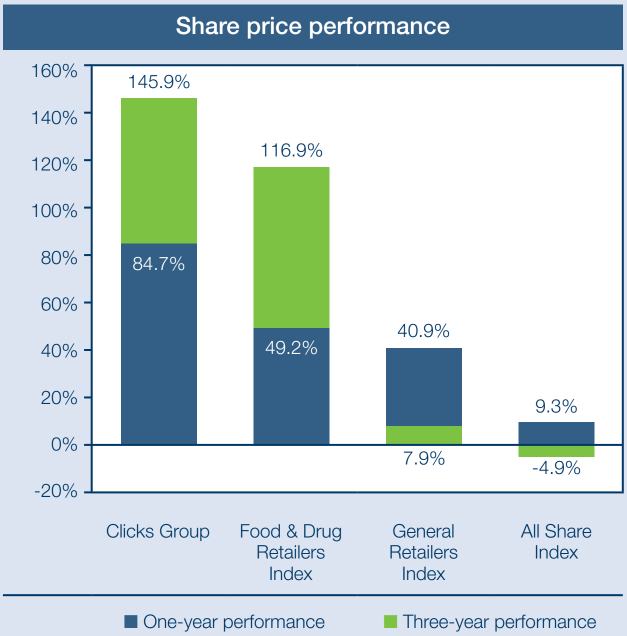
Our progress in this area has resulted in the group qualifying for inclusion in the JSE Socially Responsible Investment Index for the first time in 2010. This is based on an independent evaluation of our environmental, social, governance and sustainability practices.

We continue to invest for sustainable growth and since 2005 have invested R1 billion in our customers, staff, stores and systems.

Employee share ownership

We plan to introduce an employee share ownership scheme to retain and attract scarce and specialist skills which are critical to the sustainability of the business. Through this scheme, 10% of the group's shares would be issued at market price to all permanent employees, excluding senior executives participating in the group's long-term incentive scheme.

Pharmacists, senior black managers and longer serving employees will receive higher share allocations. This scheme will enhance our ability to attract pharmacists into Clicks and give them an opportunity to share in the long-term growth and capital appreciation of the group.



Extending share ownership to all employees will accelerate transformation and build on the progress made across the other areas of black economic empowerment, particularly employment equity, skills development, preferential procurement and socio-economic development. Approximately 70% of the shares will be allocated to black people, with 60% of these being black women.

The scheme is subject to shareholder approval at a general meeting in January 2011.

Management

Keith Warburton has resigned as chief financial officer and will be leaving the group in the first quarter of 2011. He has made an enormous contribution and has been central to the group's performance over the past five years. We will miss Keith and wish him well.

We are pleased to have appointed Michael Fleming from Tiger Brands to succeed Keith. Michael has a great reputation and his experience in FMCG will add another dimension to the executive team.

Vikesh Ramsunder has been appointed to succeed Lynda van Niekerk as managing director of UPD. Vikesh was head of logistics in Clicks and it is most pleasing to have made an internal promotion in this position. We thank Lynda for the role she played in leading UPD during a period of unprecedented change in the pharmaceutical wholesaling industry.

We also welcomed Sean Kristafor as general manager of The Body Shop to replace Carol Poolton, whom we thank for the leadership of the brand over the past seven years.

Prospects

The strategic objectives outlined above remain core to the future of the business. Healthcare and beauty are both growing markets in South Africa and we will maximise organic growth opportunities in these markets to gain share and ensure sustainable competitive advantage. The group is well positioned to expand the Clicks store and pharmacy network to 500 in the medium term and to capitalise on new revenue opportunities in UPD. The franchise agreement to operate The Body Shop in South Africa has been renewed with the international parent company for a further 10 years.

Our medium-term operating margin target has been increased to 6.0% – 7.0% to reflect the group's improved performance and prospects.

Appreciation

The group's record performance can be attributed to the commitment, energy and passion of everyone in the business. Thank you to our chairman, David Nurek, as well as my fellow directors for their guidance and support over the past year. Our people have again delivered to the highest standards and I thank them for a job well done.

Thank you to our customers for making us their first choice in health and beauty retailing and supply.

David Kneale

David Kneale
Chief Executive Officer

CHIEF FINANCIAL OFFICER'S REPORT

R3.6 billion
cash generated
over past five years

Keith Warburton
Chief Financial Officer

After achieving all the financial targets for 2010, medium-term financial objectives have been revised to reflect the improved performance and prospects.

Introduction

Clicks Group continued to enhance shareholder value as it delivered on its commitments to investors by achieving or exceeding all the medium-term financial targets in 2010.

Strong retail trading and efficient margin management contributed to a 20.3% growth in headline earnings to R576 million. The earnings-enhancing effect of the share buy-back programme resulted in diluted headline earnings per share growing by 27.4% to 211.4 cents per share.

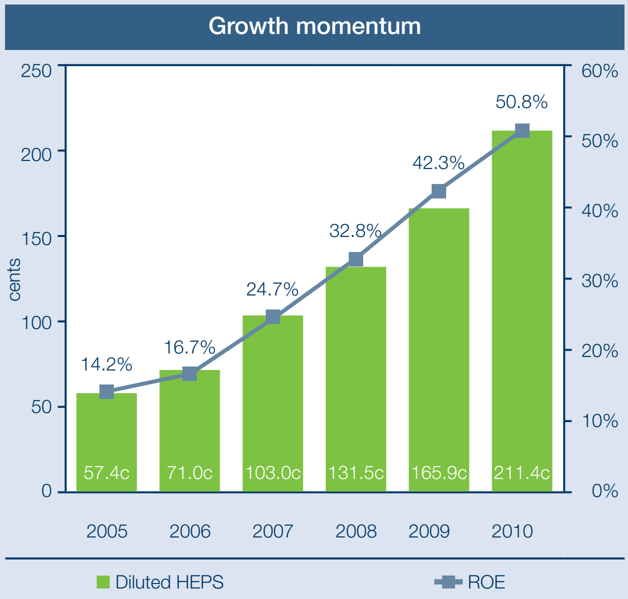
Return on shareholders' interest (ROE) is a major focus for the group and this key metric exceeded 50% for the first time, increasing from 42.3% to 50.8% for the year.

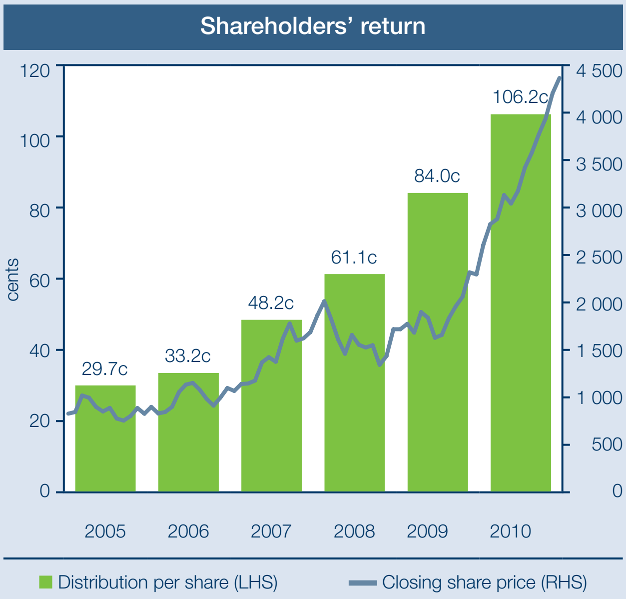
The group has shown a consistent and sustained improvement in trading, operational and financial performance since 2005 as reflected in the following table:

	2005	**2010**	5-year CAGR (%)
Return on shareholders' interest (ROE) (%)	14.2	**50.8**	29.0
Diluted headline earnings per share (cents)	57.4	**211.4**	29.8
Distribution per share (cents)	29.7	**106.2**	29.0
Share price (closing) (cents)	810	**3 750**	35.9

Financial performance

The review of the group's financial performance for the year ended 31 August 2010 should be read in conjunction with the annual financial statements on pages 66 to 126, as well as the Business Unit Segmental analysis on page 28.





Statement of comprehensive income

Turnover

In an environment of declining inflation, group turnover increased by 9.0% to R13.3 billion (2009: R12.2 billion). Turnover for the first and second half periods was consistent.

There is generally no seasonal effect on the group's turnover. While the first half of the year includes the festive season trading period, this is counter-balanced by the winter season in the second half which is a busy trading period for a healthcare business.

Retail turnover across Clicks, Musica and The Body Shop increased by 14.7%, with comparable store growth at 11.2%. Selling price inflation declined from 8.6% in 2009 to 5.4% for the period.

The Clicks chain, which accounts for 58% of group turnover, continued its strong performance and increased sales by 16.7% (including average trading space growth of 4.3%). The brand showed real growth of 10.9% as inflation measured 5.8%.

Musica increased turnover by 0.5% as discretionary spending in the entertainment market remained muted.

Sales growth for The Body Shop slowed down in the second half and increased by 5.2% for the year, mostly attributable to new store openings.

UPD's turnover grew by 5.2%. This growth rate is understated as distribution agency sales were included in turnover in the prior period. Wholesale turnover grew by 12.2%, with price inflation at 5.5% (2009: 9.2%).

The strong growth in the Clicks dispensary business contributed to a 30.7% increase in intragroup turnover from UPD to Clicks.

The trading performance of the business units is covered in the Operational Reviews on pages 30 to 37.

Total income

Total income, which comprises gross profit and other income, grew by 14.5% to R3.5 billion. The total income margin, showing total income as a percentage of sales, has improved to 26.6% from 25.3% in 2009 and 24.2% in 2008.

The retail total income margin grew to 32.3% (2009: 31.7%) mainly through the performance of Clicks where well-managed buying margins were complemented by good control over shrinkage and waste levels.

UPD's total income margin was slightly lower at 7.6% owing to the lower increase in the single exit price (SEP) of medicines granted to manufacturers by the Department of Health.

Operating expenditure

Group operating expenditure increased by 14.1%. Operating expense growth in the retail businesses at 14.6% (2009: 15.7%) was in line with retail turnover growth and below the growth in total income of 16.7%.

The costs in the retail businesses were impacted by the continued investment in stores and pharmacies and higher performance-related costs which were partially off-set by the increase in the valuation of the share incentive hedge. Excluding these costs the underlying growth in retail expenses for the period was 10.0% compared to 10.3% in 2009.

Costs in UPD increased by 10.5%. Eliminating non-comparable group cost allocations, the costs of reorganising the business and additional expenses directly related to the distribution agency turnover, costs grew at a modest 4.0%.

Operating profit

Operating profit increased by a pleasing 16.1% as the operating margin improved to 6.2% for the year. This margin compares most favourably with 5.8% in 2009, 5.3% in 2008 and well up on the 2005 level of 3.8%.

Clicks increased its operating margin from 6.3% to 6.9% through continued improvements in both supply chain and shrink and waste management and this translated into a 27.3% growth in operating profit for the year. Clicks now accounts for 72% of the group's profit.

Tight expense control and good management of buying margins resulted in Musica improving its operating margin by 20 basis points to 5.5%. Operating profit increased by 4.1% which is a highly creditable performance considering the minimal growth in turnover for the second consecutive year.

The Body Shop's operating profit performance was aided by the strength of the Rand over the period and increased by 21.6%.

The 7.2% decline in operating profit at UPD is attributable to the lower SEP increase granted in 2010. The operating margin at 3.1% is now closer to the margin guidance of 2.7% to 3.0% for the wholesale business which has consistently been provided to shareholders.

Interest

The net interest charge of R39 million showed a sharp decline from R55 million in the prior period owing mainly to the lower interest rate environment.

Cash interest servicing costs reduced from R43 million in 2009 to R35 million in 2010. Borrowing levels measured on an average daily basis for 2010 were similar to 2009, at a debt to equity ratio of 20% to 30%.

Interest cover has increased from 6.2 times in 2005 to 20.8 times in 2010.

Statement of financial position

Inventory

Inventory days in stock were 55 (2009: 54), with inventory levels 10.5% higher at year-end owing mainly to the earlier buying and delivery of imports in Clicks ahead of the Christmas promotional period.

Both Musica and The Body Shop's inventory levels were well managed considering the lower turnover growth in these brands. An automated replenishment and efficiency system was implemented in Musica in August to improve inventory management. Inventory days in stock in Musica is planned to reduce from 87 days to 70 days in the year ahead as the benefits of this system are realised.

UPD's inventory days in stock at 22 were impacted by timing around the year-end inventory cut-off and a normalised stock level would be 28 days.

Overall the group has managed to contain the five-year compound annual growth in inventory to 1.8% while turnover has grown by 8.8%.

Cash utilisation

The group remains strongly cash-generative. Adjusting for abnormal working capital levels, particularly in UPD, the group generated normalised cash flow from operations of R744 million compared to R698 million in 2009.

The investment in capital expenditure of R231 million was in line with 2009. Distributions to shareholders increased to R245 million (2009:

R191 million) which reflects the higher levels of payouts on improved financial performance and the reduced dividend cover introduced in the 2009 financial year. Share repurchases totalled R322 million (2009: R338 million).

Over the past five years the group has generated R3.6 billion in cash, utilising R959 million for capital expenditure and returning almost R2.7 billion to shareholders in distributions and share buy-backs.

Shareholder distribution

Shareholders will receive a total distribution of 106.2 cents per share for the year, an increase of 26.4% over the previous year. This comprises an interim distribution of 30.5 cents (2009: 24.5 cents) and a final distribution of 75.7 cents (2009: 59.5 cents). The distributions are paid as a capital reduction from share premium.

Distribution cover has been maintained at 2.0 times undiluted headline earnings per share.

Capital management

Efficient management of cash and capital underpins the group's strategic objectives. One of the group's medium-term targets is to maintain the ratio of shareholders' interests to total assets in a range of 30% to 35%, with the ratio being 27.8% at year-end. This is achieved through the management of working capital, share buy-backs and distributions to shareholders.

Over the past year the group repurchased shares totalling R322 million at an average price of R28.42. The group has acquired R1 872 million in shares at an average price of R15.86, representing 33.2% of the issued shares at the commencement of the programme in May 2006.

Financial risk management

The group is exposed to a range of financial risks through its business activities, including market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The group's exposure to these risks and the policies for managing the risk are detailed in note 27 of the annual financial statements. Further detail on the financial risk is included in the Risk Management Report on page 51.

Financial reporting and disclosure

The group's 2009 annual report was rated ninth in the annual Ernst & Young Excellence in Corporate Reporting awards. This is the first time the group has been rated in the top ten and the second consecutive year it has been placed in the Excellent category. These awards recognise the quality of financial reporting of the top 100 companies on the JSE and are independently judged by the University of Cape Town's Accounting Department. The group was placed first in the Institute of Chartered Secretaries (ICSA)/JSE annual report awards for 2010 in the mid-market capitalisation category.

Revised financial targets

The medium-term financial targets are reviewed annually by the board and management based on performance and prospects for the next three-year period. After achieving all the targets for the 2010 financial year, key financial objectives have been revised to reflect the improved performance and prospects (also refer to Group Targets on page 6).

	Performance in 2010	Revised target 2011 – 2013
Return on shareholders' interest (ROE) (%)	50.8	**50 – 60**
Shareholders' interest to total assets (%)	27.8	**30 – 35**
Return on total assets (ROA) (%)	13.9	**14 – 18**
Inventory days	55	**50 – 55**
Operating margin (%)	6.2	**6 – 7**

Plans for 2011

Capital expenditure of R250 million has been committed for 2011, with approximately 60% allocated to the Clicks chain. A total of R131 million has been budgeted for new stores, refurbishments and relocations across the group, as well as the dispensary opening programme in Clicks. Information communication and technology expenditure has been increased to R78 million to meet the growing needs of the business.

Total retail trading space is expected to increase by 4% to 5%. Further detail on the capital expenditure and store development programme for 2011 is outlined on page 6.

Selling price inflation is expected to remain in mid-single digits during the new financial year.

Share buy-backs are a critical element of the composite return to shareholders and the group plans to continue to repurchase shares in the year ahead at price levels that remain earnings enhancing. The group bought R100 million of the 2011 share buy-back programme in the latter stages of the 2010 financial year.

Appreciation

Thank you to our shareholders and the broader investment community for their continued support and active following of the Clicks Group over the past year.

On a personal note I would like to thank the many local and international fund managers and analysts with whom I have interacted in my five years with the group for their positive engagement and healthy debate. I also welcome my successor, Michael Fleming, and wish him well in his new role.

Thank you to the finance staff across the group for their commitment and the role they have played in improving the quality of financial reporting and enhancing disclosure to investors.

Keith Warburton
Chief Financial Officer

BUSINESS UNIT SEGMENTAL ANALYSIS

for the year ended 31 August 2010

		Clicks*		Musica		The Body Shop	
		2010 R'm	2009 R'm	**2010 R'm**	2009 R'm	**2010 R'm**	2009 R'm
Statement of financial position							
Property, plant and equipment		**470**	342	**57**	59	**12**	12
Intangible assets		**294**	272	**2**	–	**–**	–
Goodwill		**20**	10	**–**	–	**–**	–
Inventories		**1 114**	901	**152**	148	**8**	10
Trade and other receivables		**156**	148	**12**	12	**2**	1
Cash and cash equivalents		**6**	6	**–**	–	**–**	–
Other assets		**4**	5	**–**	–	**–**	–
Total assets		**2 064**	1 684	**223**	219	**22**	23
Total liabilities		**1 465**	1 154	**138**	128	**11**	13
Net assets		**599**	530	**85**	91	**11**	10
Statement of comprehensive income							
Turnover		**8 665**	7 424	**952**	948	**111**	105
Gross profit		**2 445**	2 038	**318**	311	**70**	63
Other income		**281**	252	**25**	27	**1**	–
Expenses		**(2 129)**	(1 821)	**(290)**	(287)	**(51)**	(47)
Operating profit		**597**	469	**53**	51	**20**	16
Ratios							
Increase in turnover	%	**16.7**	20.8	**0.5**	0.8	**5.2**	8.7
Selling price inflation	%	**5.8**	9.1	**2.7**	4.9	**0.1**	6.0
Comparable stores' turnover growth	%	**12.8**	15.3	**0.3**	–	**0.5**	2.2
Gross profit margin	%	**28.2**	27.4	**33.4**	32.8	**62.9**	59.4
Total income margin	%	**31.5**	30.8	**36.0**	35.6	**63.6**	59.8
Operating expenses as a percentage of turnover	%	**24.6**	24.5	**30.5**	30.3	**45.7**	44.3
Increase in operating expenses	%	**17.0**	16.7	**1.0**	9.8	**8.5**	15.0
Increase in operating profit	%	**27.3**	25.5	**4.1**	0.5	**21.6**	4.7
Operating profit margin	%	**6.9**	6.3	**5.5**	5.3	**17.9**	15.5
Inventory days		**65**	61	**87**	85	**67**	86
Trade debtor days		**9**	10	**–**	–	**–**	–
Trade creditor days		**49**	47	**40**	50	**–**	4
Number of stores		**369**	346	**152**	156	**40**	38
as at 31 August 2009/2008		**346**	326	**156**	158	**38**	35
opened		**26**	24	**3**	7	**3**	3
closed		**(3)**	(4)	**(7)**	(9)	**(1)**	–
Number of pharmacies		**251**	207	**–**	–	**–**	–
as at 31 August 2009/2008		**207**	157	**–**	–	**–**	–
new		**27**	14	**–**	–	**–**	–
converted		**18**	38	**–**	–	**–**	–
closed		**(1)**	(2)	**–**	–	**–**	–
Total leased area	m^2	**245 078**	234 570	**30 741**	30 550	**2 802**	2 656
Weighted retail trading area	m^2	**183 430**	175 927	**27 195**	26 465	**2 144**	1 990
Weighted annual sales per m^2	R	**45 924**	41 142	**35 011**	35 812	**51 748**	52 971
Full-time equivalents		**7 754**	7 302	**934**	904	**152**	145
Number of permanent employees		**6 366**	5 850	**811**	837	**112**	114

* Includes the results of Clicks Direct Medicines.

** Prior-year balances restated to exclude Clicks Direct Medicines.

Group Services 2010 R'm	Group Services 2009 R'm	Total retail operations 2010 R'm	Total retail operations 2009 R'm	UPD** 2010 R'm	UPD** 2009 R'm	Intragroup elimination 2010 R'm	Intragroup elimination 2009 R'm	Total operations 2010 R'm	Total operations 2009 R'm
198	269	737	682	152	148	–	–	889	830
16	29	312	301	2	1	–	–	314	302
–	–	20	10	86	86	–	–	106	96
–	–	1 274	1 059	312	370	(15)	(7)	1 571	1 422
2	7	172	168	922	913	(225)	(173)	869	908
119	376	125	382	27	28	–	–	152	410
596	599	600	604	40	195	(430)	(586)	210	213
931	1 280	3 240	3 206	1 541	1 741	(670)	(766)	4 111	4 181
644	787	2 258	2 082	1 366	1 732	(655)	(759)	2 969	3 055
287	493	982	1 124	175	9	(15)	(7)	1 142	1 126
–	–	9 728	8 477	5 299	5 037	(1 750)	(1 339)	13 277	12 175
–	–	2 833	2 412	79	107	(8)	(1)	2 904	2 518
–	–	307	279	324	285	(5)	–	626	564
–	–	(2 470)	(2 155)	(241)	(218)	5	–	(2 706)	(2 373)
–	–	670	536	162	174	(8)	(1)	824	709
–	–	14.7	18.0	5.2	3.5	30.7	56.4	9.0	8.8
–	–	5.4	8.6	5.5	9.2	–	–	5.4	8.8
–	–	11.2	13.2	–	–	–	–	11.2	13.2
–	–	29.1	28.4	1.5	2.1	–	–	21.9	20.7
–	–	32.3	31.7	7.6	7.8	–	–	26.6	25.3
–	–	25.4	25.4	4.5	4.3	–	–	20.4	19.5
–	–	14.6	15.7	10.5	(14.9)	–	–	14.1	12.0
–	–	24.9	21.9	(7.2)	13.3	–	–	16.1	20.2
–	–	6.9	6.3	3.1	3.5	–	–	6.2	5.8
–	–	67	64	22	27	–	–	55	54
–	–	9	10	55	57	–	–	42	46
–	–	48	47	53	78	–	–	52	64
–	–	561	540	–	–	–	–	561	540
–	–	540	519	–	–	–	–	540	519
–	–	32	34	–	–	–	–	32	34
–	–	(11)	(13)	–	–	–	–	(11)	(13)
–	–	251	207	–	–	–	–	251	207
–	–	207	157	–	–	–	–	207	157
–	–	27	14	–	–	–	–	27	14
–	–	18	38	–	–	–	–	18	38
–	–	(1)	(2)	–	–	–	–	(1)	(2)
–	–	278 621	267 776	–	–	–	–	278 621	267 776
–	–	212 769	204 382	–	–	–	–	212 769	204 382
–	–	44 588	40 567	–	–	–	–	44 588	40 567
342	342	9 182	8 693	755	818	–	–	9 937	9 511
343	338	7 632	7 139	432	446	–	–	8 064	7 585

17.2 million
prescriptions
processed

Michael Harvey
Managing Director

Clicks has the largest retail pharmacy coverage in the country with over 250 in-store dispensaries

Clicks is a specialist health, beauty and homeware retailer focusing mainly on female consumers in the middle to upper income markets. The brand offers value for money in convenient and appealing stores.

Review of the year

Clicks continued its strong sales and profit growth trend as the brand entrenched its leadership in the health and beauty retail markets. The performance reflects the benefit of the ongoing investment in people, processes and the brand in recent years.

Sales growth of 16.7% was boosted by a successful promotional programme throughout the year, while volumes grew by 7% for the year.

In the health category, sales of scheduled medicines grew by 35.0%, with front shop health sales up 19.6%. Dispensary sales passed the R2 billion mark for the first time and were boosted by the aggressive pharmacy opening programme. Over the past year Clicks processed over 17.2 million prescriptions. Baby merchandise is becoming increasingly important in the health category as Clicks extends its dispensary and clinic offer, and sales over the past year increased by 30%.

Beauty merchandise has proved to be resilient to the economic downturn of the past few years and sales growth of 12% was well ahead of inflation. The core sub-categories of personal care and colour cosmetics grew by 10.3% and 12.3% respectively, with fine fragrance increasing 53.4% and ethnic hair care by 20.2%.

Health and beauty merchandise now collectively account for 80% of Clicks' sales.

The more discretionary general merchandise category showed slower growth at 4%. Sales growth of 20% in small electrical appliances saw Clicks increase its leading position in this market and now one out of every five kettles, toasters, irons or hair-dryers bought in South Africa is from Clicks. General merchandise remains core to the customer offer as it enhances margin, increases basket value and positions Clicks as a destination for gifting.

Private label and exclusive brands generated 17.8% of sales in the past year, with front shop private label sales growing to 23.0%. Private label products offer better value to customers while entrenching loyalty to the brand and enhancing profitability to the business.

The strong sales growth over the past year translated into market share gains across all core merchandise categories.

3.1 million
Clicks ClubCard
active members

Private label (%)	2010	2009
Front shop sales	**23.0**	21.8
Total sales	**17.8**	17.6

The centralisation of the Clicks supply chain was completed in the second half of the year and 94% of stock is now channelled through the distribution centres. This has contributed to stock availability in stores reaching 96%.

In the past year a net 23 stores were opened to increase the store base to 369. A further net 44 dispensaries were opened and in August 2010 the 250th pharmacy was opened in the Gardens Centre in Cape Town, with Clicks closing the year on 251 dispensaries. The pharmacy business continues to provide strong organic growth opportunities; 32% of Clicks stores do not yet have dispensaries, while 97 of the Clicks dispensaries are less than two years old in an environment where pharmacies generally take three to four years to reach maturity.

Sustainability

Customer loyalty continues to be one of the main drivers of growth in Clicks. The Clicks ClubCard passed the 3 million customer mark, increasing by over 400 000 members in the past year to reach 3.1 million at year-end. ClubCard accounted for 74.8% of sales in Clicks and R197 million was returned to customers in cash-back vouchers. The average basket value of ClubCard holders is almost double that of non-ClubCard members.

The Clicks pharmacy network is being positioned to assist in the delivery of primary healthcare not only for medical aid members, but also for the majority of South Africans who are not covered by medical insurance and are currently reliant on state healthcare facilities.

Earlier in the year the Department of Health (DoH) launched a nationwide HIV counselling and testing campaign to encourage South Africans to know their HIV status. Through this campaign the government aims to test 15 million people and Clicks is partnering with the DoH to use its pharmacies and clinics for testing. Clicks also assisted the DoH with its annual winter influenza vaccination campaign.

Customers again voted Clicks as the country's first choice specialist health and beauty retailer in the Sunday Times Top Brands survey for 2010, as well as the coolest health and beauty brand in South Africa in the Sunday Times Generation Next Awards.

Clicks ClubCard	2010	2009
Active ClubCard members (m)	**3.1**	2.7
Contribution to sales (%)	**74.8**	70.0
Cash-back vouchers issued (Rm)	**197**	162

The shortage of pharmacists is one of the biggest challenges facing Clicks and could constrain expansion and growth in the business.

The Clicks employer of choice programme assisted in attracting and retaining pharmacists. The pharmacist turnover rate improved from 53% to 34% over the past year, although the vacancy rate for pharmacists remains high as Clicks continues with its aggressive dispensary roll-out programme.

74.8%
of sales from
Clicks ClubCard

The in-house Pharmacy Healthcare Academy has continued to develop pharmacy skills and in the past year trained over 550 pharmacy assistants. The pharmacy internship programme attracted 39 participants and a further 50 will be enrolled in January 2011.

Clicks is actively engaged with universities and pharmacy schools to attract interns and candidates for study bursaries for future employment. Forty bursaries will be granted over the next year to increase the pipeline of pharmacists.

Clicks opened its first "green" store in Durbanville in the Western Cape. Design elements included energy efficient lighting, air-conditioning, roof insulation and geysers, as well as water-saving measures. Shopfitting boards and paint comply with sustainable manufacturing principles. The Clicks distribution centres have implemented a weekly carbon footprint scorecard to measure resource consumption, travel and recycling.

Clicks is in the process of developing environmentally friendly private label products that are both price competitive and offer innovative product, packaging and sourcing alternatives. Clicks will launch product ranges that are used in everyday life and can have an immediate impact on the environment. Clicks will also create a more sustainable supply chain by identifying enterprise development opportunities in the sourcing of private label merchandise.

Growth in Clicks pharmacies

Market share (%)	2010	2009
Health		
Retail pharmacy*	**13.6**	11.1
Front shop health**	**38.7**	37.2
Beauty		
Personal care**	**24.9**	24.4
Colour cosmetics***	**30.1**	29.6
General merchandise		
Small household appliances****	**20.0**	18.0

* IMS (excluding courier pharmacy)
** AC Nielsen
*** RLC
**** GfK (restated)

30 – 40
dispensaries
planned for 2011

Clicks plans to expand its store base to 500 in the medium term

Strategy and focus for 2011

Clicks plans to open 20 to 30 new stores and between 30 and 40 dispensaries, and remains committed to achieving its medium-term target of 500 stores.

The customer offer will be enhanced by extending the front shop health and baby merchandise ranges in the larger format destination stores. The current clinic services model is being refocused to address three areas: mother and baby, family planning and adult immunisation.

Growth in beauty and electrical merchandise will be driven through continued product innovation and differentiation, while the homewares offer is being repositioned to provide functional, core value merchandise which should benefit the brand as consumer spending increases.

Clicks has a culture of continuous improvement and has embarked on several projects to enhance operating efficiency. A customer service excellence programme has been introduced in 90 stores and will be extended to all stores over the next three years. The Blueprint programme, which has been successfully completed in all stores and distribution centres, has been introduced in the merchandising areas to focus on planning and product development.

Private label is a strategic growth area and management is targeting to achieve 20% to 25% sales contribution in the medium term. Dedicated teams have been established for the sourcing of private label front shop products and for scheduled medicines.

Management is confident that the growth strategies will continue to improve operating margins in the medium term and the margin target guidance has been increased to a range of 6.5% to 7.5%.

34%
increase in sales
from UPD to Clicks

Third party distribution agency business is a strategic focus for UPD

Vikesh Ramsunder
Managing Director

UPD is the country's only national full-range pharmaceutical wholesaler and provides the distribution capability for the Clicks Group's integrated healthcare strategy.

Review of the year

UPD continued to focus on its strategic customer groups of Clicks, the private hospital groups and Link pharmacies and these core customers collectively accounted for 82% of wholesale sales, compared to 76% in the previous year. These customer groups are supported by UPD's small but growing export business.

Sales from UPD to Clicks increased by 34% owing to the strong growth in the pharmacy business. Clicks is now UPD's single largest customer. UPD supplies the majority of pharmaceutical product to the Life Healthcare and Medi-Clinic private hospitals and sales to hospital groups increased by 8%.

The business continues to shift towards scheduled medicines and away from front shop products, with scheduled medicines now accounting for 91% of sales.

UPD targets independent community pharmacies through the Link buying group which currently has 247 member pharmacies. Sales to Link pharmacies grew by 39% this year and close to 80% of Link members are now achieving the required compliance levels. Value-adding services are provided to Link pharmacies to create increased loyalty to UPD, including training, front shop marketing support, merchandising, category management and product development.

Export sales grew 21% through UPD's Botswana-based pharmaceutical wholesaler, Kalahari Medical Distributors. Growth in the export and SADC countries was slower than anticipated due to several regulatory and product supply constraints.

Third party distribution agency business is a strategic focus area for UPD. Notional distribution turnover, being the value distributed on behalf of clients, increased by 39% to R553 million. Two new agency distribution contracts were secured during the year and UPD has been aggressively marketing this offer to attract large distribution contracts from pharmaceutical manufacturers.

247
Link pharmacies

UPD continued to drive efficiencies and wholesale expenses declined from 4.4% to 4.2% of sales. A stock-less front shop model was adopted in UPD's three smaller branches and product was cross-docked from the two main distribution centres in Gauteng and Cape Town. Improved ordering methodologies contributed to the 27% increase in the average value per order placed with UPD. This has led to an 11% decline in the number of orders. Headcount reduced by 8%.

UPD has maintained its leadership in the combined private pharmaceutical wholesale and distribution market and remains the only national full-line wholesaler.

Market share (%)*	2010	2009
Private pharmaceutical market (value)	**23.7**	23.6
Private pharmaceutical market (volume)	**20.5**	20.6

* Per IMS (August 2010)

Sustainability

Delivery routes will be optimised through the introduction of scanning technology which will improve control over deliveries and further reduce travel, while fleet vehicle specifications will be reassessed to reduce emissions and optimise fuel usage. A carbon disclosure project will be implemented to measure the manufacturing, packaging and supply chain environmental impact of suppliers. A project has commenced to reduce electricity usage at all UPD facilities and to address waste disposal, effluent and air quality.

Strategy and focus for 2011

UPD plans to return product availability levels to 95% (2010: 89%) after experiencing supply challenges in the past year. A new planning system has been implemented and the commercial department restructured, which should improve planning capability and enhance customer focus.

The Link Pharmacy business has been reorganised to add value to members. Front shop purchases will be channelled through the Clicks distribution centres to expand the range of products available to Link members.

UPD will continue to grow the export business, with a particular focus on Botswana.

Third party distribution remains a major revenue opportunity and UPD will continue to market the supply chain benefits and cost efficiencies which the business can deliver to pharmaceutical manufacturers.

Management confirms that a sustainable operating margin is between 2.7% and 3%. This targeted margin does not include any trading benefit from an annual increase in the single exit price of medicines or growth in the distribution agency business.

MUSICA
A WORLD AWAITS

Ralph Lorenz
Managing Director

Musica is the largest retailer of entertainment-related merchandise in the country, targeting consumers in the middle and upper income groups.

Review of the year

Discretionary spending in the entertainment market remained muted during the year and in this environment management continued to improve returns and focus on managing margin and costs.

Musica is a broad-based entertainment business with CD sales accounting for 52% of sales, DVDs 30%, gaming 14% and lifestyle products 4%.

The CD market has remained resilient in the face of the consumer downturn. While CD sales only increased marginally year on year, Musica continued to grow ahead of the market and lifted its share to 45%. DVD sales declined by 2% with gaming up 8%.

Sales of lifestyle merchandise, which includes digital accessories, cellphones and airtime, books and T-shirts, increased by 17% as the brand expanded its entertainment offer. Musica engaged a new cellular partner during the year and Vodacom kiosks have been opened in over 70% of stores.

The Clicks ClubCard was successfully launched into Musica, enabling cardholders to earn points and cash-back vouchers which are redeemable in Clicks stores. By year-end ClubCard accounted for 40% of monthly sales in Musica while the basket value of ClubCard members was 23% higher than non-members.

Musica continued to focus on stores in destination retail locations. During the year three new stores were opened, four relocated and seven stores closed, ending the year on 152 stores.

The strength of the brand is reflected in customers voting Musica as the coolest music store in the Sunday Times Generation Next brand survey. Musica was also rated as the best CD retailer in the Readers' Choice Awards 2010 and best music store in The Times and Sowetan Retail Awards.

Market share (%)*	2010	2009
CD	**45**	44
DVD	**23**	23
Gaming software	**9**	9

* Per RISA/supplier data/GfK

Strategy and focus for 2011

Discretionary spending on entertainment products is expected to remain under pressure in the year ahead and Musica will continue to drive market share growth.

Musica will open stores in destination locations which can house the full entertainment offer. Four new stores are planned for 2011 although no net growth is expected in the store portfolio owing to further planned closures of marginal stores.

ClubCard participation will be increased through data mining and exclusive offers to enhance loyalty to the brand.

An automated replenishment and efficiency system has been implemented to improve inventory management. Inventory days in stock is planned to reduce from 87 to 70 days in the year ahead.

Management will focus on the continued tight control of margin and expenses and the operating margin target has been maintained in a range of 5% to 6%.

Sean Kristafor

General Manager

The Body Shop is a global brand marketing naturally-inspired toiletries, cosmetics and gifting. The Body Shop serves mainly female customers in the middle and upper income markets.

Review of the year

The Body Shop produced another competitive performance as discretionary spending in the luxury beauty and gifting market remained under pressure. Sales growth of 5% was driven by new store openings, with unit sales increasing by 5.4% as the brand experienced negligible price inflation.

Expenses in the brand were well controlled, shrinkage and waste were tightly managed and stock availability levels were consistently above 95%.

Women's fragrances performed strongly as three new ranges were launched during the year, while the bath and body category continued to be the brand's core range. Slower growth was experienced in skincare ranges and in the make-up category.

Three new stores were opened to increase the store base to 40, with the brand's weighted trading area growing by 8%.

Capsule ranges of The Body Shop's best sellers were introduced into 11 Clicks stores to increase distribution and accessibility to the brand. Sales have not been negatively impacted where these Clicks stores trade in the same shopping centres as stand alone stores of The Body Shop.

As part of the global The Body Shop brand, the local franchise is committed to upholding the core values of sustainability, including fair trade, community upliftment and non-exploitation of scarce resources. The brand markets several certified organic products. The Body Shop utilises the supply chain of the Clicks brand to maximise economies of scale at the distribution centres and to minimise the carbon footprint of stock deliveries.

Strategy and focus for 2011

The Body Shop strives to generate continuous excitement through product innovation and value promotions to entrench its position as a gifting destination.

Three new stores are planned for the 2011 financial year in premium locations.

The distribution of The Body Shop products through Clicks stores presents a further growth opportunity. The capsule ranges in Clicks will be extended to more than 25 additional stores in the year ahead, with an improved product range selection and enhanced in-store presentation. Shortly after year-end a new store-within-a-store format of The Body Shop was opened in the new Clicks store in Cavendish Connect in Cape Town.

The "Love Your Body" loyalty programme was relaunched in September 2010 based on the successful Clicks ClubCard model. The ClubCard technology will enhance The Body Shop's ability to engage with customers to increase participation levels and grow basket value.

The current economic climate continues to influence consumer spending behaviour and the brand's promotional strategy will be core to attracting and retaining customers. Operating margin guidance for the year ahead remains at 14% to 16%.

CORPORATE GOVERNANCE REPORT

Audit and risk committees amalgamated

New independent non-executive director appointed

Clicks Group strives to achieve the highest standards of corporate governance and follows stringent legislative and regulatory compliance practices to ensure the sustainability of the business.

The directors recognise that sound governance can benefit long-term equity performance and enhance shareholder value. In an environment of increasing regulatory and legislative requirements and reporting, the board aims to maintain a balance between compliance and the need to deliver sustainable performance to shareholders.

The group acknowledges that it is the duty of directors and officers to discharge their legal responsibilities with care, skill and diligence, and also to comply with their fiduciary duties to the company. The group has adopted the "apply or explain" principle of the King Report on Governance for South Africa 2009 (King III) to achieve the overarching corporate governance philosophies of fairness, accountability, independence, responsibility and transparency.

Sustainability is a core component of corporate governance and the group embraces practices which contribute to the long-term sustainable development of the business and society. The group's progress on social, economic and environmental management is contained in the Sustainability Report on pages 54 to 63.

The directors believe Clicks Group complies with King II, the Companies Act of 1973 and the governance provisions in the Listings Requirements of the JSE Limited. The group is currently implementing the recommendations of King III and the only areas of the new code still to be implemented include items specific to the new Companies Act, the stakeholder engagement process and external assurance of the sustainability report.

The group has adopted the "apply or explain" principle of King III

Apply or explain principles of King III

All JSE-listed companies are required to report and disclose the application of the King III principles in their annual reports covering periods commencing on or after 1 March 2010. While the group therefore only needs to report in compliance with King III for the 2011 financial year, the board has elected to adopt the integrated reporting principles of King III and explain the principles that have not been applied:

- Principle 3.2 of King III recommends that the chairman of the board should not be a member of the audit committee. The chairman of the board, David Nurek, currently serves on the audit and risk committee. The nominations committee considered the issue and recommended to the board that Mr Nurek should remain a member of the audit and risk committee owing to his skills, knowledge and experience which allow him to make a significant contribution to the committee. The board accepted the recommendation that he continues to serve on the committee; and
- Principle 2.26 of the code recommends that companies should disclose the salaries of the three most highly paid employees who are not directors. The group has chosen not to disclose the salaries or identify the most highly paid individuals for competitive reasons.

Governance enhancements

Governance practices are regularly reviewed to align with legislative and regulatory changes and to reflect developments within the business. While the major focus has been on the implementation of King III, the following changes and enhancements were made to governance processes:

- The audit committee and risk committee were combined and the terms of reference of the newly constituted audit and risk committee have been approved by the board. The committee's mandate has been extended to incorporate the relevant audit and risk-related aspects of King III, as well as responsibility for governance and environmental sustainability;
- The terms of reference of the other board committees are being amended to comply with the requirements of King III;
- A sub-committee of the board comprising executive management and non-executive directors evaluated the principles of King III against current governance practices. A gap analysis was prepared and discussed at board and committee meetings;
- A compliance process framework has been devised and will be implemented throughout the group during the new financial year;
- The Companies Act of 2008 is expected to be implemented during the first half of 2011 and the evaluation to assess the group's processes relative to the Act continued. Once the terms of the Companies Act and its regulations have been finalised, the group's processes will be aligned with those required by the Act;
- Ongoing liaison between the head of group legal counsel, the legal compliance officer and group head of internal audit has ensured that compliance and risk issues are integrated into the company's structures; and
- A report of the audit and risk committee has been included in this report, in accordance with the requirements of the Companies Act and King III.

Board of directors

Board composition

Clicks Group has a unitary board structure with 10 directors, including four salaried executive directors and six non-executive directors. The only change to the board composition during the year was the appointment of Dr Nkaki Matlala as an independent non-executive director on 24 August 2010. Biographical details of the directors appear on pages 16 and 17.

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

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

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

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

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

Independence of directors

King III requires independent non-executive directors who have served on the board for more than nine years to be subjected to a rigorous review of their independence. This applies to the chairman of the board, David Nurek, who has served as a director for 13 years.

The nominations committee is tasked with evaluating the independence of the chairman and to consider factors which could impact on his independence and performance. The committee will be required in the forthcoming financial year to consider his independence.

The six non-executive directors are all independent in terms of both the King II definition and the guidelines outlined in the JSE Listings Requirements. The review of the independence of the non-executive directors as required by King III will be undertaken by the nominations committee in January 2011.

The board will be adopting the practice with effect from January 2011 of electing the chairman after the annual general meeting (AGM).

Board charter

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

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

Board appointment

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

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

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

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

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

Group executive committee

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

The responsibilities of the group executive include:

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

Company secretary

The company secretary ensures that board procedures and all regulations and governance codes are observed. He also provides guidance to the directors on governance, compliance and their fiduciary responsibilities. As an experienced attorney, the company secretary is also head of group legal counsel and provides legal advice and services to the group.

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

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

Board evaluation

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

The main recommendations arising out of the board evaluation process were:

- To amalgamate the audit committee and risk committee: these committees were combined with effect from 29 July 2010 to form the audit and risk committee; and
- To appoint further healthcare expertise to the board: Dr Nkaki Matlala, an experienced surgeon and healthcare executive, was appointed as an independent non-executive director with effect from 24 August 2010.

Board and committee structure

The directors have delegated specific functions to committees to assist the board in meeting its oversight responsibilities. The committees all have documented mandates which are reviewed annually and the directors confirm that the committees have functioned in accordance with these written terms of reference during the financial year. All board committees are chaired by independent non-executive directors. During the year Fatima Abrahams was appointed as chair of the remuneration committee.

Audit and Risk
Chair: John Bester
Fatima Jakoet
David Nurek

Transformation
Chair: Fatima Abrahams
Bertina Engelbrecht
Michael Harvey
David Kneale
David Nurek

Clicks Group

Board of directors
Six non-executive directors
Four executive directors

Remuneration
Chair: Fatima Abrahams
John Bester
David Nurek

Nominations
Chair: David Nurek
Fatima Abrahams
Martin Rosen

Audit and risk committee

As detailed earlier in the report under “Governance enhancements”, the audit committee and risk committee were combined to form a single committee.

The roles and responsibilities of the committee are detailed in the Audit and Risk Committee Report on pages 68 to 70.

Remuneration committee

Role

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

Functions

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

Detail on the group’s remuneration philosophy and policies are contained in the Remuneration Report on pages 45 to 49.

Nominations committee

Role

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

Functions

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

Transformation committee

Role

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

Functions

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

Board and committee attendance

	Board	Audit*	Remuneration	Risk*	Nominations	Transformation
Number of meetings	4	4	3	2	2	2
David Nurek	4+	4	3	2	2+	2
Fatima Abrahams	4		3+		2	2+
John Bester	4	4+	3	2		
Bertina Engelbrecht	4			2		2
Michael Harvey	4					2
Fatima Jakoet	4	4		2+		
David Kneale	4			2		2
Nkaki Matlala**	0/0					
Martin Rosen	4				2	
Keith Warburton	4			2		
Attendance at meetings (%) 2010	**100**	**100**	**100**	**100**	**100**	**100**
Attendance at meetings (%) 2009	100	100	100	93	100	100

\+ Chair
* Audit committee and risk committee amalgamated on 29 July 2010
** Appointed 24 August 2010

Internal accountability

Risk management

The board is responsible for the risk management process and management is accountable to the board for designing, implementing and monitoring the process of risk management in the day-to-day activities of the group. Further details are contained in the Risk Management Report on page 50.

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 outlined in the audit and risk committee terms of reference and in the internal audit charter. Details of the internal audit function are contained in the audit and risk committee report on pages 68 to 70.

Legislative and regulatory compliance

Legislative and regulatory compliance is monitored by the head of group legal counsel. An analysis of current and pending legislation and regulation is presented at each meeting of the board, and the audit and risk committee.

The following legislation and regulation which could impact on the group's business has been reviewed and analysed by the internal legal and compliance department.

- The Medicines and Related Substances Act and Regulations: revisions and amendments;
- Revised regulations for dispensing fees for pharmacists;
- The Companies Act 2008 which was assented to in April 2009;
- The Competition Amendment Act;
- The Foodstuffs, Cosmetics and Disinfectants Act;
- The Standards Act; and
- The Consumer Protection Act. The administrative aspects and section 61 of the legislation came into operation in April 2010 and the remaining provisions relating to the consumer will be effective from March 2011.

There were no cases of legislative or regulatory non-compliance during the year and no penalties or sanctions were imposed on the group or any of its directors or officers during the year. No requests for information were withheld by the group in terms of the Promotion of Access to Information Act.

Personal share dealings

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

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

Directors are required to obtain written clearance from the chairman prior to dealing in the company's shares. The chairman is required to obtain approval from the chairman of the audit and risk committee before undertaking any share dealings. It is also mandatory for directors to notify the company secretary of any dealings in the company's shares. This information is then disclosed on SENS within 48 hours of the trade being effected. These dealings are also reported retrospectively at board meetings. Details of all dealings by directors during the reporting period are contained in the Directors' Report on page 66.

Ethics and values

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

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

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

Tip-Offs Anonymous

Staff are encouraged to report suspected fraudulent or unethical behaviour via a toll-free telephone service managed by an external service provider. All reported incidents are investigated. There has been a continued increase in the number of reported incidents owing to awareness campaigns through presentations, a quarterly newsletter and competitions, as well as staff recognising management's zero tolerance approach to misconduct and reporting incidents before significant losses are incurred.

	2010	2009
Reported incidents	**170**	120
Resultant dismissals/resignations	**16**	39
Employees counselled	**18**	7
Other disciplinary action	**29**	22

Anti-competitive conduct

Clicks Group does not engage in practices that could prevent others from competing with the group or that could adversely impact on customers.

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

External attorneys were engaged to analyse the Competition Act and the Competition Amendment Act and to advise the directors and management of the content and issues arising from this legislation. These attorneys are currently developing a competition compliance framework and programme for the group.

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

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

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

Political donations and affiliations

While the group supports the democratic system in South Africa, it does not make donations to individual political parties.

Directors are required to disclose any political affiliations or exposure. The only director with political affiliations is Dr Nkaki Matlala who is a member of the African National Congress.

Financial statements and external review

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

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

The role of the external audit function is covered in the comprehensive audit and risk committee report on pages 68 to 70.

Going concern

The board is satisfied that the group has adequate resources to continue operating for the next 12 months and into the foreseeable future. The financial statements presented on pages 72 to 126 have been prepared on a going concern basis. The board is apprised of the group's going concern status at each board meeting.

Investor relations

Clicks Group is committed to regular and transparent communication with the investment community while providing information equally and simultaneously to all market participants.

The group has an active investor relations programme focused on fund managers, analysts and potential investors both locally and internationally. An investor relations consultancy is retained to co-ordinate and advise management on all aspects of the investor relations and financial communications programmes.

Investor relations activities include interim and final results presentations to investors which are webcast and broadcast nationally to provide access to investors locally and offshore, post-results investor roadshows and hosting visits to stores and distribution facilities. During the year management held 173 (2009: 116) meetings with local and international fund managers and analysts, participated in five broker conferences domestically and abroad, and undertook investor roadshows to the United States and United Kingdom. Currently 10 brokerages publish research on the Clicks Group.

The group's major shareholders and the geographic distribution of shareholders are detailed on page 127.

Clicks Group is committed to regular and transparent communication with the investment community

REMUNERATION REPORT

Remuneration policy and philosophy

The group's remuneration policy is based on the "total rewards strategy" which is aimed at driving a high performance culture that consistently delivers above average returns to shareholders through employees who are motivated and fully engaged. This remuneration policy also supports the attraction, development and retention of employees with scarce and critical skills who contribute to sustained business growth.

Remuneration committee

The remuneration committee assists the board in ensuring that the group has a competitive remuneration policy which is aligned with the group's strategy and performance goals. The key duties of the committee include:

- Ensuring the group has a remuneration policy that promotes the achievement of strategic objectives and encourages individual performance;
- Ensuring the combination of fixed and variable pay, in cash, share appreciation rights and other benefits, meets the group's needs and strategic objectives;
- Ensuring all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued;
- Considering the results of the evaluation of the performance of the chief executive officer and other executive directors, both as directors and as executives in determining remuneration;
- Selecting an appropriate comparative group when comparing remuneration levels;
- Reviewing incentive schemes to ensure continued contribution to shareholder value and that these are administered in terms of the rules; and
- Advising on the remuneration of non-executive directors.

The remuneration committee comprises three independent non-executive directors: Professor Fatima Abrahams (chair), John Bester and David Nurek. The chief executive officer and group human resources director attend meetings by invitation, but are excused when their own remuneration and ratings are discussed by the committee. Detail on the remuneration committee and meeting attendance is included in the Corporate Governance Report.

Remuneration structure

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

- The Hay-based job grading level and pay point;
- The competitive position of the Clicks Group pay and benefits structure relative to its defined market position which determine the remuneration ranges applicable to each job level and skills pool;
- Individual performance as assessed during the annual performance appraisal process; and
- Individual position in the pay band range relative to competence and performance.

External compensation and benefit consultants advise the group on best pay practices, competitive positioning and benchmarking on strategic human capital issues. The outcome of this work and a review of the group's human resources challenges led to the implementation of the total rewards framework. This framework is predicated on the following:

- Increased flexibility to meet differing employee needs;
- Clicks Group's positioning as an employer of choice;
- Enhanced capability to attract and retain best talent; and
- Improve understanding of the employee value proposition.

The total rewards framework involved the implementation of a new Hay grading methodology to enable credible remuneration benchmarking; a new pay policy which aligned grading levels to pay points; a benefits matrix that aligned the benefits to grading levels; and a detailed RASCI governance framework. These factors have already contributed to a decrease in employee turnover rates over the past year and higher levels of employee commitment and affiliation to the group.

Executive directors

The remuneration package of executive directors consists of three components:

- annual guaranteed pay, which allows for flexible structuring of retirement fund contributions, medical aid and car allowance;
- short-term cash-based incentive bonus; and
- participation in the long-term incentive scheme.

The remuneration structure of executive directors is aligned with shareholder interests as expressed in the group's medium-term financial targets. A significant portion of executive remuneration is therefore performance related. Base salaries are set according to an annual benchmarking exercise of medium-sized market capitalisation companies on the JSE Limited and a defined retail comparator group, and are subject to annual review by the remuneration committee.

The performance of the chief executive officer is assessed by the chairman and the board, while the performance of the other executive directors and other reportees to the chief executive officer is evaluated by the chief executive officer and reviewed by the remuneration committee. The annual pay increase of the executive directors is based on the individual performance rating and position in range, as determined by the remuneration committee during the annual review of remuneration.

Executive directors participate in the annual short-term cash-based incentive scheme. Financial targets, based on the group's average monthly return on net assets (RONA), are set by the board and embedded in the budgets, operating plans and the performance contracts. The achievement of these targets is reviewed by the remuneration committee before any incentive payments are made to executive directors and is also subject to review by the group's external auditor.

A bonus of 40% (60% in the case of the chief executive officer) of annual guaranteed pay is paid on the achievement of an on-target performance. Performance exceeding the targeted performance may result in the payment of a higher bonus. This is, however, self-funded and only paid if the group exceeds the targeted operating profit.

The sustainability of the group's business is critical in determining remuneration and the board is satisfied that the performance targets do not encourage increased risk taking by the executives.

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

Management

Senior managers receive an annual guaranteed salary and participate in the short-term incentive bonus scheme. Salaries may include premiums for scarce and critical skills. A limited number of senior managers participate in the long-term incentive scheme, based on strategic contribution to their business unit and their individual performance levels.

An annual salary increase is paid to all staff and the average increase for the financial year was 5.8% (2009: 7.0%). The annual increase date is 1 September which is aligned with the group's financial year and budgeting period.

A retention scheme was approved by the remuneration committee and implemented during the year for high potential, high performing employees who are critical to the group's strategic talent and succession plans. The scheme is aimed at retaining the employees over a three-year period. One-third of the retention value was allocated upfront and the remaining two-thirds will be paid at the end of the three-year retention period. A total of 18 senior employees, of which one-third are black, benefited from this scheme.

Staff

A one-year wage settlement with an increase of 10.8% (2009: 11.3%) was granted to all permanent employees in the Clicks bargaining unit. All staff in the bargaining unit also participate in the group's short-term incentive scheme. For UPD staff, a one-year wage agreement was concluded with an increase of 10.0% (2009: 10.0%). All UPD staff receive a guaranteed 13th cheque.

An annual bonus is paid in mid-December to all qualifying permanent employees within the retail businesses. While this bonus forms part of the group's compensation strategy, the focus of remuneration remains performance-based.

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

Non-executive directors

Non-executive directors receive fees for their services as directors and for serving on board committees. These fees reward the directors fairly for the time, service and expertise provided to the group. The fee structure is based on an annual benchmarking of non-executive directors' fees in a defined retail comparator group. Non-executive directors do not participate in incentive schemes. There are no options held by non-executive directors.

Incentive schemes

Short-term incentive scheme

All permanent employees in the retail businesses and the majority of employees in UPD participate in the short-term incentive scheme which rewards the achievement of performance targets based on the RONA of the business.

The performance measurement is based on each employee's area of responsibility and can be determined for a specific store, region, business unit or at the group level. The scheme is self-funding as the value of an on-target bonus is included in the annual budget.

Performance exceeding the targeted performance may result in the payment of a higher bonus provided this is funded by the increase in the operating profit. A total of R66.7 million (2009: R54.3 million) was approved by the remuneration committee as the total bonus payable for the 2010 financial year.

Long-term incentive schemes

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

Share appreciation rights scheme

Under this scheme share appreciation rights were allocated to executive directors and senior employees. The rights vest equally after three years and five years and the exercise price of the rights is linked to the performance of the share price. The first tranche of rights was allocated on 7 April 2005 and a further tranche on 11 May 2006. The last of the outstanding rights will mature in May 2011.

As the group's liability relating to these share appreciation rights is dependent on the future performance of the company's share price, a derivative hedge was acquired to limit the level of exposure. The group's maximum exposure in relation to the unhedged portion is R1.4 million (2009: R14 million). Further details on the hedging instrument and the cost of the hedge are contained in notes 16 and 21 to the annual financial statements.

The following share appreciation rights allocated to executive directors matured during the financial year and the proceeds are reflected below:

Director	Number of five-year rights	R'000
Michael Harvey	1 000 000	27 779
David Kneale	750 000	20 834
Keith Warburton	825 000	22 917

The following share appreciation rights were outstanding at year-end:

Director	Number of five-year rights
Bertina Engelbrecht	200 000
David Kneale	75 000

Long-term incentive scheme

In terms of the group's long-term incentive scheme, share appreciation rights are allocated to participants and these rights are cash-settled at the end of the three-year performance period. The value of the rights is linked to the group's reported diluted headline earnings per share multiplied by an internal price earnings ratio of 12.

The long-term incentive scheme charge is accrued over the three-year performance period. In determining the charge, the amount reflected in the statement of comprehensive income takes account of the actual and projected annual growth in diluted headline earnings per share over the three-year performance period. The annual charge is discounted to present value using market yields on high quality bonds that most closely match the term of the share appreciation rights. Rights are forfeited if an employee resigns within the performance period.

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

A total of 36 (2009: 48) employees currently participate in this scheme, collectively holding 12 857 363 (2009: 17 923 136) rights at year-end. The table below details rights which have been allocated to executive directors under this scheme and the relevant amounts have been expensed through the statement of comprehensive income.

Executive director	Allocation at R12.36 per right 1 Sept 2007 (number of rights)	Allocation at R15.83 per right 1 Sept 2008 (number of rights)	Allocation at R19.91 per right 1 Sept 2009 (number of rights)
Bertina Engelbrecht	396 845	335 845	294 576
Michael Harvey	502 670	431 333	374 887
David Kneale	1 255 617	1 072 331	942 240
Keith Warburton	529 126	450 284	395 681
Total	2 684 258	2 289 793	2 007 384

Employee benefits

Retirement funds

Membership of a retirement fund is compulsory for all permanent employees. Employees have the option to join the Clicks Group Retirement Fund, the Clicks Group Negotiated Pension Fund or the Clicks Group Negotiated Provident Fund. Employees of UPD can join the Clicks Group funds, the New UPD Corporate Selection Pension Fund or the Chemical Industries' National Provident Fund.

- Combined membership across the funds was 7 716 (2009: 7 405) at year-end;
- Total assets of the funds (excluding the Chemical Industries' Provident Fund) amounted to R731 million (2009: R695 million);
- The funds are all defined contribution schemes and the group carries no liability in relation to these funds; and
- All funds provide death and disability cover, while the negotiated funds also include a funeral benefit.

Medical aid

Membership of the Discovery Health Medical Scheme is actively encouraged. At year-end 1 014 (2009: 1 010) employees were members of the Discovery scheme.

The existing Clicks Group Medical Aid Scheme is administered by Medscheme. The fund had 565 (2009: 704) principal members at year-end and a solvency ratio of 76% (2009: 56%). UPD operates a medical scheme administered by Fedhealth and 48 (2009: 58) of the permanent employees are members of the fund.

Directors' remuneration

Executive directors' remuneration – 2010

Director (R'000)	Salary	RONA short-term incentive*	Performance based long-term incentive	Pension fund	Other benefits	Total
Bertina Engelbrecht	1 802	1 012	6 016	152	1 111	10 093
Michael Harvey	2 264	1 340	7 620	193	31	11 448
David Kneale	4 943	4 163	19 034	416	1	28 557
Keith Warburton	2 433	1 360	8 021	178	14	12 006
Total	11 442	7 875	40 691	939	1 157	62 104

* Payments relating to performance for the year ended 31 August 2010 are only paid in November 2010 but are provided for in the current financial year.

Executive directors' remuneration – 2009

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

Non-executive directors' remuneration

	2010	2009		
Director (R'000)	Directors' fees	Directors' fees	Consultancy fees	Total
David Nurek	648	594	–	594
Fatima Abrahams	251	225	–	225
John Bester[1]	313	253	–	253
Peter Eagles[2]	n/a	157	300	457
Fatima Jakoet	274	247	–	247
Robert Lumb[3]	n/a	63	–	63
Nkaki Matlala[4]	–	n/a	n/a	n/a
Martin Rosen	153	144	–	144
Total	1 639	1 683	300	1 983

[1] Appointed 1 October 2008 [2] Resigned 29 June 2009 [3] Resigned 30 November 2008 [4] Appointed 24 August 2010

Total directors' remuneration (R'000)	2010	2009
Executive directors (excluding share appreciation rights)	62 104	19 103
Non-executive directors	1 639	1 983
Total directors' remuneration	63 743	21 086

Directors' shareholdings at 31 August

Director	2010 Direct beneficial	2010 Indirect beneficial	2010 Total	2009 Direct beneficial	2009 Indirect beneficial	2009 Total
David Nurek	–	329 682	329 682	–	129 682	129 682
Fatima Abrahams	–	–	–	–	–	–
John Bester	10 000	10 000	20 000	10 000	–	10 000
Bertina Engelbrecht	34 591	–	34 591	–	–	–
Michael Harvey	143 815	–	143 815	100 000	–	100 000
Fatima Jakoet	–	–	–	–	–	–
David Kneale	214 646	–	214 646	105 200	–	105 200
Nkaki Matlala	–	–	–	n/a	n/a	n/a
Martin Rosen	2 000	–	2 000	2 000	–	2 000
Keith Warburton	46 121	5 000	51 121	–	5 000	5 000
Total	451 173	344 682	795 855	217 200	134 682	351 882

The number of issued shares are 284 006 929 (2009: 302 841 401). Percentage of issued share capital held by directors is 0.28% (2009: 0.12%). Details of all dealings in Clicks Group shares by directors during the financial year are contained in the Directors' Report on page 66.

Non-executive director fees

The fee structure for non-executive directors has been adjusted for the 2011 financial year and is subject to retrospective approval by shareholders at the annual general meeting in January 2011.

The fee structure has been amended to include a base fee for appointment to the board or any committee as a member or chairman of a committee, together with an attendance fee. The higher increase in the fees for the audit and risk committee recognises the amalgamation of the audit committee and risk committee and the increased level of accountability vested in the committee following the adoption of the King III principles. The non-executive directors' fees are also reviewed annually against a defined retail comparator group.

Board position	Proposed fees for 2011 Anticipated total fees R	Base fee R	Fee per meeting R	Fees paid for 2010 R
Chair of the board	440 000	330 000	27 500	387 000
Board member	140 000	105 000	8 750	121 000
Chair: Audit and risk committee	180 000	135 000	9 000	110 000
Audit and risk committee member	100 000	75 000	5 000	55 000
Chair: Remuneration committee	70 000	52 500	8 750	65 000
Remuneration committee member	35 000	26 250	4 375	32 500
Chair: Nominations committee	70 000	52 500	8 750	63 000
Nominations committee member	35 000	26 250	4 375	31 500
Chair: Transformation committee	70 000	52 500	8 750	63 000
Transformation committee member	35 000	26 250	4 375	31 500

RISK MANAGEMENT REPORT

Conservative risk attitude followed by group

Impact and probability rating assigned to each risk

Clicks Group aims to achieve an appropriate balance between risk and reward, recognising that certain risks need to be taken to achieve sustainable growth and returns while at the same time protecting the group and its shareholders against avoidable risks.

A disciplined approach is followed in evaluating risks and developing appropriate strategies to mitigate and manage the risk.

The risk attitude of the group, which is the level of risk acceptable to the directors and management, is reviewed annually. The group adopts a conservative risk attitude which the directors believe is appropriate given the nature of the group's business in the healthcare retail and supply market. In addition, as the group is dependent on organic rather than acquisitive growth to generate returns, it can afford to follow a more conservative approach to risk.

The directors confirm that risk mitigation and monitoring processes have proved to be robust and have been effective in limiting the impact of risks on the business in the 2010 financial year.

Following the adoption of King lll, the risk process will be reviewed annually by internal audit and the risk methodology by an external assurance provider.

Responsibility for risk management

The board is responsible for the oversight of the risk management process and has delegated specific responsibility to the audit and risk committee.

The audit and risk committee, which operates within written terms of reference, is responsible for ensuring the group has implemented an effective policy and plan for risk, and that disclosure regarding risk is comprehensive, timely and relevant. The role, functions and composition of the committee are included in the audit and risk committee report on pages 68 to 70.

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

Group internal audit monitors the progress of the group and business units in managing risks and reports its findings to the audit and risk committee on a quarterly basis. External audit reports to the audit and risk committee on risk matters identified in their role as external auditors.

Risk mitigation and monitoring processes have proved to be robust in limiting the impact of risks

Risk management process

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

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

Risk ratings

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

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

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

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

The major risks, together with mitigation strategies, are outlined in the table on the following pages. Comparative risk ratings have been included for 2009.

Changes in major risks

While the directors do not believe there has been any material change in the risk profile of the group over the past year, the following changes have been made to the register of major risks:

Risks classified as major risks for the first time in 2010 are:

- Sourcing and registering of private label products in Clicks;
- Containing costs in a lower inflationary environment;
- Non-compliance with pharmacy and other healthcare industry regulations; and
- Availability of information technology systems.

The risks relating to the "current economic climate" and "healthcare legislation" which featured in 2009 are no longer considered as major risks as their potential impact and the probability of occurrence has reduced.

Financial risk management

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

Through its business activities the group is exposed to a variety of financial risks, including market risk (currency, interest rate and price risk), credit risk and liquidity risk. The group's exposure to these risks and policies for measuring and managing the risk are included in notes 27 and 28 to the annual financial statements.

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

Derivative financial instruments are used to hedge certain risk exposures, including the long-term incentive schemes and foreign exchange risk on the import of merchandise. Foreign exchange risk is mitigated by entering into forward exchange contracts which are matched with anticipated future cash flows in foreign currencies. Details of the group's forward exchange exposure is contained in note 28.

Insurance

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

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

RISK MANAGEMENT REPORT continued

Major group risks

Risk	Implication for business	Risk mitigation plans	Risk rating*
Sourcing and registering private label products in Clicks	Private label products present a major growth opportunity for Clicks. Failure to source quality scheduled, Over the counter (OTC) and front shop private label products at the appropriate margin and which meet regulatory requirements will negatively impact both profitability and reputation	• Department established to source front shop private label products and focus on quality and regulatory compliance • Scheduled private label products to receive increased attention and dedicated manager appointed	27 (new risk)
Increasing cost to attract and retain pharmacy professionals	The group employs pharmacists in Clicks, UPD and Clicks Direct Medicines and is the largest employer of pharmacists in the private sector. Shortage of healthcare professionals is an industry challenge and could limit business growth and increase costs	• Employer of choice programme in place across the group • Dedicated pharmacy recruitment team • Remuneration packages reviewed and updated • In-house pharmacy academy, training initiatives with educational bodies and continuous professional development programmes aimed at attracting and retaining pharmacists • Bursaries granted to pharmacy students annually (40 awarded for 2011 financial year) • Employee share ownership scheme introduced to attract and retain scarce skills, including pharmacists	25 (2009: 28)
Retention of key staff	Inability to attract and retain people in key positions across the group could ultimately compromise service delivery	• Total rewards remuneration strategy across the group ensures market competitiveness in terms of cash and benefits • Annual survey introduced to measure and track employee perceptions	24 (2009: 24)
Process non-compliance	Non-compliance with policies, procedures and processes could impact on sales, shrinkage and cash losses	• Comprehensive control self-assessment process followed in each business unit • Shrinkage plan and audit process	24 (2009: 24)
Increasing competition in retail pharmacy	Aggressive expansion by competitors could increase the shortage of pharmacists as well as negatively affect sales and market share growth in Clicks	• Clicks currently has the largest retail pharmacy footprint in SA • Continued roll-out of pharmacies, with 30 – 40 dispensaries planned for 2011 • Plan to open dispensaries in all Clicks stores (currently in 251 out of 369 stores) • Continuous improvement in pricing, product offer and customer service	24 (2009: 24)
Containing costs in a lower inflationary environment	Lower inflation could negatively impact profitability and cost growth ahead of inflation could limit opportunities to enhance margin	• Cost structures reviewed across all businesses • Review extent of store refurbishments and pharmacy roll-out • Focus on customer profitability in UPD	24 (new risk)

Risk	Implication for business	Risk mitigation plans	Risk rating*
Legislative and regulatory compliance	Non-compliance with onerous legislation could result in fines and penalties, criminal implications for directors and reputational damage	• In-house legal and compliance capability developed • Legal compliance officer monitors compliance with existing and new legislation and regulation	21 (2009: 21)
Retail service disruption due to natural disaster	Natural disasters could result in stock being destroyed or deliveries disrupted and lead to loss in sales through an inability to trade	• Business continuity plan developed	20 (2009: 21)
Non-compliance with pharmacy and other healthcare industry regulations	Sanction by the Pharmacy Council or other regulatory bodies could result in fines, penalties or restrictions being imposed on trading, as well as reputational damage	• Pharmacy practice compliance reviews conducted by professional services team in Clicks • Group legal compliance monitoring • Insurance cover for professional risk of dispensing errors • Supplier contracts reviewed for compliance	20 (2009: not rated as a major risk)
Availability of IT systems	While stores will continue to trade, interrupted access to IT systems means that stores will not be able to process certain transactions, including electronic fund transfers or medical aid authorisations	• Network monitoring tool implemented to improve reaction times to systems' interruptions • Manual in-store procedures cover short periods of interruption	20 (2009: not rated as a major risk)

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

SUSTAINABILITY REPORT

R57 million
invested in learning and development

1

Bertina Engelbrecht
Group Human Resources Director

Sustainability is part of how we do business and as the global economy shifts to become more sustainable, we seek to ensure the long-term competitiveness of our operations.

Message from the Chief Executive Officer, David Kneale

Our sustainability strategy recognises that the group cannot achieve business success without caring for the social and environmental systems upon which our operations depend. We apply this philosophy throughout our value chain, from suppliers to customers, from products to processes and from our buildings to our brands.

The initial focus of our sustainability strategy is on driving efficiency, transformation, product-related opportunities and challenges, and supply chain initiatives into an integrated sustainability programme. We will embed our approach through performance-based management and broad communication with all our stakeholders.

The key commitments which form the foundation of our sustainability strategy are:

- Building a trusted, accessible healthcare network;
- Sourcing products valued by our customers;
- Empowering motivated, passionate people; and
- Lightening our footprint.

An external consultancy has been engaged to assist in developing targets that will be based on local and international benchmarks. These targets will be incorporated into the group and business unit annual and three-year operating plans and disclosed in the annual report from 2011.

2

3

1. *Clinic sister treating a patient at one of the 93 Clicks clinics across the country.*
2. *Clicks partnered with the Department of Health in a national HIV counselling and testing campaign to encourage South Africans to know their HIV status.*
3. *Clicks Group employees took part in a charity drive with local radio station, Good Hope FM, to donate toys to underprivileged children from local schools.*

In the 2009 annual report sustainability priorities were outlined for 2010 and pleasing progress has been made against most of these priorities.

Indicator	Sustainability priorities for 2010	Performance against priorities in 2010
Social sustainability	• Launch employee value proposition	• Embedded the group's total rewards framework • Developed and launched the employee value proposition in pharmacist recruitment
	• Benchmark employee commitment	• 86% of employees participated in the survey • Benchmarked as a top company to work for
	• Entrench the talent and succession management process	• Continued to strengthen the talent management process resulting in an improvement in the depth and quality of the talent pipeline and ratio of internal promotions
Economic sustainability	• Continue to enhance shareholder value	• Growth in market capitalisation of R4.4 billion • Total distributions to shareholders up 26.4% • Return on shareholders' interest up from 42.3% to 50.8%
	• Achieve the targeted level 4 BBBEE status through focus on employment equity and enterprise development	• Maintained a level 5 externally verified BBBEE rating • Announced the implementation of an employee share ownership plan
	• Grow market share and leverage the benefits of the Clicks ClubCard	• Market share growth across key categories in all businesses • 3.1 million ClubCard members at year-end – net growth of 405 000 members in past year
Environmental sustainability	• Set targets to mitigate the impact of climate change	• Targets being developed • Continued participation in the Carbon Disclosure Project
	• Entrench environmental management in operational and business planning processes	• Established an environmental management committee • Piloted first "green" concept store in Clicks
	• Implement an environmental management scorecard	• Commenced with measurement of key environmental impacts

	Successes	Challenges	Priorities for 2011
Social sustainability	• Implemented the group's total rewards strategy and framework • Developed the group's employee value proposition • **86%** of the employees participated in the employee commitment index • Invested **R57** million in learning and development • Registered **761** learners on learnership and skills programmes • **4 527** employees participated in learning and development programmes • Invested **R9.8** million in CSI	• Absorbing the costs of implementing the total rewards framework • Finding ways to develop employees without taking them out of the workplace • Achieving a balance between functional competence and individual learning and development	• Ensuring that the group is correctly positioned in terms of pay and benefits • Improving the employee commitment index rating • Maintaining employee turnover rate of 20% • Percentage of employees on learning and development programmes
Economic sustainability	• Increased the pharmacy footprint to **251** • Improved the group's overall BBBEE **score from 55.41 to 58.37** • Invested **R29** million in the UPD owner-driver scheme • Weighted BEE procurement spend of **R6.8** billion • **3.1** million ClubCard members at year-end	• Continued scarcity of pharmacists, pharmacists' assistants and nursing practitioners • Developing appropriate enterprise development initiatives • Focusing on preferential procurement from qualifying small enterprises and exempt micro enterprises	• Continue to expand the pharmacy footprint and increase market share • Achieve level 4 BBBEE rating • Grow ClubCard membership to 3.5 million • Continue to enhance shareholder value
Environmental sustainability	• Implemented an environmental management committee and governance framework • Commenced with the measurement of key environmental impacts • Included in the Carbon Disclosure Leadership Index • Recycled **1 367** tons of plastic, paper and cardboard	• Finding an appropriate mechanism to embed the environmental management system within operations management • Setting targets to mitigate against climate change • Increasing energy costs which has a negative impact on operating expenses	• Setting medium-term environmental management targets • Embed environmental sustainability initiatives within business unit operating plans • Continue participation in the Carbon Disclosure Programme • Evaluate participation in United Nations Global Compact

JSE Socially Responsible Investment (SRI) Index

The group qualified for inclusion in the index for the first time in 2010. Qualification for the index is based on an assessment of the environmental, social, governance and sustainability practices of listed companies.

Sustainability indicators

A range of sustainability indicators have been identified across the group's financial and trading performance, employees, transformation and environmental management to benchmark progress on sustainability practices within the group. These indicators are regularly reviewed to take account of changes and progress within the businesses and are reported under economic, social and environmental.

Sustainability indicators		2010	2009	2008	2007
Economic					
Headline earnings	R'm	**576**	478	400	357
Diluted headline earnings per share	cents	**211.4**	165.9	131.5	103.0
Return on shareholders' interest (ROE)	%	**50.8**	42.3	32.8	24.7
Return on total assets	%	**13.9**	12.3	10.5	9.3
Distributions per share	cents	**106.2**	84.0	61.1	48.2
Change in market capitalisation (net of treasury shares)	R'm	**4 377**	1 109	(321)	1 223
Wealth created through cash value added	R'm	**2 820**	2 400	2 113	2 112
Total leased trading area	m^2	**278 621**	267 776	259 884	252 239
Number of stores		**561**	540	519	500
In-store dispensaries		**251**	207	157	125
In-store clinics		**93**	105	97	92
Market share					
– Clicks: front shop health	%	**38.7**	37.2	35.5	**
– Clicks: retail pharmacy	%	**13.6**	11.1	9.0	**
– Clicks: beauty personal care	%	**24.9**	24.4	25	25
– Musica: CD	%	**45**	44	41	38
– Musica: DVD	%	**23**	23	22	20
– Musica: Gaming software	%	**9**	9	9	9
– UPD: private wholesale distribution	%	**23.7**	23.6	26.4	25.6
Social* **					
Permanent staff		**8 064**	7 585	7 122	9 076
Staff turnover	%	**19.8**	26.1	21.2	23.4
Skills development as a % of basic payroll	%	**4.4**	4.3	3.6	2.8
Employee wellness utilisation	%	**27**	21	19	18
Employment equity					
– Black staff as a % of total staff	%	**84.7**	84.3	84.2	86.9
– Black senior and top management	%	**17.8**	11.5	18	24
– Black middle management	%	**42.9**	41	35	37
– Black junior management	%	**67.2**	65	80	86
– Black directors	%	**40**	33	36	22
– Women as a % of total staff	%	**62.7**	62	62	60
– Women senior/top management	%	**34.7**	32	36	43
– Women middle management	%	**50**	45	53	58
– Women junior management	%	**64.2**	63	62	63
– Women directors	%	**33**	33	27	9
Transformation rating	Level	**5**	5	6	7
Corporate social investment spend	R'm	**9.8**	14.4	9.8	0.4
Environmental					
Carbon emissions (CO^2e)	Tons	**151 404**	134 341	127 014	*
Electricity consumption	kWh	**108 153**	90 499	86 811	*

* Not previously disclosed or measured

** Basis of calculation changed, so no longer comparable

*** 2007 figures include Discom (which was sold by the group in September 2007)

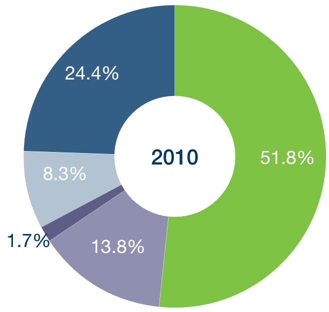
Economic sustainability

Wealth creation

Value added statement for the year ended 31 August

	2010 R'm	2009 (restated)* R'm
Turnover	**13 276**	12 175
Paid to suppliers for goods and services	**(11 092)**	(10 354)
Value added	**2 184**	1 821
Other income and finance income	**636**	579
Wealth created	**2 820**	2 400

Distribution of wealth created



- **Employees** - salaries and other benefits
- **Lessors for use of premises**
- **Lenders for monies borrowed**
- **Providers of capital** – cash distributions**
- **Government** – direct taxes
- **Reinvested in the group**

* Comparative figures have been restated for the reclassification of certain expenses between occupancy costs and other costs within the UPD business.

** Does not include cash distributions paid from share premium.

Members of UPD's owner-driver scheme who are contracted to deliver products to customers.

Transformation

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

Transformation rating

The group maintained its externally verified level 5 rating and increased its BBBEE score from 55.41 in 2009 to 58.37 in 2010. The group did not meet its targeted level 4 rating owing mainly to the lack of training for employees with disabilities and identifying a suitable enterprise development programme within the Clicks brand. Encouraging progress has been made in the areas of employment equity and skills development. The launch of an enterprise development initiative by the Clicks Group in the new financial year is expected to have a major impact on the group achieving level 4 BBBEE compliance.

BBBEE category	2011 targets	2010	2009	2008
Ownership	**–**	**0.49**	2.26	2.53
Management control	**8.8**	**7.85**	7.79	7.64
Employment equity	**10**	**10.43**	6.07	6.20
Skills development	**15**	**12.20**	11.53	9.90
Preferential procurement	**14**	**13.82**	13.51	11.71
Enterprise development	**15**	**8.66**	9.25	9.37
Socio-economic development	**5**	**4.92**	5.00	5.00
Total	**67.8**	**58.37**	55.41	52.35
Level	**4**	**5**	5	6

Preferential procurement

We are committed to procuring from locally based and empowered suppliers and encourage suppliers to externally verify their BBBEE status. During the financial year, 30% of the total procurement spend was from level 4 and higher rated suppliers.

Enterprise development

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

UPD spent R28.6 million for services from the owner-driver scheme and a further R0.7 million to the management company operating the scheme.

Social sustainability

Employment equity

Clicks Group is committed to creating a diverse workforce which reflects the demographics of South Africa through the advancement of previously disadvantaged people and the empowerment of women.

Increasing the representation of black people and women at the middle, senior and top management levels is a high priority for the transformation forums at both the group and business unit level.

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

Total rewards strategy

In 2009 the group implemented the total rewards strategy which is aimed at driving a high performance culture that consistently delivers above average returns to shareholders through employees who are motivated and fully engaged.

The total rewards strategy has resulted in the implementation of the human resources governance framework which has aligned the principles of pay and performance, improved the leave management process, reduced staff turnover, and created internal equity through grading and structured pay bands.

Salaries and benefits are competitively positioned in relation to the retail industry and general market and 20% above the minimum wage determination for the retail sector. Employees are entitled to statutory benefits, including annual leave, maternity leave, paternity leave and family responsibility leave. Employees can also qualify for an annual performance bonus and receive discounts at group stores.

Freedom of association

Clicks Group has a formal recognition agreement with the South African Commercial Catering and Allied Workers' Union (SACCAWU) which represents 39% of full-time permanent employees in the bargaining unit and 29% of the employees of the Clicks business unit. 35% of the permanent employees within UPD are represented by the Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union (CEPPAWU).

The Clicks Pharmacy Healthcare Academy trains pharmacy assistants, nurses and interns, and offers professional development programmes for pharmacists.

Between February and March 2010, 157 Clicks employees were locked out of their stores following a dispute with SACCAWU on company operating principles and procedures. The union referred the matter as an offensive lockout dispute to the Labour Court. The court ruled in favour of the company with costs against the union. The matter was referred to the CCMA, after which 82 employees were reinstated subject to agreeing to abide to operational procedures and principles.

	Female				Male				
Occupational level	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Top management	–	1	–	3	–	–	1	11	**16**
Senior management	2	2	4	21	4	3	–	43	**79**
Professionally qualified	18	34	16	102	23	37	18	92	**340**
Skilled	277	330	100	426	271	152	55	153	**1 764**
Semi-skilled	2 037	1 229	141	271	1 518	417	61	112	**5 786**
Unskilled	33	10	1	–	28	6	–	1	**79**
Total	**2 367**	**1 606**	**262**	**823**	**1 844**	**615**	**135**	**412**	**8 064**

Responsible pharmacist of the year, Waheed Abdurahman (left), at the Clicks store in Cavendish Connect in Cape Town.

Employee turnover

	2010	2009
Permanent staff at start of year	7 585	7 122
Add: Recruitments	1 995	2 230
Acquisition of Direct Medicines	–	129
Less: Resignations	(1 197)	(1 436)
Deaths	(15)	(40)
Dismissals	(264)	(359)
Retirements	(28)	(37)
Retrenchments	(12)	(24)
Permanent staff at year-end	8 064	7 585
Permanent staff turnover %	19.8	26.1

The employee turnover rate has declined from 26.1% to 19.8% which can be attributed to a range of factors, including the implementation of the total rewards strategy, an employee retention scheme and the focus on learning and development. The opening of a net 21 stores across the retail businesses and 44 pharmacies during the year contributed to a 6.3% employment growth. Employee retention improved as the number of resignations declined by 16.6% over the year.

Employee wellness

The employee wellness programme is aligned to the group's total rewards strategy and encourages employees to take responsibility for their physical, mental and emotional well-being. This contributes to a productive organisational culture in which employees are mentally, physically and emotionally present.

The programme is a work-based advisory, counselling and support programme which provides free life and wellness management services to employees in all official languages. Employees and their family members have access to confidential professional counselling; financial and legal advice; trauma and health management services; management and supervisory support; and HIV testing, management and support.

Employee wellness programme	2010	2009	2008
Employee utilisation	2 016	1 427	1 309
Family utilisation	571	167	74
Total utilisation rate	27%	21%	19%
Manager referrals	132	55	23
High-risk cases	9	16	34
Employees on HIV programmes	55	63	55

The refocusing of the employee wellness programme through the use of the Clicks in-store radio channel, business unit engagement, site visits and wellness days has resulted in the increase in utilisation.

Through the employee wellness programme over 1 100 employees received voluntary HIV/AIDS counselling and testing during the health screening days at the head office and eight distribution centres across the country. There are currently 55 employees registered on the HIV/AIDS management programme which provides free antiretroviral and support services.

Learning and skills development

The group increased its investment in skills development to R57 million (2009: R39.7 million), which equates to 4.4% (2009: 4.3%) of basic payroll costs.

A total of 4 527 employees attended learning and development programmes, with black employees representing 85% of the total employees trained. Workplace experience opportunities were granted to 54 students and graduates through the internship programme.

Description	2010	2009
Employees trained	4 527	4 523
Training spend as a % of payroll	4.4	4.3
Training spend (R'm)	56.8	39.7
Delegates on management development programmes	47	*
Delegates on retail learnership and skills programmes	331	306
Delegates on pharmacy learnership programmes	430	228
Interns and graduates on workplace experience programmes	54	48
Delegates on health and safety programmes	65	105

* Not reported

The Pharmacy Healthcare Academy, which is registered with the SA Pharmacy Council, continues to make a difference in the pharmacy skills shortage challenge facing the group and the industry. Over 550 delegates registered for the pharmacists' assistant basic and post-basic learnership programme over the financial year.

The academy also had over 500 delegates, including pharmacists, nurses and interns, attending courses throughout the year.

Health and safety

The health and safety of employees, suppliers and customers is an important aspect of our business. Health and safety committees have been established across the group and ongoing training is provided to health and safety representatives and employees alike. A health and safety policy covers employees, contractors and customers.

Corporate social investment

The group is committed to investing 1% of profit after tax through the Clicks Foundation to contribute to social and economic development. Over the past year the group invested R9.8 million (2009: R14.4 million) towards community development.

The focus of the corporate social investment is on health and well-being. The business units are required to identify and implement projects which are relevant to their business and which are aligned to these focus areas.

Musica continued to support the Carel du Toit School for the hearing-impaired, Marion Institute and Dance for All. Both Clicks and Musica have donated products to the value of R9 million towards these and other various non-governmental organisations.

UPD supported the Topsy Foundation and provided funding towards the purchase of two vehicles, as well as product donations.

The Body Shop launched the Stop Sex Trafficking of Children and Young People in partnership with ECPAT (End Child Prostitution, Pornography and the Trafficking of Children for Sexual Purposes). The campaign is aimed at raising awareness and funds for victims of trafficking. The Body Shop made a further financial donation of R70 000 towards the Homestead.

Employee payroll giving

Employees are encouraged to participate in a payroll giving initiative and to volunteer time, money and goods towards community social investment projects. Employees have identified beneficiaries in their communities and co-ordinated programmes to collect and distribute gifts.

Primary care clinics

Clicks supports government's vision of making healthcare more affordable and accessible. Through its national network of over 251 pharmacies and 93 primary care clinics, Clicks provides a convenient and affordable alternative for basic primary healthcare. In 2010 Clicks partnered with the Department of Health in the national HIV counselling and testing campaign to encourage South Africans to know their HIV status.

Clicks pharmacists participated in a youth health education programme in Durban.

Environmental sustainability

Environmental management

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

Energy efficiency

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

Carbon footprint

An evaluation of the group's carbon footprint was again commissioned, based on internationally recognised GHG protocols.

Scope 1 emissions (CO^2e) metric tons	2010	2009	2008
Company-owned cars	**1 761**	2 322	2 182
Fugitive emissions	**2 173**	3 588	2 841
Generators	**24**	33	231
Scope 2 emissions (CO^2e) metric tons			
Purchased electricity	**108 153**	90 499	86 811
Scope 3 emissions (CO^2e) metric tons			
Business travel	**1 790**	2 089	2 107
Product distribution	**16 096**	15 675	13 941
Employee commute	**21 407**	20 135	18 901
Total	**151 404**	134 341	127 014

The group's electricity utilisation increased to 108 153 CO^2e owing to store growth and extended trading hours.

The group has adopted the Green Building Council of South Africa and the SANS regulations for energy efficient lighting specifications for all new stores.

The installation of energy efficient lighting, metal halides, lighting sensors and timers has resulted in a 25% energy saving on new light fittings and a further 15% energy saving on circuits, sensors and timers.

The Clicks brand has piloted the green store model in line with the Green Building Council of South Africa and SANS specifications and regulations.

Waste management and recycling

Over the past year 1 367 tons (2009: 1 150 tons) of plastic, cardboard and paper were recycled. Recycling at head office has been outsourced to the Oasis Association, a non-profit community-based organisation which promotes the reuse of goods and materials.

Product sustainability

While customers are becoming increasingly environmentally conscious, value will always remain key. Clicks is in the process of developing environmentally friendly private label products that are both price competitive and offer innovative product, packaging and sourcing alternatives.

Clicks will launch product ranges that are used in everyday life and can have an immediate impact on the environment.

Packaging solutions include increasing the recycled content of packaging, for example developing shopping bags and water bottles with a high percentage of recycled material, reducing unnecessary packaging and branding products with the universal recycling logo.

Clicks will also create a more sustainable supply chain by identifying enterprise development opportunities in the sourcing of private label merchandise.

As part of the global The Body Shop brand, the local franchise markets naturally-inspired cosmetics and toiletries, including several certified organic products. Sustainability is a core value of The Body Shop and the brand is committed to fair trade, community upliftment and non-exploitation of scarce resources.

Clicks piloted its first 'green' concept store in Durbanville during the financial year.

GLOBAL REPORTING INITIATIVE INDEX

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

GRI reference	Topic	Page	Description
Strategy and analysis			
1.1	Strategy	4	Group strategy
		20	Chief executive's report
1.2	Key impacts, risks and opportunities		Chief executive's report
		50	Risk management report
		54	Sustainability report
Organisational profile			
2.1–2.10	Organisational profile	2	Group profile
Report parameters			
3.1–3.4	Report profile	66	Annual financial statements
		IBC	Corporate information
3.5–3.11	Report scope and boundary	126	Interest in Subsidiary Companies
3.12	GRI Index content	54	Sustainability report
3.13	Assurance	–	External assurance not sought
Governance, commitments and engagement			
4.1–4.10	Governance, commitment and engagement	38	Corporate governance report
4.11–4.13	Commitments to external initiatives	–	Not assessed
4.14–4.17	Stakeholder engagement	54	Sustainability report
Economic performance indicators			
EC1	Economic value generated and distributed	58	Value added statement
EC2	Financial implications of climate change	–	Not assessed
EC3	Defined benefit plan obligations	66	Annual financial statements
EC4	Financial assistance from government	–	Not applicable
EC6	Spending on locally-based suppliers	–	Not reported
EC7	Hiring of local labour	–	Not applicable
EC8	Infrastructure investments and services	–	Not applicable
Environmental performance indicators			
EN1	Materials usage by weight and volume	–	Not assessed
EN2	Recycled input material used	–	Not assessed
EN3–4	Energy consumption	54	Sustainability report
EN8–10	Water consumption by source	–	Not assessed
EN11–12	Impact of activities on biodiversity	–	Not assessed
EN16–23	Emissions, effluent and waste	54	Sustainability report
EN26–27	Environmental impacts of products and services	–	Not assessed
EN28	Sanctions for non-compliance	–	No sanctions imposed
Social performance indicators			
Labour practices			
LA1	Total workforce	54	Sustainability report
LA2	Employee turnover	54	Sustainability report
LA4–5	Labour relations and collective bargaining	54	Sustainability report
LA7–8	Occupational health and safety	54	Sustainability report
LA10	Training and education per employee	–	Not assessed
LA13–14	Diversity and equal opportunity	54	Sustainability report
Human rights			
HR1–2	Procurement agreements with human rights clauses	–	Not assessed
HR4	Incidents of discrimination	–	Not assessed
HR5	Operations where collective bargaining at risk	–	Not assessed
HR6	Child labour	–	Not assessed
HR7	Forced and compulsory labour	–	Not assessed
Society			
SO1	Assessing impacts on communities	–	Not assessed
SO2–4	Training in anti-corruption	–	Not assessed
SO5	Participation in public policy development	–	Not assessed
Product responsibility			
PR1	Health and safety impacts of products	–	Not assessed
PR3	Product and service labelling	–	Not assessed
PR6	Marketing communications	–	Not assessed
PR9	Fines for non-compliance	–	No sanctions imposed

ANNUAL FINANCIAL STATEMENTS

CONTENTS

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the group and company financial statements for the year ended 31 August 2010.

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 561 stores in southern Africa. The company's subsidiaries cover the pharmaceutical supply chain from wholesale distribution to retail pharmacy as well as music, entertainment and beauty and cosmetic products.

Group financial results

The results of operations for the year are set out in the consolidated statement of comprehensive income on page 72. The profit attributable to ordinary shareholders for the year is R565 million (2009: R472 million).

Share capital

In terms of the specific authority granted by shareholders in the annual general meeting held on 18 January 2010 as contemplated in section 221 of the Companies Act No. 61 of 1973 (as amended), the company elected to issue 6 072 871 shares for a subscription price of 1 cent and a premium thereon of R26.98 each to New Clicks South Africa (Proprietary) Limited in order to raise cash to make distributions to its shareholders.

In terms of the specific authority granted by shareholders in the general meeting held on 14 May 2010 as contemplated in section 221 of the Companies Act No. 61 of 1973 (as amended), the company elected to issue 2 460 506 shares for a subscription price of 1 cent and a premium thereon of R34.89 each to New Clicks South Africa (Proprietary) Limited in order to raise cash to make distributions to its shareholders.

The following ordinary shares of 1 cent each, held as treasury shares by a subsidiary of the company, were bought back by the company and cancelled.

27 367 849	cancelled on 19 November 2009

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

25 048 880	shares held by a subsidiary of the company as treasury shares at 1 September 2009
10 673 743	shares in terms of general repurchases between 1 September 2009 and 31 August 2010 by a subsidiary of the company
8 533 377	shares issued to a subsidiary of the company in order to raise cash to make distributions
(27 367 849)	shares bought back into the company and cancelled on 19 November 2009
16 888 151	held by a subsidiary of the company as treasury shares at 31 August 2010

Distributions to shareholders

Interim

The directors approved a distribution of 30.5 cents per share (2009: 24.5 cents per share) comprising a capital reduction out of share premium in lieu of a dividend ("the distribution"). The distribution was paid on 5 July 2010 to shareholders registered on 25 June 2010.

Final

The directors have approved a final distribution of 75.7 cents per share (2009: 59.5 cents per share). The source of such distribution will be a capital reduction out of share premium. The distribution will be payable on 31 January 2011 to shareholders registered on 21 January 2011.

Events subsequent to balance sheet date

No significant events, other than the declaration of the final distribution, as set out above, took place between the end of the financial year under review and the date of this report. On 21 October 2010 the group announced plans to introduce an employee share ownership scheme which will be subject to approval by shareholders at the annual general meeting on 18 January 2011.

Directors and secretary

The names of the directors in office at the date of this report are set out on pages 16 and 17, and the company secretary's details are set out on page 139.

Appointments

Dr Nkaki Matlala was appointed as an independent non-executive director on 24 August 2010.

Resignations and retirement

Keith Warburton tendered his resignation as an executive director on 5 August 2010 with effect from 31 March 2011.

Retirement and re-election of directors

In accordance with the company's articles of association David Kneale, Michael Harvey, Martin Rosen and Dr Nkaki Matlala retire by rotation at the forthcoming annual general meeting. The retiring directors, being eligible, offer themselves for re-election.

Directors' interest in shares

Details of the directors' beneficial interests in the company's issued share capital are given on page 49.

There have been no new awards of share options since August 2005.

David Nurek, indirectly through a family trust, took delivery of 500 000 shares in respect of options which had previously been allocated and exercised in September 2000, on 28 October 2009. The trust sold 300 000 of these shares at a price of R24.10 per share on the open market on 28 October 2009.

John Bester indirectly, in the name of a family trust of which he is a trustee and discretionary beneficiary, purchased 10 000 shares on 9 November 2009 at a price of R25 per share. These shares are retained.

In terms of the cash-settled employee incentive scheme requiring all the participants at the end of the incentive performance period to take up the equivalent of a fixed percentage of the after-tax cash settlement to purchase ordinary shares of the company from the market, David Kneale purchased 109 446 shares on 3 December 2009 at a price of R25.89 per share, Keith Warburton purchased 46 121 shares on 3 December 2009 at a price of R25.89 per share, Michael Harvey purchased 43 815 shares on 3 December 2009 at a price of R25.89 per share and Bertina Engelbrecht purchased 34 591 shares on 3 December 2009 at a price of R25.89 per share.

Amanda Bester, the wife of John Bester, purchased 1 000 shares on 19 November 2009 at an average price of R25.59 per share.

The only change in these interests between the end of the company's financial year and 12 November 2010, being a date not more than one month prior to the date of notice of the annual general meeting, is the sale by David Nurek, indirectly through a family trust, of 50 000 shares on 26 October 2010 at a price of R44.35 per share.

Incentive schemes

Information relating to the incentive schemes is set out on page 46.

Special resolutions

Special resolutions passed at the annual general meeting held on 18 January 2010 and registered on 22 January 2010:

Special Resolution No. 1: General authority to repurchase shares

Special Resolution No. 2: Amendment to article 89 of the company's articles of association

No special resolutions were passed at the general meeting held on 14 May 2010.

Holding company

The company has no holding company.

Subsidiary companies

The names of the company's main subsidiaries and financial information relating thereto appear on page 126.

The interest of the company in the aggregate income after taxation is R565 million (2009: R473 million).

DIRECTORS' RESPONSIBILITY STATEMENT

The company's directors are responsible for the preparation and fair presentation of the company and group annual financial statements, comprising the statements of financial position at 31 August 2010, the statements of comprehensive income, the 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, and the directors' report, in accordance with International Financial Reporting Standards, the AC 500 series issued by SAICA and in the manner required by the Companies Act of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

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

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

Approval of the annual financial statements

The group annual financial statements were approved by the board of directors on 12 November 2010 and signed on its behalf by:

DM Nurek
Chairman

DA Kneale
Chief Executive Officer

Cape Town
12 November 2010

CERTIFICATE BY THE COMPANY SECRETARY

I certify that Clicks Group Limited has lodged with the Registrar of Companies all returns as required by a public company in terms of section 268G(d) of the Companies Act 1973, as amended, and that such returns are, to the best of my knowledge and belief, true, correct and up to date.

DW Janks
Company Secretary
Cape Town
12 November 2010

AUDIT AND RISK COMMITTEE REPORT

The Clicks Group audit and risk committee is a formal committee of the board which functions within documented terms of reference and complies with all relevant legislation, regulation and governance codes.

The audit committee and the risk committee were amalgamated late in the financial year and the terms of reference of the combined committee have been approved by the board. The terms of reference are available on the group's website and are also available on request to shareholders.

This report of the audit and risk committee is presented to shareholders in compliance with the requirements of the Companies Act (No. 61 of 1973, as amended).

Role of the committee

The audit and risk committee has an independent role with accountability to the board. The committee's responsibilities include the statutory duties prescribed by the Corporate Laws Amendment Act, activities recommended by King III and the responsibilities assigned by the board.

The responsibilities of the committee are as follows:

Financial reporting

- Review the interim report and the annual financial statements and ensure compliance with International Financial Reporting Standards
- Review and approve the appropriateness of accounting policies and disclosure policies
- Consider the treatment of accounting issues, receive and deal with any complaints related to the accounting policies
- Ensure no limitations are imposed on the scope of the internal and external audits
- Ensure a co-ordinated approach to all assurance activities and significant risks is applied
- 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 consider external assurance of material sustainability issues

Finance function

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

Internal audit

- Assess the effectiveness of internal controls
- Oversee the functioning of the internal audit department, which reports to the audit and risk committee
- Approve the internal audit plan

External audit

- Confirm the nomination and appointment of the group's auditor and be satisfied that the auditor is independent
- Approve the terms of engagement and remuneration of the auditor
- Ensure the appointment of the auditor complies with relevant legislation
- Develop a policy for non-audit services which the auditor may provide and approve non-audit service contracts
- Review the quality and effectiveness of the external audit process

Risk management

- Review risk management policy and processes
- Review the risk philosophy, strategies and policies
- Ensure risk management is integrated into business operations
- Ensure management considers and implements appropriate risk responses
- Evaluate the basis and adequacy of insurance cover
- Ensure internal audit is aligned with risk management processes
- Identify emerging areas of risk
- Ensure compliance with legislation, regulation and governance codes, including King III
- Identify areas of governance non-compliance and propose remedial action

Composition of the committee

The committee comprises three independent non-executive directors who are all suitably skilled, with at least one member of the committee having recent and relevant financial experience. The effectiveness of the committee is assessed as part of the annual board and committee self-evaluation process.

The following directors serve on the committee:

- John Bester – Chairman
- Fatima Jakoet
- David Nurek

Biographical details of the committee members appear on pages 16 and 17.

King III recommends that the chairman of the board should not be a member of the audit and risk committee. The chairman of the board, David Nurek, currently serves on the committee. The board has considered the issue and believes that the chairman's skills, knowledge and experience allow him to make a significant contribution to the committee and the board has therefore recommended that he continues to serve on the committee.

Fees paid to the committee members are detailed on page 48 of the Remuneration Report, while the proposed fees for 2011 are disclosed on page 49.

The chief executive officer, chief financial officer, group head of internal audit and senior management in the finance department attend meetings at the invitation of the committee, together with the external auditor.

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

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 was revised during the year to align with the recommendations of King III.

Internal audit is responsible for the following:

- Evaluating governance processes, including ethics
- Assessing the effectiveness of risk management and the internal control framework (including IT governance and financial controls) in achieving
  - Operational effectiveness and efficiency
  - Safeguarding of assets
  - Reliability of financial reporting
  - Compliance with applicable laws and regulations
  - Sustainability
- Reviewing the risk process annually in accordance with the annual audit plan and combined assurance model
- Providing information on fraud, corruption, unethical behaviour and irregularities
- Evaluating business processes and associated controls

The internal audit function is established by the board and its responsibilities are determined by the audit and risk 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 audit and risk committee. The group head of internal audit is appointed and removed by the audit and risk committee, which also determines and recommends remuneration for the position. The chairman of the audit and risk 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 directors are satisfied that the control systems and procedures are suitably implemented, maintained and monitored on an ongoing basis by qualified personnel, with an appropriate segregation of authority, duties and reporting lines.

External audit

A review of the external auditor was undertaken by the board and four auditing firms were invited to tender for the audit for the 2010 financial year. Following this process, the board proposed the incumbent auditor KPMG Inc. for election as the group's external auditor and this was approved by shareholders at the AGM In January 2010.

The audit and risk committee appraised the independence, expertise and objectivity of KPMG as the external auditor, as well as approving the terms of engagement and the fees paid to KPMG (refer to note 6 to the annual financial statements on page 92).

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, including the stipulation that they should not hold shares in Clicks Group Limited.

Policy on non-audit services

Non-audit services provided by the external auditor may not exceed 25% of the total auditors' remuneration. These services should exclude any work which may be subject to external audit and which 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 R303 650 (2009: R3 000) for non-audit services, equating to 11% (2009: 0.1%) of the total audit remuneration. These services related to South African Reserve Bank approvals for foreign payments and tax advice on the group's employee share schemes.

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

Activities of the audit and risk committee

The committee meets four times annually. Members of the committee, the external auditor and the group head of internal audit may request a non-scheduled meeting if they consider that one is necessary. The chairman of the audit and risk committee will determine if such a meeting should be convened.

Minutes of the meetings of the committee, except those recording private meetings with the external and internal auditors, are circulated to all directors and supplemented by an update from the audit and risk 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 section 270 of the Companies Act No. 61 of 1973:

- Recommended to the board the appointment of the external auditors, approved the remuneration of the external auditors and monitored their independence, objectivity and effectiveness
- Determined the nature and extent of any non-audit services which the auditor may provide to the group and pre-approved any proposed contracts with the auditors
- Reviewed the 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 company's annual and interim reports
- Evaluated the effectiveness of the committee

Refer to the risk management report on page 50 for an overview of the risk function.

Evaluation of chief financial officer and finance function

The audit and risk 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 2010 financial year and that its report to shareholders has been approved by the board.

John Bester
Chairman: Audit and risk committee
Cape Town
12 November 2010

INDEPENDENT AUDITOR'S REPORT

To the members of Clicks Group Limited

We have audited the annual financial statements and the group annual financial statements of Clicks Group Limited, which comprise the statements of financial position at 31 August 2010, the statements of comprehensive income, the 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 28 and 29, and pages 72 to 126, and the directors' report as set out on page 66.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the consolidated and separate financial position of Clicks Group Limited at 31 August 2010, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.
Registered Auditor

Per David Friedland
Chartered Accountant (SA)
Registered Auditor
Director
12 November 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 August 2010

	Notes	2010 R'000	2009 (restated) R'000
Revenue	1	**13 912 673**	12 754 202
Turnover	1	**13 276 277**	12 175 312
Cost of merchandise sold		**(10 372 685)**	(9 657 930)
Gross profit		**2 903 592**	2 517 382
Other income	1	**626 092**	564 482
Expenses		**(2 706 412)**	(2 372 694)
Depreciation and amortisation	3	**(128 095)**	(113 665)
Occupancy costs	4, 35	**(389 746)**	(338 786)
Employment costs	5	**(1 399 378)**	(1 156 928)
Other costs	6, 35	**(789 193)**	(763 315)
Operating profit		**823 272**	709 170
Loss on disposal of property, plant and equipment		**(6 476)**	(7 177)
Impairment of intangible asset	10.2	**(7 685)**	–
Profit before financing costs		**809 111**	701 993
Net financing costs	2	**(38 751)**	(54 773)
Financial income	1	**10 304**	14 408
Financial expense	2	**(49 055)**	(69 181)
Profit before taxation		**770 360**	647 220
Income tax expense	7	**(206 550)**	(174 619)
Total profit for the year		**563 810**	472 601
Other comprehensive income/(loss):			
Exchange differences on translation of foreign subsidiaries		**(1 368)**	(285)
Other comprehensive income/(loss) for the year, net of tax		**(1 368)**	(285)
Total comprehensive income for the year		**562 442**	472 316
Profit attributable to:			
Equity holders of the parent		**565 413**	472 387
Non-controlling interest		**(1 603)**	214
		563 810	472 601
Total comprehensive income attributable to:			
Equity holders of the parent		**564 045**	472 102
Non-controlling interest		**(1 603)**	214
		562 442	472 316
Earnings per share (cents)			
Basic	8	**208.6**	165.6
Diluted	8	**207.7**	163.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 August 2010

	Notes	2010 R'000	2009 R'000
ASSETS			
Non-current assets		**1 383 175**	1 361 915
Property, plant and equipment	9	**888 053**	829 513
Intangible assets	10	**314 473**	302 313
Goodwill	11	**105 335**	96 124
Deferred tax assets	12	**51 907**	88 243
Loans receivable	13	**23 407**	45 722
Current assets		**2 726 963**	2 819 291
Inventories	14	**1 571 248**	1 421 496
Trade and other receivables	15	**869 279**	908 398
Loans receivable	13	**15 149**	11 342
Cash and cash equivalents	26.4	**152 052**	409 754
Derivative financial assets	16	**119 235**	68 301
Total assets		**4 110 138**	4 181 206
EQUITY AND LIABILITIES			
Equity		**1 141 328**	1 125 263
Share capital	17	**2 841**	3 029
Share option reserve	18	**24 600**	24 549
Treasury shares	17	**(510 850)**	(488 258)
Non-distributable reserves	19	**(1 614)**	(5 233)
Distributable reserve		**1 625 669**	1 588 891
Equity attributable to equity holders of the parent		**1 140 646**	1 122 978
Non-controlling interest		**682**	2 285
Non-current liabilities		**296 723**	317 753
Interest-bearing borrowings	20	**16 579**	37 428
Employee benefits	21	**96 274**	91 134
Deferred tax liabilities	12	**68 559**	83 351
Operating lease liability	22	**115 311**	105 840
Current liabilities		**2 672 087**	2 738 190
Trade and other payables	23	**2 290 883**	2 408 117
Employee benefits	21	**202 569**	240 596
Provisions	24	**6 244**	6 254
Interest-bearing borrowings	20	**116 592**	29 877
Income tax payable		**46 808**	33 316
Derivative financial liabilities	16	**8 991**	20 030
Total equity and liabilities		**4 110 138**	4 181 206

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2010

	Number of shares '000	Share capital (Note 17) R'000	Share premium (Note 17) R'000
Balance at 1 September 2008	290 325	3 242	121 461
Transactions with owners, recorded directly in equity			
Contributions by and distributions to owners			
Additional shares issued	208	2	74 200
Distributions to shareholders	–	–	(195 562)
Share option reserve movement	–	–	–
Treasury shares cancelled	–	(215)	–
Share cancellation expenses written off	–	–	(99)
Net cost of own shares purchased	(14 227)	–	–
Treasury shares purchased	(19 336)	–	–
Disposal of treasury shares	5 109	–	–
Total contributions by and distributions to owners	(14 019)	(213)	(121 461)
Changes in ownership interests in subsidiaries that do not result in loss of control			
Acquisition of subsidiary	–	–	–
Total changes in ownership interests in subsidiaries	–	–	–
Total transactions with owners	(14 019)	(213)	(121 461)
Total comprehensive income for the period	–	–	–
Profit for the year	–	–	–
Exchange differences on translation of foreign subsidiaries	–	–	–
Balance at 31 August 2009	276 306	3 029	–
Transactions with owners, recorded directly in equity			
Contributions by and distributions to owners			
Additional shares issued	**8 533**	**86**	**249 693**
Distributions to shareholders	**–**	**–**	**(249 693)**
Share option reserve movement	**–**	**–**	**–**
Treasury shares cancelled	**–**	**(274)**	**–**
Net cost of own shares purchased	**(18 556)**	**–**	**–**
Treasury shares purchased	**(20 439)**	**–**	**–**
Disposal of treasury shares	**1 883**	**–**	**–**
Total contributions by and distributions to owners	**(10 023)**	**(188)**	**–**
Changes in ownership interests in subsidiaries that do not result in loss of control			
Acquisition of additional interest in subsidiary	**–**	**–**	**–**
Total changes in ownership interests in subsidiaries	**–**	**–**	**–**
Total transactions with owners	**(10 023)**	**(188)**	**–**
Total comprehensive income for the period			
Total comprehensive income for the year	**–**	**–**	**–**
Profit for the year	**–**	**–**	**–**
Exchange differences on translation of foreign subsidiaries	**–**	**–**	**–**
Balance at 31 August 2010	**266 283**	**2 841**	**–**

Share option reserve (Note 18) R'000	Treasury shares (Note 17) R'000	Non-distributable reserves (Note 19) 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
23 832	(463 622)	39	1 456 506	1 141 458	146	1 141 604
–	(74 202)	–	–	–	–	–
–	18 822	–	(14 359)	(191 099)	–	(191 099)
717	–	–	–	717	–	717
–	300 899	–	(300 684)	–	–	–
–	–	–	–	(99)	–	(99)
–	(270 155)	–	(24 959)	(295 114)	–	(295 114)
–	(337 501)	–	–	(337 501)	–	(337 501)
–	67 346	–	(24 959)	42 387	–	42 387
717	(24 636)	–	(340 002)	(485 595)	–	(485 595)
–	–	(4 987)	–	(4 987)	1 925	(3 062)
–	–	(4 987)	–	(4 987)	1 925	(3 062)
717	(24 636)	(4 987)	(340 002)	(490 582)	1 925	(488 657)
–	–	(285)	472 387	472 102	214	472 316
–	–	–	472 387	472 387	214	472 601
–	–	(285)	–	(285)	–	(285)
24 549	(488 258)	(5 233)	1 588 891	1 122 978	2 285	1 125 263
–	(249 779)	–	–	–	–	–
–	5 068	–	(86)	(244 711)	–	(244 711)
51	–	–	–	51	–	51
–	526 233	–	(525 959)	–	–	–
–	(304 114)	–	(2 590)	(306 704)	–	(306 704)
–	(321 862)	–	–	(321 862)	–	(321 862)
–	17 748	–	(2 590)	15 158	–	15 158
51	(22 592)	–	(528 635)	(551 364)	–	(551 364)
–	–	4 987	–	4 987	–	4 987
–	–	4 987	–	4 987	–	4 987
51	(22 592)	4 987	(528 635)	(546 377)	–	(546 377)
–	–	(1 368)	565 413	564 045	(1 603)	562 442
–	–	–	565 413	565 413	(1 603)	563 810
–	–	(1 368)	–	(1 368)	–	(1 368)
24 600	(510 850)	(1 614)	1 625 669	1 140 646	682	1 141 328


HIGH
SCHOOL
MUSICAL

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 August 2010

	Notes	2010 R'000	2009 R'000
Cash effects of operating activities			
Profit before working capital changes	26.1	836 994	825 407
Working capital changes	26.2	(203 492)	489 583
Cash generated by operations		633 502	1 314 990
Interest received		9 376	14 346
Interest paid		(34 851)	(42 683)
Taxation paid	26.3	(174 930)	(229 158)
Cash inflow from operating activities before distributions		433 097	1 057 495
Distributions paid to shareholders	25	(244 711)	(191 099)
Net cash effects of operating activities		188 386	866 396
Cash effects of investing activities			
Investment in property, plant and equipment and intangible assets to maintain operations		(86 404)	(110 161)
Investment in property, plant and equipment and intangible assets to expand operations		(120 074)	(114 464)
Acquisition of business net of cash acquired	26.5	(21 689)	(9 924)
Acquisition of remaining interest in subsidiary	26.5	(3 500)	–
Proceeds from disposal of property, plant and equipment		1 516	1 600
Decrease in loan receivables		19 436	14 319
Net cash effects of investing activities		(210 715)	(218 630)
Cash effects of financing activities			
Share cancellation expenses		–	(99)
Purchase of treasury shares		(321 862)	(337 501)
Proceeds from disposal of treasury shares		15 158	42 387
Interest-bearing borrowings raised/(repaid)		71 331	(43 938)
Net cash effects of financing activities		(235 373)	(339 151)
Net (decrease)/increase in cash and cash equivalents		(257 702)	308 615
Cash and cash equivalents at the beginning of the year		409 754	101 139
Cash and cash equivalents at the end of the year	26.4	152 052	409 754

OPERATIONAL SEGMENTAL ANALYSIS

Segmental statement of income for the year ended 31 August 2010

	Retail*	
	2010	2009
	R'000	R'000
Segment revenue	**10 034 780**	8 756 797
Turnover	**9 727 869**	8 477 567
Cost of merchandise sold	**(6 895 244)**	(6 066 342)
Gross profit	**2 832 625**	2 411 225
Other income	**306 911**	279 230
Segment expenses	**(2 470 451)**	(2 154 820)
Depreciation and amortisation	**(114 481)**	(103 216)
Occupancy costs	**(388 030)**	(336 155)
Employment costs	**(1 275 313)**	(1 044 979)
Other costs	**(692 627)**	(670 470)
Operating profit	**669 085**	535 635
Loss on disposal of property, plant and equipment	**(6 359)**	(6 955)
Impairment of intangible asset	**(7 685)**	–
Segment result from operations	**655 041**	528 680
Net financing costs		
Financial income		
Financial expense		
Profit before taxation		
Income tax expense		
Total profit for the year		
Segmental cash flow information for the year ended 31 August 2010		
Capital expenditure***	**(213 467)**	(196 464)
Depreciation and amortisation	**123 161**	111 468
Non-cash items:		
Fair value adjustment – derivative	**(123 354)**	(28 053)
Unrealised foreign exchange loss	**7 745**	16 966
Loss on disposal of property, plant and equipment	**6 359**	6 955
Impairment of intangible asset	**7 685**	–
Movement in operating lease liability	**9 471**	7 747
Equity-settled share option costs	**51**	717

* Includes Clicks Direct Medicines.

** Prior-year balances restated to exclude Clicks Direct Medicines.

*** Capital expenditure includes acquisition of business.

UPD**		Intragroup elimination		Group	
2010 R'000	2009 (restated) R'000	2010 R'000	2009 R'000	2010 R'000	2009 (restated) R'000
5 622 555	5 322 467	(1 754 966)	(1 339 470)	13 912 673	12 754 202
5 298 670	5 037 215	(1 750 262)	(1 339 470)	13 276 277	12 175 312
(5 219 690)	(4 929 818)	1 742 249	1 338 230	(10 372 685)	(9 657 930)
78 980	107 397	(8 013)	(1 240)	2 903 592	2 517 382
323 885	285 252	(4 704)	–	626 092	564 482
(240 665)	(217 874)	4 704	–	(2 706 412)	(2 372 694)
(13 614)	(10 449)	–	–	(128 095)	(113 665)
(2 804)	(2 631)	1 088	–	(389 746)	(338 786)
(124 065)	(111 949)	–	–	(1 399 378)	(1 156 928)
(100 182)	(92 845)	3 616	–	(789 193)	(763 315)
162 200	174 775	(8 013)	(1 240)	823 272	709 170
(117)	(222)	–	–	(6 476)	(7 177)
–	–	–	–	(7 685)	–
162 083	174 553	(8 013)	(1 240)	809 111	701 993
				(38 751)	(54 773)
				10 304	14 408
				(49 055)	(69 181)
				770 360	647 220
				(206 550)	(174 619)
				563 810	472 601
(18 200)	(38 085)			(231 667)	(234 549)
13 614	10 449			136 775	121 917
–	–			(123 354)	(28 053)
–	–			7 745	16 966
117	222			6 476	7 177
–	–			7 685	–
–	–			9 471	7 747
–	–			51	717

OPERATIONAL SEGMENTAL ANALYSIS continued

Segmental statement of financial position at 31 August 2010

	Retail*	
	2010 R'000	2009 R'000
SEGMENT ASSETS		
Segment non-current assets	**1 143 211**	1 127 340
Property, plant and equipment	**736 142**	681 430
Intangible assets	**312 560**	301 632
Goodwill	**19 524**	10 313
Deferred tax assets	**51 578**	88 243
Intragroup loans	**–**	–
Loans receivable	**23 407**	45 722
Segment current assets	**2 095 176**	2 078 496
Inventories	**1 273 622**	1 058 381
Trade and other receivables	**171 431**	167 798
Intragroup loans	**390 452**	390 452
Loans receivable	**15 149**	11 342
Cash and cash equivalents	**125 287**	382 222
Derivative financial assets	**119 235**	68 301
Total segment assets	**3 238 387**	3 205 836
SEGMENT EQUITY AND LIABILITIES		
Segment equity	**980 596**	1 123 196
Share capital	**2 841**	3 029
Share option reserve	**24 600**	24 549
Treasury shares	**(510 850)**	(488 258)
Non-distributable reserves	**(617)**	(5 146)
Distributable reserve	**1 464 622**	1 587 210
Equity attributable to equity holders of the parent	**980 596**	1 121 384
Non-controlling interest	**–**	1 812
Segment non-current liabilities	**329 865**	499 385
Interest-bearing borrowings	**16 566**	37 340
Intragroup loans	**40 021**	195 960
Employee benefits	**89 408**	82 970
Deferred tax liabilities	**68 559**	77 275
Operating lease liability	**115 311**	105 840
Segment current liabilities	**1 927 926**	1 583 255
Trade and other payables	**1 567 631**	1 281 841
Intragroup loans	**–**	–
Employee benefits	**185 527**	221 648
Provisions	**6 244**	6 254
Interest-bearing borrowings	**115 359**	27 636
Income tax payable	**44 174**	25 846
Derivative financial liabilities	**8 991**	20 030
Total segment equity and liabilities	**3 238 387**	3 205 836

* Includes Clicks Direct Medicines.

** Prior-year balances restated to exclude Clicks Direct Medicines.

*** From 1 September 2009 taxation relating to UPD is managed within Group Services and consequently, related tax balances are recorded within the retail segment.

UPD**		Intragroup elimination		Group	
2010 R'000	2009 R'000	2010 R'000	2009 R'000	2010 R'000	2009 R'000
279 985	430 535	(40 021)	(195 960)	1 383 175	1 361 915
151 911	148 083	–	–	888 053	829 513
1 913	681	–	–	314 473	302 313
85 811	85 811	–	–	105 335	96 124
329	–	–	–	51 907	88 243
40 021	195 960	(40 021)	(195 960)	–	–
–	–	–	–	23 407	45 722
1 261 691	1 310 685	(629 904)	(569 890)	2 726 963	2 819 291
312 480	369 957	(14 854)	(6 842)	1 571 248	1 421 496
922 446	913 196	(224 598)	(172 596)	869 279	908 398
–	–	(390 452)	(390 452)	–	–
–	–	–	–	15 149	11 342
26 765	27 532	–	–	152 052	409 754
–	–	–	–	119 235	68 301
1 541 676	1 741 220	(669 925)	(765 850)	4 110 138	4 181 206
175 586	8 909	(14 854)	(6 842)	1 141 328	1 125 263
–	–	–	–	2 841	3 029
–	–	–	–	24 600	24 549
–	–	–	–	(510 850)	(488 258)
(997)	(87)	–	–	(1 614)	(5 233)
175 901	8 523	(14 854)	(6 842)	1 625 669	1 588 891
174 904	8 436	(14 854)	(6 842)	1 140 646	1 122 978
682	473	–	–	682	2 285
6 879	14 328	(40 021)	(195 960)	296 723	317 753
13	88	–	–	16 579	37 428
–	–	(40 021)	(195 960)	–	–
6 866	8 164	–	–	96 274	91 134
–	6 076	–	–	68 559	83 351
–	–	–	–	115 311	105 840
1 359 211	1 717 983	(615 050)	(563 048)	2 672 087	2 738 190
947 850	1 298 872	(224 598)	(172 596)	2 290 883	2 408 117
390 452	390 452	(390 452)	(390 452)	–	–
17 042	18 948	–	–	202 569	240 596
–	–	–	–	6 244	6 254
1 233	2 241	–	–	116 592	29 877
2 634	7 470	–	–	46 808	33 316
–	–	–	–	8 991	20 030
1 541 676	1 741 220	(669 925)	(765 850)	4 110 138	4 181 206

ACCOUNTING POLICIES

Clicks Group Limited is a company domiciled in South Africa. The consolidated financial statements as at and for the year ended 31 August 2010 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"), AC 500 series issued by SAICA and the South African Companies Act (Act No. 61 of 1973), as amended.

The financial statements are presented in South African Rands ("Rands"), rounded to the nearest thousand. They are prepared on the basis that the group and the company are going concerns, using the historical cost basis of measurement unless otherwise stated.

The accounting policies set out below have been applied consistently in all material respects to all periods presented in these consolidated financial statements, except for Amendments to IFRS 7 "Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments", IFRS 8 "Operating Segments" and IAS 1 "Presentation of Financial Statements". The standards adopted resulted in changes to disclosure and did not have any impact on earnings.

The financial statements were approved by the directors on 12 November 2010.

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgements and assumptions that affect the accounting policies and the reported amounts of assets, liabilities, income and expenses. Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Significant accounting estimates and assumptions

Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below and disclosed in the relevant notes to the financial statements.

Allowance for net realisable value of inventories

The group evaluates its inventory to ensure 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.

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 intragroup transactions and balances, including any unrealised gains and losses arising from intragroup transactions, are eliminated on consolidation. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The company carries its investments in subsidiaries at cost less accumulated impairment.

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 and 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 acquired share of interest did 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 group's functional and presentation currency.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of group entities at rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the 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 exchange rates at the dates of the transactions.

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 classified according to their nature and are measured at amortised cost.

Financial instruments are classified at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value and changes therein are recognised in profit or loss.

The group has non-derivative financial instruments and financial instruments at fair value through profit or loss. The subsequent measurement of each financial instrument is explained in more detail below.

Trade and other receivables and loans receivable

Trade and other receivables and loans receivable are categorised as loans and receivables. These financial assets originate by the group providing goods, services or money directly to a debtor and, 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

The group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investing activities, as well as market risk arising on cash-settled share-based compensation schemes and employee benefits. In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes. Subsequent to initial recognition, derivatives are measured at fair value. The gain or loss arising from a change in fair value on remeasurement is recognised in profit or loss in the period in which the change arises.

The fair value of interest rate swaps is the estimated amount that the group would receive or pay to terminate the swap at the 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 off-set 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.

Hedge of monetary assets and liabilities

Where a derivative financial instrument is used to hedge the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in profit or loss.

Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

This condition is regarded as met only when the sale is highly probable and expected to be completed within one year from classification and the asset is available for immediate sale in its present condition.

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the group's accounting policies. Thereafter assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Discontinued operations

Disposal groups are classified as discontinued operations where they represent a major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

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 which have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment. Intangible assets that are assessed as having a finite useful life are amortised over their useful lives on a straight-line basis from the date they become available for use and 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 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, the goodwill is allocated to cash-generating units on a reasonable and consistent basis. Where appropriate, corporate assets are also allocated to cash-generating units on a reasonable and consistent basis. The recoverable amount of the cash-generating unit (including an allocation of goodwill and corporate assets) is assessed with reference to the future cash flows of the cash-generating unit. Where an impairment is identified for a cash-generating unit, the impairment is applied first to the goodwill allocated to the cash-generating unit and then to other assets on a pro rata basis comprising the cash-generating unit provided that each identifiable asset is not reduced to below its recoverable amount.

Recoverable amount

The recoverable amount of an asset is the greater of its fair value less cost to sell and its value in use. Recoverable amounts are estimated for individual assets or, if an asset does not generate largely independent cash flows, for a cash-generating unit. A cash-generating unit is the smallest collection of assets capable of generating cash flows independent of other assets or other cash-generating units.

The fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or cash-generating unit and from its disposal at the end of its useful life. The estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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 and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss.

Share capital

Ordinary share capital

Ordinary share capital represents the par value of ordinary shares issued.

Share premium

Share premium represents the excess consideration received by the company over the par value of ordinary shares issued and is classified as equity.

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from share premium, net of any tax effect.

Treasury shares

Ordinary shares in Clicks Group Limited which have been acquired by the group in terms of an approved share repurchase programme or are held by the Share Incentive Trust are classified as treasury shares. The cost of these shares is deducted from equity and the number of shares is deducted from the weighted average number of shares. Dividends received on treasury shares that are of a capital nature are recorded as a reduction in the cost of treasury 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 which 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 is measured using the Binomial option pricing model, taking into account the terms and conditions under which the options were granted. The amount recognised as an expense with a corresponding increase in equity is adjusted at each reporting date to reflect the actual number of share options that vest or are expected to vest.

Cash-settled share-based compensation benefits

The group grants share appreciation rights to certain employees in terms of an incentive programme. The value of the obligation in terms of the share appreciation rights is expensed over the vesting period of the rights and the related liability is raised. These share appreciation rights are valued at fair value at each reporting date until settlement date by an independent expert, using the Binomial option pricing model. Any change in the fair value of the liability is recognised in profit or loss.

Long-term incentive scheme

The group grants cash-settled appreciation rights to management in terms of a long-term incentive scheme. The liability which is not expected to be settled within twelve months is discounted to present value using market yields, at the 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 which is recognised in profit or loss.

Provisions

A provision is recognised when the group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is determined by discounting the anticipated future cash flows expected to be required to settle the obligation at a pre-tax rate that reflects the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and net cost of continuing with the contract. Before a provision is established, the group recognises any impairment loss on the asset associated with that contract.

Provisions are reviewed at each 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 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 substantially 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 substantially enacted at the reporting date.

Deferred tax assets and liabilities are off-set if there is a legally enforceable right to off-set 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

Impact of new International Financial Reporting Standards

Standards, amendments and interpretations effective for 2010

Clicks Group adopted the following IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations in the current financial year. Where there has been an impact on the financial statements this is described further in the table below:

Standard/Interpretation	Standard's name	Impact
IAS 1	Presentation of Financial Statements	No financial impact, but increased disclosure
IAS 23	Borrowing Costs	No financial impact
IAS 27	Consolidated and Separate Financial Statements	No financial impact
IAS 38	Intangible Assets	No financial impact
IFRS 3	Business Combinations	No financial impact
IFRS 7	Financial Instruments	No financial impact, but increased disclosure
IFRS 8	Operating Segments	Change in disclosure

IAS 1 "Presentation of Financial Statements"
The amendments to IAS 1 introduce the concept of comprehensive income. The statement of comprehensive income replaces the statement of recognised income and expense. The statement of comprehensive income includes the income statement and entries on all non-owner changes in equity that were previously recognised in the statement of changes in equity. The group has elected to present one statement of comprehensive income. Consequent changes in terminology have been adopted in the financial statements.

IFRS 7 "Financial Instruments: Disclosures" (amendment)
The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

IFRS 8 "Operating Segments"
IFRS 8 extends the scope of segmental reporting, requiring additional disclosure and has been applied for the first time in these financial statements. The standard requires the group to adopt the "management approach" to reporting segment information basing this on the group's internal management reporting data. The group has opted to disclose segments based on its operating brands.

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 believes could impact the group in future periods.

Standard/Interpretation	Standard's name	Impact
IAS 24	Related Party Disclosures	No financial impact
IAS 32	Financial Instruments: Presentation – Classification of Rights Issues	No financial impact
IFRS 2	Amendment to IFRS 2 "Share-based Payment: Group Cash-settled Share-based Payment Arrangement"	No financial impact
IFRS 9	Financial Instruments	Change in disclosure
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	No financial impact
IFRIC 14	Amendments to IFRIC 14, IAS 19 "The Limit on Defined Benefit Assets, Minimum Funding Requirements and Their Interaction"	No financial impact
	Improvements to IFRS 2009 and 2010	Immaterial financial impact anticipated

IFRS 9 "Financial Instruments"
The standard is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets, namely amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

		Group 2010 R'000	Group 2009 R'000
1	**Revenue**		
	Turnover	**13 276 277**	12 175 312
	Financial income	**10 304**	14 408
	Other income	**626 092**	564 482
	Distribution and logistics fees	**328 475**	339 023
	Rental income	**917**	2 231
	Cost recoveries and other	**296 700**	223 228
		13 912 673	12 754 202
2	**Net financing costs**		
	Recognised in profit or loss		
	Interest income on bank deposits	**3 110**	5 848
	Change in fair value of financial assets designated at fair value through profit or loss	**–**	3 861
	Interest income on loans and receivables measured at amortised cost	**7 194**	4 699
	Financial income	**10 304**	14 408
	Interest expense on financial liabilities measured at amortised cost	**47 858**	61 924
	Cash interest paid	**34 851**	42 683
	Non-cash interest paid	**13 007**	19 241
	Change in fair value of financial assets designated at fair value through profit or loss	**1 197**	7 257
	Financial expense	**49 055**	69 181
	Net financing cost	**(38 751)**	(54 773)
3	**Depreciation and amortisation**		
	Depreciation on property, plant and equipment (see note 9)	**119 484**	109 676
	Amortisation of intangible assets (see note 10)	**17 291**	12 241
	Total depreciation and amortisation	**136 775**	121 917
	Depreciation included in cost of merchandise sold	**(8 680)**	(8 252)
	Depreciation and amortisation included in expenses	**128 095**	113 665
4	**Occupancy costs***		
	Lease charges		
	Operating leases	**355 449**	314 285
	Turnover rental expense	**24 836**	18 130
	Movement in operating lease liability (see note 22)	**9 471**	7 747
	Movement in provision for onerous contracts (see note 24)	**(10)**	(1 376)
		389 746	338 786

* Comparative figures have been restated for the reclassification of certain expenses between occupancy costs and other costs within the UPD business. See note 35 for further details.

	Group 2010 R'000	Group 2009 R'000
5 Employment costs		
Directors' emoluments	**23 052**	21 086
Non-executive	**1 639**	1 983
Fees	**1 639**	1 683
Consulting services	**–**	300
Executive	**21 413**	19 103
Salary and bonus	**19 317**	17 669
Other benefits	**2 096**	1 434
Cash-settled share appreciation rights costs (see note 21)	**53 591**	18 980
Equity-settled share option costs (see note 18)	**51**	717
Long-term incentive scheme (see note 21)	**58 239**	43 306
Staff salaries and wages	**1 145 284**	971 200
Contributions to defined contribution plans	**71 349**	60 377
Leave pay costs (see note 21)	**8 184**	16 270
Bonuses (note 21)	**97 321**	82 268
Increase in liability for defined benefit plans (see note 21)	**1 815**	3 794
Total employment costs	**1 458 886**	1 217 998
Employment costs included in cost of merchandise sold	**(59 508)**	(61 070)
Employment costs included in expenses	**1 399 378**	1 156 928

For further detail of directors' emoluments refer to the Remuneration Report on page 48.

Included in total employment costs are the following aggregate amounts (including directors' emoluments) relating to transactions with key management personnel:

	2010 R'000	2009 R'000
	115 005	39 760
Short-term employee benefits	**25 737**	20 736
Post-employment benefits	**1 290**	1 229
Other long-term benefits	**106**	98
Share-based payments	**87 872**	17 697
Non-executive directors' fees and consulting services	**1 639**	1 983
	116 644	41 743

	2010 R'000	2009 R'000
6 Other costs*		
Other operating costs include:		
Auditor's remuneration	**3 080**	3 153
Audit fees	**2 776**	3 150
Other services and expenses	**304**	3
Fees paid for outside services		
Technical services	**41 065**	27 795
Foreign exchange losses/(gains) – realised	**22 367**	(20 127)
Foreign exchange losses – unrealised (see note 16)	**7 414**	16 537
Foreign exchange options losses – unrealised (see note 16)	**331**	429
Share option hedge gains – unrealised (see note 16)	**(87 234)**	(28 053)
Impairment of trade and other receivables (see note 28.5)	**25 139**	12 746
Water and electricity	**63 652**	49 262
Retail	**60 582**	47 176
Distribution	**3 070**	2 086

* Comparative figures have been restated for the reclassification of certain expenses between occupancy costs and other costs within the UPD business. See note 35 for further details.

	Group		Company	
	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
7 Income tax expense				
South African normal tax				
Current tax				
Current year	**181 728**	178 342	**–**	–
Prior-year (over)/underprovision	**(961)**	1 112	**–**	–
Secondary tax on companies				
Current year	**–**	23	**–**	23
Capital gains tax				
Current year	**–**	103	**–**	–
Deferred tax				
Current year	**18 527**	(10 211)	**–**	1 176
Prior-year (over)/underprovision	**(1 296)**	(767)	**–**	26
Foreign tax				
Current tax				
Current year	**6 673**	5 666	**–**	–
Prior-year underprovision	**1 359**	91	**–**	–
Withholding tax	**876**	502	**–**	–
Deferred tax				
Current year	**(356)**	(151)	**–**	–
Prior-year overprovision	**–**	(91)	**–**	–
Total income tax expense	**206 550**	174 619	**–**	1 225
Reconciliation of rate of tax	**%**	%	**%**	%
Standard rate – South Africa	**28.00**	28.00	**28.00**	28.00
Adjusted for:				
Capital gains tax	**(0.29)**	(0.29)	**–**	–
Disallowable expenditure	**0.29**	0.56	**–**	–
Exempt income and allowances	**(1.18)**	(1.55)	**(28.00)**	–
Foreign tax rate variations	**0.14**	0.12	**–**	–
Foreign withholding tax	**0.11**	0.08	**–**	–
Prior-year overprovision	**(0.12)**	(0.13)	**–**	–
Secondary tax on companies deferred	**–**	0.19	**–**	–
Other	**(0.14)**	–	**–**	–
Effective tax rate	**26.81**	26.98	**–**	28.00

Subsidiaries of the group have estimated tax losses of R7.9 million (2009: R23.9 million) available for set-off against future taxable income of those subsidiaries. A deferred tax asset of R2.2 million (2009: R6.7 million) has been recognised in respect of the total estimated tax losses (see note 12).

	Group 2010 R'000	Group 2009 R'000
8 Earnings per share		
Reconciliation of headline earnings		
Profit attributable to equity holders of the parent	**565 413**	472 387
Adjustments:		
Loss on disposal of property, plant and equipment	**4 663**	6 100
Loss before tax	**6 476**	7 177
Tax	**(1 813)**	(1 077)
Impairment of intangible asset	**5 533**	–
Impairment of intangible asset	**7 685**	–
Tax	**(2 152)**	–
Headline earnings	**575 609**	478 487

	2010 cents	2009 cents
Earnings per share	**208.6**	165.6
Headline earnings per share	**212.3**	167.7
Diluted earnings per share	**207.7**	163.8
Diluted headline earnings per share	**211.4**	165.9

	2010 '000	2009 '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	**302 841**	324 139
Treasury shares held for the full year and/or cancelled	**(26 535)**	(33 814)
Treasury shares purchased during the year weighted for period held	**(6 158)**	(7 629)
Treasury shares utilised for share options weighted for period in issue	**925**	2 553
Weighted average number of shares in issue for the year	**271 073**	285 249
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	**271 073**	285 249
Dilutive effect of share options and forward purchase of shares	**1 204**	3 100
Weighted average diluted number of shares in issue for the year	**272 277**	288 349

	Group					
	2010			2009		
	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
9 Property, plant and equipment						
Land	**25 809**	**–**	**25 809**	25 809	–	25 809
Buildings	**322 468**	**30 332**	**292 136**	312 671	26 983	285 688
Computer equipment	**167 926**	**87 955**	**79 971**	146 128	87 368	58 760
Equipment	**145 972**	**71 691**	**74 281**	135 321	58 344	76 977
Furniture and fittings	**667 839**	**273 636**	**394 203**	584 563	221 370	363 193
Motor vehicles	**38 673**	**17 020**	**21 653**	33 472	14 386	19 086
	1 368 687	**480 634**	**888 053**	1 237 964	408 451	829 513

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

All group property is owner-occupied.

Motor vehicles with a net book value of R0.1 million are encumbered in terms of a finance lease with a carrying amount of R0.1 million as detailed under note 20.

Computer equipment with a net book value of R8 million is encumbered under finance leases with a carrying amount of R1.7 million as detailed under note 20.

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 2008	25 809	249 221	56 384	87 852	296 008	19 211	734 485
Additions	–	40 124	30 027	7 561	128 497	6 061	212 270
Disposals	–	(163)	(843)	(1 974)	(5 217)	(580)	(8 777)
Depreciation	–	(3 529)	(27 365)	(16 462)	(56 670)	(5 650)	(109 676)
Acquisition of business	–	35	557	–	575	44	1 211
Carrying amount value at 31 August 2009	**25 809**	**285 688**	**58 760**	**76 977**	**363 193**	**19 086**	**829 513**
Additions	**–**	**9 921**	**44 765**	**15 648**	**102 967**	**12 715**	**186 016**
Disposals	**–**	**(125)**	**(381)**	**(1 804)**	**(1 660)**	**(4 022)**	**(7 992)**
Depreciation	**–**	**(3 348)**	**(23 173)**	**(16 540)**	**(70 297)**	**(6 126)**	**(119 484)**
Carrying amount value at 31 August 2010	**25 809**	**292 136**	**79 971**	**74 281**	**394 203**	**21 653**	**888 053**

	Group					
	2010			2009		
	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
10 Intangible assets						
Clicks trademark	**272 000**	**–**	**272 000**	272 000	–	272 000
Link trademark	**6 000**	**5 970**	**30**	6 000	5 320	680
Capitalised software development	**64 822**	**38 727**	**26 095**	57 116	27 483	29 633
Contractual rights	**17 814**	**1 466**	**16 348**	–	–	–
	360 636	**46 163**	**314 473**	335 116	32 803	302 313

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

	Clicks trademark R'000	Link trademark R'000	Capitalised software development R'000	Contractual rights R'000	Total R'000
Carrying amount at 1 September 2008	272 000	1 330	28 811	–	302 141
Additions	–	–	12 355	–	12 355
Amortisation	–	(650)	(11 591)	–	(12 241)
Acquisition of business	–	–	58	–	58
Carrying amount at 31 August 2009	**272 000**	**680**	**29 633**	**–**	**302 313**
Additions	**–**	**–**	**19 322**	**1 140**	**20 462**
Amortisation	**–**	**(650)**	**(15 175)**	**(1 466)**	**(17 291)**
Impairment (see note 10.2)	**–**	**–**	**(7 685)**	**–**	**(7 685)**
Acquisition of business (see note 10.3)	**–**	**–**	**–**	**16 674**	**16 674**
Carrying amount at 31 August 2010	**272 000**	**30**	**26 095**	**16 348**	**314 473**

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 During the current year the group decided to discontinue the development of the Clicks Healthcare System (CHC). The value of the intangible asset on impairment was R7.685 million.

The impairment loss has been included in the impairment of intangible asset line in the statement of comprehensive income.

10.3 During the year the group acquired the pharmacy business of Amalgamated Pharmacy Group (Proprietary) Limited (see note 26.5.2). 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.

	Group 2010 R'000	2009 R'000
11 Goodwill		
Balance at the beginning of the year	**96 124**	85 811
Additional goodwill payments	**9 211**	10 313
Balance at the end of the year	**105 335**	96 124
Goodwill comprises:		
New United Pharmaceutical Distributors (Proprietary) Limited ("UPD") (see note 11.1).	**83 950**	83 950
Kalahari Medical Distributors (Proprietary) Limited ("Kalahari") (see note 11.2).	**1 861**	1 861
Clicks Direct Medicines (Proprietary) Limited and Direct Patient Support (Proprietary) Limited ("Direct Medicines") (see note 11.3).	**12 327**	10 313
Amalgamated Pharmacy Group (Proprietary) Limited ("Amalgamated Pharmacy Group") (see note 11.4).	**7 197**	–

The additional goodwill acquired relates to the excess of the purchase consideration over the fair value of the pharmacy business of Amalgamated Pharmacy Group acquired by the group during the year, as well as the purchase of the remaining 40% interest in Direct Medicines.

In accordance with the group's accounting policies, an impairment test of goodwill has been performed.

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 ten years was used as the business is considered likely to operate for at least this period (ignoring any potential change to medicine regulations or other legislation).

ii) A fair rate of return of 22.6%, being the prime rate of interest, adjusted for an investor's estimated marginal tax rate and the risk in variability of the final valuation which includes consideration of industry and country risk.

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

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

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 2011

ii) Conservative growth of 5% per annum from 2012 to perpetuity

iii) Discount rate of 15.5% per annum

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.

Applying IAS 36, goodwill relating to the above acquisition will be 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 entities 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.

	Group		Company	
	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
12 Deferred tax assets/(liabilities)				
Deferred tax assets	**51 907**	88 243	**–**	–
Deferred tax liabilities	**(68 559)**	(83 351)	**–**	–
	(16 652)	4 892	**–**	–
Balance at the beginning of the year	**4 892**	(7 734)	**–**	1 203
Acquisition of business	**(4 669)**	1 406	**–**	–
Current deferred tax (charge)/credit	**(16 875)**	11 220	**–**	(1 203)
Balance at the end of the year	**(16 652)**	4 892	**–**	–
Arising as a result of:				
Capital gains tax	**(30 053)**	(27 795)	**–**	–
Employee obligations	**88 609**	90 206	**–**	–
Income and expense accrual	**27 287**	27 151	**–**	–
Inventory	**21 511**	19 653	**–**	–
Onerous leases	**2 158**	1 751	**–**	–
Operating lease liability	**32 008**	29 721	**–**	–
Prepayments	**(8 852)**	(4 907)	**–**	–
Property, plant and equipment	**(67 837)**	(58 783)	**–**	–
STC credits	**528**	528	**–**	–
Tax losses	**2 230**	6 699	**–**	–
Trademarks	**(76 172)**	(76 172)	**–**	–
Other	**(8 069)**	(3 160)	**–**	–
Balance at the end of the year	**(16 652)**	4 892	**–**	–

The capital gains deferred tax liability arises on the revaluation of a forward purchase of shares by the company in a subsidiary company.

In respect of the deferred tax assets recognised by one (2009: two) subsidiary company, the directors consider that sufficient future taxable income will be generated by that subsidiary company to utilise the deferred tax assets recognised.

		Group	
		2010 R'000	2009 R'000
13	**Loans receivable**		
	New Clicks Foundation Trust (see note 13.1)	**5 021**	5 021
	Intercare Managed Healthcare (Proprietary) Limited (see note 13.2)	**752**	1 140
	Intercare Managed Healthcare (Proprietary) Limited (see note 13.3)	**30 211**	40 156
	New Clicks Holdings Share Trust ("the Share Trust") participants (see note 13.4)	**–**	3 991
	Sign and Seal Trading 205 (Proprietary) Limited (see note 13.5)	**2 572**	3 256
	Vuwa Health Pharmaceuticals (Proprietary) Limited (see note 13.6)	**–**	3 500
	Total loans receivable	**38 556**	57 064
	Short-term portion included in current assets	**(15 149)**	(11 342)
	Non-current loans receivable	**23 407**	45 722

13.1 The loan to New Clicks Foundation Trust is unsecured, interest free and no fixed date for repayment has been determined.

13.2 The loan to Intercare Managed Healthcare (Proprietary) Limited ("Intercare") is unsecured, bears interest at prime less 1% and is repayable by December 2011.

13.3 The loan to Intercare was settled on 31 August 2006. Intercare was previously a partially-owned subsidiary of the group. In order for Intercare to settle the loan, it was necessary for the group to guarantee certain facilities amounting to R30 million (2009: R40 million) that Intercare has with its bankers. As the group has substantially retained the risks and rewards related to the financial instrument by issuing the above-mentioned guarantee, the group continues to recognise the financial asset. A corresponding financial liability amounting to R30 million (2009: R40 million) has been raised (see note 20).

The terms of the loan between Intercare and its bankers include a fixed repayment schedule over the next two years. R13 million of the loan is subject to fixed interest at 11.92% and the remainder at a floating rate of prime less 1%. The amortisation of the loan receivable and the related interest will be congruent with settling of the loan payable by Intercare to its bankers.

In the event that Intercare defaults on its loan with its bankers, the group would be required to settle any remaining obligation. The group has a general notarial bond over certain movable assets belonging to Intercare as partial security in respect of this receivable.

13.4 The Share Trust loan with participants is unsecured, interest free and was repaid in the current year.

13.5 The loans to Sign and Seal Trading 205 (Proprietary) Limited ("Style Studio") consist of a loan of R1.8 million repayable over three years at the prime interest rate with the last instalment due in August 2012, as well as a loan of R800 000 which is interest free and repayable in August 2012.

A general notarial bond over the inventories and property, plant and equipment of Style Studio, pledge of ordinary shares in Clicks Group Limited, as well as personal suretyship by the directors, serve as security for the loan.

13.6 The loan to Vuwa Health Pharmaceuticals (Proprietary) Limited was settled on 30 August 2010.

		Group	
		2010 R'000	2009 R'000
14	**Inventories**		
	Inventories comprise:		
	Goods for resale	**1 493 412**	1 378 950
	Goods in transit	**77 836**	42 546
		1 571 248	1 421 496
	Inventories stated at net realisable value	**49 458**	61 004

The value of inventories stated at net realisable value is determined on management's best estimate of the likely selling price at which the inventories in question could be sold in the ordinary course of business less the directly attributable selling costs.

		Group	
15	**Trade and other receivables**		
	Trade and other receivables comprise:		
	Trade receivables	**751 127**	774 409
	Less: impairment of trade receivables	**(34 765)**	(16 139)
	Trade receivables – net	**716 362**	758 270
	Prepayments	**34 942**	34 996
	Income accruals	**81 256**	80 744
	Income tax receivable	**1 516**	2 769
	Other	**35 203**	31 619
		869 279	908 398

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.

		Group	
16	**Derivative financial instruments**		
	Derivative financial assets		
	Balance at the beginning of the year	**68 301**	44 344
	Realised gain on interest rate swap contracts recognised in profit or loss	**–**	(4 096)
	Unrealised gain on fuel hedge contracts recognised in profit or loss	**43**	–
	Change in fair value of share option hedge recognised in profit or loss	**123 311**	28 053
	Proceeds from disposal of share option hedge	**(72 420)**	–
	Balance at the end of the year	**119 235**	68 301
	Derivative financial liabilities		
	Balance at the beginning of the year	**20 030**	3 057
	Realised gain on forward exchange contracts recognised in profit or loss	**(16 537)**	(3 057)
	Unrealised loss on forward exchange contracts recognised in profit or loss	**7 414**	16 537
	Realised gain on interest rate swap contracts recognised in profit or loss	**(3 064)**	–
	Realised gain on foreign exchange options recognised in profit or loss	**(429)**	–
	Unrealised loss on interest rate swap contracts recognised in profit or loss	**1 246**	3 064
	Unrealised loss on foreign exchange options recognised in profit or loss	**331**	429
	Balance at the end of the year	**8 991**	20 030

		Group 2010		Group 2009	
		Assets R'000	Liabilities R'000	Assets R'000	Liabilities R'000
16	**Derivative financial instruments** continued				
	Interest rate swap contracts	**–**	**(1 246)**	–	(3 064)
	Forward exchange contracts	**–**	**(7 414)**	–	(16 537)
	Fuel hedge	**43**	**–**	–	–
	Share option hedge	**119 192**	**–**	68 301	–
	Foreign exchange options	**–**	**(331)**	–	(429)
	Total	**119 235**	**(8 991)**	68 301	(20 030)

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 2010 was R238 million (2009: R297 million). The notional principal amounts of the outstanding interest rate swap contracts at 31 August 2010 was R100 million (2009: R100 million).

The share option hedge serves as a hedge in respect of the group's obligation in terms of share appreciation rights granted to employees and the 2009 tranche of the long-term incentive scheme appreciation rights.

Of the current valuation of the hedge, R8.7 million serves as a hedge of the share appreciation rights as described in note 21.2 and the balance serves as a hedge of the long-term incentive as described in note 21.1.

The derivative has been valued by an independent external valuator using the Binomial option pricing model. Refer to note 21.2 for significant assumptions used in the Binomial option pricing model.

		Group 2010 R'000	Group 2009 R'000
17	**Share capital and share premium**		
	Authorised – group and company		
	600 million (2009: 600 million) ordinary shares of one cent each	**6 000**	6 000
	Issued ordinary shares – group and company		
	284.007 million (2009: 302.841 million) ordinary shares of one cent each	**2 841**	3 029
	Share premium – group	**–**	–
	Share premium – company	**10 662**	10 748

The unissued shares are under the control of the directors until the next annual general meeting, subject to an undertaking by the directors that such authority will only be used to issue shares in terms of the company's obligations under the staff share option scheme (see note 18).

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.

	2010 '000	2009 '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	**284 007**	302 841
Treasury shares held at the end of the year	**(17 724)**	(26 535)
Net number of shares in issue at the end of the year	**266 283**	276 306

Of the shares in issue, the group holds the following treasury shares:	2010 R'000	2009 R'000
Shares purchased by a subsidiary – 16.888 million (2009: 25.049 million) ordinary shares of one cent each – cost	**500 484**	479 592
Shares purchased by the Share Trust – 0.836 million (2009: 1.486 million) ordinary shares of one cent each – cost	**10 366**	8 666
	510 850	488 258

During the year the group cancelled 27 367 849 (2009: 21 505 674) ordinary shares of one cent each. 27 367 849 shares (2009: 21 500 000 shares) were held as treasury shares by a subsidiary and nil (2009: 5 674) shares were purchased in the open market in terms of an odd-lot offer to the shareholders of Clicks Group Limited. Of the total cost of R526.233 million on cancellation, R0.274 million was deducted from share capital and R525.959 million from distributable reserves.

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.

18 Share option reserve

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

The options are subject to a three-year and five-year vesting period. Upon vesting, options may be exercised at any time until the 10th anniversary.

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

New Clicks Holdings Share Trust ("the Share Trust")

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

	Group	
	No. of shares 2010 '000	No. of shares 2009 '000
Shares allocated and options granted to employees		
Options		
Balance at the beginning of the year	**2 719**	8 806
Delivered to participants	**(1 883)**	(5 109)
Options forfeited by participants	**(145)**	(978)
Balance at the end of the year	**691**	2 719

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**
September 2000	R9.30	709 000	–	(699 000)	–	**10 000**
April 2001	R7.40	200 000	–	(72 000)	(20 000)	**108 000**
January 2003	R6.50	150 000	–	(50 000)	(100 000)	**–**
August 2003	R6.30	650 500	–	(297 500)	–	**353 000**
June 2005	R7.50	550 000	–	(475 000)	–	**75 000**
August 2005	R8.32	459 000	–	(289 000)	(25 000)	**145 000**
Total		2 718 500	–	(1 882 500)	(145 000)	**691 000**

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.

18 Share option reserve continued

Fair value of share-based payments in respect of options

Options granted after 7 November 2002 that had not vested at 1 January 2005 have been valued using the Binomial option pricing model by an independent, external valuator. The fair value of the options determined at the grant date are amortised over the vesting period to the extent that the options are ultimately exercised or are expected to be exercised.

The assumptions used in estimating the fair values at grant date are listed below:

	Share price at grant date	Risk-free rate (%)	Expected dividend yield (%)	Expected volatility (%)	Expected exercise rate (%)
August 2005 – 5-year vesting period	R8.40	7.93	3.7	32.0	65.2

The risk-free rate is the implied yield available on zero-coupon South African government bonds, with a remaining term equal to the expected term of the option being valued (based on the option's remaining contractual life and taking into account the effects of expected early exercise). Bond yields used are those published by the Bond Exchange of South Africa.

The dividend yield is the historical two-year average dividend yield as of the grant date, which has been converted to a continuously compounded dividend yield.

The expected volatility is the historic annualised standard deviation of the continuously compounded rates of return on the share, based on the most recent period as of the grant date that is commensurate with the expected term of the share option.

The expected exercise rate is based on the historic trend of option forfeitures and excludes options already exercised. The options already exercised are reflected in the share option reserve in addition to the value of options that are expected to be exercised based on the expected exercise rate.

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

	Group	
	2010 R'000	2009 R'000
Share option reserve		
Balance at the beginning of the year	**24 549**	23 832
Share option cost charged to profit	**51**	717
Balance at the end of the year	**24 600**	24 549
Represented by:		
Estimate of options not yet vested but expected to vest	**–**	2 798
Options vested and not forfeited	**24 600**	21 751
	24 600	24 549

19 Non-distributable reserves

Foreign currency translation reserve		
Unrealised loss on the translation of assets and liabilities of subsidiaries whose financial statements are denominated in foreign currencies	**(1 614)**	(246)
Acquisition of subsidiary		
Acquisition of option in subsidiary (see note 34.2)	**–**	(4 987)
	(1 614)	(5 233)

	Group 2010 R'000	Group 2009 R'000
20 Interest-bearing borrowings		
Non-current		
Unsecured liability	**–**	5 576
Finance leases (see note 22.1)	**13**	1 801
Financial liability (see note 20.1)	**16 566**	30 051
	16 579	37 428
Current		
Bank borrowings	**100 000**	16 040
Unsecured liability	**1 144**	1 801
Finance leases (see note 22.1)	**1 803**	1 931
Financial liability (see note 20.1)	**13 645**	10 105
	116 592	29 877
Total borrowings	**133 171**	67 305

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 28.

	Contractual interest rate	Year of maturity	Carrying amount R'000 2010	Carrying amount R'000 2009
Secured bank loan – This loan is secured by a pledge of shares in a subsidiary company	15.4%	August 2010	**–**	16 040
Unsecured bank loan	7.6%	June 2011	**100 000**	–
Unsecured loan	prime	2009 – 2010	**1 144**	1 801
Put/call option liability relating to Direct Medicines	15.0%	August 2011	**–**	5 576
Finance lease liabilities – These lease liabilities are secured by the related leased items (see note 9 and note 22.1)	6.1%	August 2010	**1 714**	3 204
Finance lease liabilities – These lease liabilities are secured over certain assets (see note 9 and note 22.1)	prime less 2%	2009 – 2010	**102**	528
Financial liability (see note 20.1)				
Portion – fixed	11.9%	December 2011	**12 628**	18 853
Portion – variable	prime less 1%	2011 – 2012	**17 583**	21 303
Total interest-bearing borrowings			**133 171**	67 305
Amount repayable within one year included in current liabilities			**(116 592)**	(29 877)
Non-current interest-bearing borrowings			**16 579**	37 428

20.1 **Financial liability**

The financial liability has been recognised in respect of a loan advanced to Intercare by its bankers. Although the loan receivable detailed in note 13.3 has been settled, as the group still retains substantially all of the risks and rewards relating to the receivable through the issuance of a guarantee, the receivable has not been derecognised. The proceeds received on the settlement of the receivable have thus been recognised as a financial liability. The repayment terms of this loan are the same as the terms applicable to the receivable.

	Long-term incentive scheme (note 21.1) R'000	Share appreciation rights (note 21.2) R'000	Post-retirement medical obligations (note 21.3) R'000	Total R'000

21 Employee benefits

Long-term employee benefits

	Long-term incentive scheme (note 21.1) R'000	Share appreciation rights (note 21.2) R'000	Post-retirement medical obligations (note 21.3) R'000	Total R'000
Balance at 1 September 2008	89 929	15 051	25 886	130 866
Change in fair value of cash-settled obligation taken to profit	–	20 323	–	20 323
Current service cost	74 398	–	1 029	75 427
Benefit payments	–	–	(637)	(637)
Interest cost	16 836	–	2 142	18 978
Actuarial (gain)/loss	(31 092)	–	2 765	(28 327)
Reclassification to short-term employee benefits	(91 920)	(33 576)	–	(125 496)
Balance at 31 August 2009	**58 151**	**1 798**	**31 185**	**91 134**
Change in fair value of cash-settled obligation taken to profit	**–**	**53 591**	**–**	**53 591**
Current service cost	**57 273**	**–**	**1 815**	**59 088**
Benefit payments	**–**	**–**	**(534)**	**(534)**
Interest cost	**12 112**	**–**	**2 364**	**14 476**
Actuarial loss	**966**	**–**	**–**	**966**
Reclassification to short-term employee benefits	**(67 058)**	**(55 389)**	**–**	**(122 447)**
Balance at 31 August 2010	**61 444**	**–**	**34 830**	**96 274**

21.1 Long-term incentive scheme

During 2010, the group issued 4.3 million (2009: 5.2 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 R19.91 (2009: R15.83) 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.

21.2 Share appreciation rights

During 2005, the group made six million share appreciation rights available to certain employees. Three million of these rights vested during 2008 and the remaining three million vested during the current year due to performance conditions being met. During 2006, the group made a further one million share appreciation rights available to certain employees.

In the 2007 financial year, 450 000 share appreciation rights relating to the second issue of share appreciation rights were cancelled, leaving 550 000 of this issue to vest. Of these rights, 275 000 expired in the prior year when the performance conditions were not met. The remaining 275 000 vest after a period of five years from the grant date.

The "exercise price" of the share appreciation rights varies depending on the performance of the company's share price on the JSE and is more fully detailed below.

	7 April 2005 tranche			11 May 2006 tranche		
	Share price on vesting date		Exercise price	Share price on vesting date		Exercise price
Five-year rights	greater than	R16.81	R8.36	greater than	R21.22	R10.55
	greater than	R20.80	R4.18	greater than	R26.25	R5.27
	greater than	R25.51	R0.01	greater than	R32.20	R0.01

21 Employee benefits continued

21.2 Share appreciation rights continued

As the group's liability in respect of these share appreciation rights is dependent on the future performance of the company's share price on the JSE, a derivative hedge was acquired to limit the extent of the exposure. The hedging instrument covers all exposure where the notional exercise price is R4.18 per share or above or R5.27 per share or above in respect of the 7 April 2005 and 11 May 2006 tranches respectively.

In addition to the cost of the hedge detailed in note 16, in the event that the highest target share price is achieved, the group's maximum further exposure in terms of the share appreciation rights is R1.4 million (2009: R14.0 million).

The obligation in respect of these cash-settled share-based payments has been computed based on the fair value of the notional options at year-end as determined by independent external professional valuators using the Binomial option pricing model, amortised over the vesting period of the rights.

The following key assumptions have been made:

i) The expected volatility is the historic annualised standard deviation of the continuously compounded rates of return on the share, based on the most recent period as of the grant date that is commensurate with the expected term of the share option.

ii) The risk-free rate on the valuation date of the financial institution who performed the valuation's swap rate for the expected life of the option.

iii) A dividend yield of 2.36% was assumed.

iv) The volatilities were considered appropriate for the duration of the options value and an employee exit rate prior to and post vesting date of 0%.

21.3 Post-retirement medical obligations

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

An actuarial valuation of the Clicks post-retirement medical aid scheme has determined that the unfunded liability in respect of pensioner post-retirement medical benefits amounts to R34.8 million (2009: R31.2 million). Provision has been made for the full unfunded liability.

The principal actuarial assumptions at the last valuation date (31 August 2009) are:

i) A discount rate of 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

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	(5 894)
– Medical aid inflation decreases by 1% per annum over assumptions made	7 663
– Retirement age decreases by five years	13 066

	Long-term incentive scheme (note 21.1) R'000	Share appreciation rights (note 21.2) R'000	Leave pay accrual (note 21.4) R'000	Bonus accrual (note 21.5) R'000	Overtime accrual (note 21.6) R'000	Total R'000

21 Employee benefits continued

	Long-term incentive scheme (note 21.1) R'000	Share appreciation rights (note 21.2) R'000	Leave pay accrual (note 21.4) R'000	Bonus accrual (note 21.5) R'000	Overtime accrual (note 21.6) R'000	Total R'000
Short-term employee benefits						
Balance at 1 September 2008	–	1 343	41 582	58 733	2 604	104 262
Reclassification from long-term employee benefits	91 920	33 576	–	–	–	125 496
Acquisition of business	–	–	888	1 205	–	2 093
Benefit payments	(4 817)	–	(9 455)	(74 795)	(1 729)	(90 796)
(Release)/charge included in profit or loss	–	(1 343)	16 270	82 268	2 346	99 541
Balance at 31 August 2009	**87 103**	**33 576**	**49 285**	**67 411**	**3 221**	**240 596**
Reclassification from long-term employee benefits	**67 058**	**55 389**	**–**	**–**	**–**	**122 447**
Benefit payments	**(89 838)**	**(80 557)**	**(10 024)**	**(86 141)**	**(2 260)**	**(268 820)**
Charge included in profit or loss	**–**	**–**	**8 184**	**97 321**	**2 841**	**108 346**
Balance at 31 August 2010	**64 323**	**8 408**	**47 445**	**78 591**	**3 802**	**202 569**

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

21.5 The bonus accrual includes a guaranteed thirteenth cheque and an incentive bonus based on the group's performance. The bonus is provided for all employees who qualify in respect of the expected cash payment.

21.6 The overtime accrual is in respect of overtime worked in August 2010 which is paid in September 2010.

Pension and provident funds

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

These funds are:

– the Clicks Group Retirement Fund;

– the Clicks Group Negotiated Pension Fund;

– the Clicks Group Negotiated Provident Fund; and

– the New UPD Corporate Selection Pension Fund.

In addition to the above funds, employees of UPD can elect to join the SACCAWU National Provident Fund or Chemical Industries National Provident Fund, which are not operated by the group.

These are retirement umbrella funds. Employees who were members of the Rainmaker Pension or Provident Fund are now members of one of the three Clicks Group funds.

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

The funds are all defined contribution funds.

Employee and company contributions to the above funds are included in employment costs detailed in note 5.

	Group 2010 R'000	Group 2009 R'000
22 Lease commitments		
Operating lease liability		
Operating lease liability	**115 311**	105 840

Operating leases with fixed escalations are charged to the statement of comprehensive income on a straight-line basis.

The associated provision will reverse during the latter part of each lease term when the actual cash flow exceeds the 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.

	2010 R'000	2009 R'000
Future minimum lease payments under non-cancellable operating leases due:		
– Not later than 1 year	**316 439**	279 762
– Later than 1 year, not later than 5 years	**912 591**	788 248
– Later than 5 years	**340 672**	274 156
	1 569 702	1 342 166
Future minimum lease payments receivable under non-cancellable operating leases due:		
– Not later than 1 year	**12 456**	11 923
– Later than 1 year, not later than 5 years	**60 059**	57 053
– Later than 5 years	**12 426**	27 979
	84 941	96 955
Of the future minimum lease payments receivable disclosed above, the following amounts receivable relate to Intercare Management Healthcare (Proprietary) Limited:		
– Not later than 1 year	**12 456**	11 427
– Later than 1 year, not later than 5 years	**60 059**	56 962
– Later than 5 years	**12 426**	27 979
	84 941	96 368
The net future minimum lease payments under non-cancellable operating leases due:		
– Not later than 1 year	**303 983**	267 839
– Later than 1 year, not later than 5 years	**852 532**	731 195
– Later than 5 years	**328 246**	246 177
	1 484 761	1 245 211

Generally, leases are taken out on a ten-year lease term with an option to extend for a further five years in the instance of Clicks while shorter periods are committed to for Musica and The Body Shop.

22.1 **Finance lease liability**

The finance lease liability is payable as follows:

	Future minimum lease payments 2010 R'000	**Interest 2010 R'000**	**Present value of minimum lease payments 2010 R'000**	Future minimum lease payments 2009 R'000	Interest 2009 R'000	Present value of minimum lease payments 2009 R'000
– Not later than 1 year	**1 935**	**132**	**1 803**	2 292	361	1 931
– Later than 1 year, not later than 5 years	**19**	**6**	**13**	1 950	149	1 801
	1 954	**138**	**1 816**	4 242	510	3 732

	Group 2010 R'000	Group 2009 R'000
23 Trade and other payables		
The following are included in trade and other payables:		
Trade payables	**1 686 519**	2 078 130
ClubCard deferred income (see note 23.1)	**66 509**	58 921
Non-trade payables and accruals	**537 855**	271 066
	2 290 883	2 408 117

23.1 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.

24 Provisions

	Group 2010 R'000	Group 2009 R'000
Provision for onerous contracts		
Balance at the beginning of the year	**6 254**	7 630
Movement in provision during the year recognised in occupancy costs	**(10)**	(1 376)
Balance at the end of the year	**6 244**	6 254

Onerous contracts are identified where the present value of future obligations in terms of the contracts in question exceeds the estimated benefits accruing to the group from the contracts.

The provision relates to certain leases where the site is either vacant or the commercial activity on the site is incurring losses.

Future cash flows are determined in accordance with the contractual lease obligations and are adjusted by market-related sub-let rentals and discounted at the group's risk adjusted pre-tax weighted average cost of capital rate.

The provision is further reduced to the extent that an operating lease accrual has already been recognised (see note 22).

25 Distributions to shareholders

	Group 2010 R'000	Group 2009 R'000
Previous year final cash distribution – 59.5 cents per share paid 15 January 2010 comprising 59.5 cents per share out of share premium (2009: 42.3 cents per share paid 15 December 2008)	**163 907**	137 111
Current year interim cash distribution out of share premium – 30.5 cents per share paid 5 July 2010 (2009: 24.5 cents per share paid 13 July 2009)	**85 872**	74 202
Total distributions to shareholders	**249 779**	211 313
Distributions on treasury shares	**(5 068)**	(20 214)
Distributions paid outside the group	**244 711**	191 099

On 20 October 2010, the directors approved the final proposed distribution of 75.7 cents per share.

The source of such a distribution will be a capital reduction out of share premium.

Distribution policy
The board of directors have maintained the distribution cover at 2.0 times.

For further details refer to the Directors' Report on page 66 and the Shareholders' Diary on page 128.

	Group 2010 R'000	Group 2009 R'000
26 Cash flow information		
26.1 Profit before working capital changes		
Profit before taxation	**770 360**	647 220
Adjustment for:	**27 883**	123 414
Depreciation and amortisation	**136 775**	121 917
Reversal of previous unrealised foreign exchange losses	**(16 966)**	(3 057)
Unrealised foreign exchange loss	**7 745**	16 966
Movement in operating lease liability	**9 471**	7 747
Loss on disposal of property, plant and equipment	**6 476**	7 177
Impairment of intangible asset	**7 685**	–
Fair value adjustment – derivatives	**(123 354)**	(28 053)
Equity-settled share option costs	**51**	717
Net financing costs	**38 751**	54 773
	836 994	825 407
26.2 Working capital changes		
Increase in inventories	**(136 180)**	(43 460)
Decrease/(increase) in trade and other receivables	**36 498**	(99 543)
Disposal of derivative financial instruments	**72 420**	–
(Decrease)/increase in trade and other payables	**(128 856)**	556 108
(Decrease)/increase in employee benefits	**(47 364)**	77 854
Decrease in provisions	**(10)**	(1 376)
	(203 492)	489 583
26.3 Taxation paid		
Income tax payable at the beginning of the year	**(30 547)**	(73 994)
Acquisition of business	**–**	128
Current tax charged to profit or loss	**(189 675)**	(185 839)
Income tax payable at the end of the year	**45 292**	30 547
	(174 930)	(229 158)
26.4 Cash and cash equivalents		
Current accounts	**152 052**	409 754
	152 052	409 754
26.5 Acquisition of business		
26.5.1 During the year the group acquired the remaining 40% of the shares of Clicks Direct Medicines (Proprietary) Limited and Direct Patient Support (Proprietary) Limited, effective 30 August 2010, for an amount of R3.5 million. The initial acquisition of the first 60% was effective 1 December 2008.		
Total identifiable assets acquired and liabilities assumed	**1 486**	2 887
Goodwill on acquisition (refer to note 11)	**2 014**	10 313
Cost of business combination	**3 500**	13 200
The net cost of the business combination comprised the following:		
Cash paid	**3 500**	13 200
Less: cash acquired as part of business combination	**–**	3 276
Total cost of acquisition	**3 500**	9 924
26.5.2 The group acquired the pharmacy business of Amalgamated Pharmacy Group (Proprietary) Limited, effective 1 April 2010, for an amount of R32.7 million.		
Total identifiable assets acquired and liabilities assumed	**14 492**	–
Goodwill on acquisition (refer to note 11)	**7 197**	–
Cost of business combination	**21 689**	–
The net cost of the business combination comprised the following:		
Cash paid	**21 689**	–
Purchase consideration still owing	**11 087**	–
Total cost of acquisition	**32 776**	–

27 Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures.

The group treasury functions within the parameters of the treasury policy and reports to a sub-committee of management as outlined in the Risk Management Report.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The group buys and sells derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks.

Currency risk
The group is exposed to foreign exchange risk through its imports of merchandise.

The currencies in which these transactions primarily are denominated are Euro, USD and GBP.

The group's treasury risk management policy is to take out forward exchange contracts, to cover committed exposures and anticipated exposures.

The impact of a 10% strengthening or weakening of the currency against the USD, Euro and GBP with all other variables held constant is disclosed in note 28. The effect of this movement is based on the outstanding forward foreign exchange contracts held by the group at year-end.

The group has entered into a hedge with a requirement to purchase/accrue a certain amount of USD over a specific time period at a certain level with the potential to double this.

For every day until maturity of the contract that USD/ZAR fixes below the barrier rate the group will accrue an amount at the strike rate to be delivered on settlement date. If at maturity the USD/ZAR fixes below the strike rate the accrual amount is doubled at the strike rate.

The details of the contracts are as follows:

Purchase amount:	**USD500 000**	**USD250 000**	**USD250 000**
Accrual start date:	29 Oct 2009	31 Aug 2010	31 Aug 2010
Accrual end date:	28 Sept 2010	31 Mar 2011	29 Apr 2011
Strike rate:	7.69	7.34	7.36
Barrier rate:	9.00	8.22	8.32
The value of currency purchases at 31 August 2010 was:	USD457 447	USD31 250	USD27 778

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 2009 and 2010, 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.

Price risk
The group is exposed to equity securities price risk due to certain derivative investments held by the group related to the share price of Clicks Group Limited. This derivative is primarily held to fund the share appreciation rights and the long-term incentive scheme. Due to the nature of the recognition of the liability, over a period of time there may be a mismatch between the derivative and the liability. However on realisation of the liability, the derivative and liability should not be materially different. With respect to the derivative, all gains and losses are recognised immediately, whereas the liabilities are recognised over the period which they accrue.

27 Financial risk management continued

Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

The impact of a 10% strengthening or weakening of the Clicks Group Limited share price at the reporting date is disclosed below, along with the corresponding impact on the related liability and derivative financial asset.

	2010 R'000	2009 R'000
Share price increases by 10%		
Derivative financial asset	**23 066**	18 734
Share appreciation rights	**(1 675)**	(10 006)
Net gain	**21 391**	8 728
Share price decreases by 10%		
Derivative financial asset	**(21 716)**	(13 466)
Share appreciation rights	**1 572**	7 767
Net loss	**(20 144)**	(5 699)

The group is exposed to fuel price risk due to fuel hedges held by the group. This hedge is primarily held to manage the variability in the retail purchase price of fuel for the distribution network.

The total premium of R256 300 is paid upfront and settlement is against the average of the daily Intercontinental Exchange Gasoil settlement prices calculated monthly. At 31 August 2010 the mark-to-market valuation of the hedge was a gain of R43 000.

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 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 and investments. The main components of this allowance are specific loss components that relate to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics of similar financial assets.

The group has furnished guarantees to external parties – see note 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.

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

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The group's target of maintaining a ratio of shareholders' interest to total assets is in the range of 30% to 35%. This is obtained through achieving the group's earnings targets, management of working capital, through share buy-backs and distributions.

In 2010 the shareholders' interest to total assets was 27.8% (2009: 26.9%). Excluding the impact of the share buy-back brought forward from the 2011 financial year, the shareholders' interest to total assets would have been 29.5%.

28 Financial instruments

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. The group entered into an interest rate swap agreement in respect of certain floating rate short-term borrowings. The group has measured this instrument at fair value and included the value in derivative financial instruments (see note 16).

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 2010			31 August 2009		
	Euro ’000	**USD ’000**	**GBP ’000**	Euro ’000	USD ’000	GBP ’000
Exposure to currency risk						
Annual forecast purchases for ensuing year	**2 637**	**41 017**	**3 338**	4 307	38 766	2 952
Forward exchange contracts	**1 618**	**27 153**	**977**	2 998	27 593	2 053
Net exposure	**1 019**	**13 864**	**2 361**	1 309	11 173	899

The following exchange rates applied during the year:

	Average rate		Reporting date mid-spot rate	
	2010	2009	**2010**	2009
USD	**7.27**	9.05	**7.34**	7.78
GBP	**11.70**	14.09	**11.33**	12.61
Euro	**10.23**	12.20	**9.28**	11.00

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	
	2010 R’000	2009 R’000	**2010 R’000**	2009 R’000	**2010 R’000**	2009 R’000
Loss	**(20 947)**	(23 439)	**(1 137)**	(2 755)	**(1 718)**	(3 479)

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

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 statement of financial position. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the financial reporting 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 2010 would be R3.3 million lower/higher (2009: R2.9 million lower/higher). This is mainly attributable to the group’s exposure to interest rates on its variable rate borrowings.

28 Financial instruments continued

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 2010 Carrying value R'000	31 August 2010 Fair value R'000	31 August 2009 Carrying value R'000	31 August 2009 Fair value R'000
Financial assets					
Trade receivables (note 15)	Loans and receivables	716 362	716 362	758 270	758 270
Loans receivable (excluding loan receivable from Intercare) (note 13)	Loans and receivables	8 345	8 456	16 908	16 975
Loan receivable from Intercare (note 13)	Loans and receivables	30 211	30 387	40 156	41 605
Cash and cash equivalents	Loans and receivables	152 052	152 052	409 754	409 754
Share option hedge (note 16)	Assets at fair value through profit or loss	119 192	119 192	68 301	68 301
Options used for fuel hedge (note 16)	Assets at fair value through profit or loss	43	43	–	–
Financial liabilities					
Secured bank loans (note 20)	Financial liabilities measured at amortised cost	–	–	16 040	14 528
Unsecured bank loans (note 20)	Financial liabilities measured at amortised cost	100 000	116 537	–	–
Finance lease liability – fixed rate (note 20)	Financial liabilities measured at amortised cost	1 714	2 398	3 204	4 273
Finance lease liability – variable rate (note 20)	Financial liabilities measured at amortised cost	102	102	528	528
Forward exchange contracts used for hedging (note 16)	Financial liabilities at fair value through profit or loss	7 414	7 414	16 537	16 537
Foreign exchange options used for hedging (note 16)	Financial liabilities at fair value through profit or loss	331	331	429	429
Interest rate swaps used for hedging (note 16)	Financial liabilities at fair value through profit or loss	1 246	1 246	3 064	3 064
Unsecured loan (note 20)	Financial liabilities measured at amortised cost	1 144	1 144	1 801	1 801
Trade and other payables (note 23)	Financial liabilities measured at amortised cost	2 290 883	2 290 883	2 408 117	2 408 117
Loan advanced related to Intercare (note 20)	Financial liabilities measured at amortised cost	30 211	30 387	40 156	40 465
Put/call option relating to Direct Medicines (note 20)	Financial liabilities measured at amortised cost	–	–	5 576	5 576

Basis for determining fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

Derivatives

Fair values of currency and interest rate derivatives are calculated using standard market calculation conventions with reference to the relevant closing market spot rates, forward foreign exchange and interest rates.

The fair value of the share option hedge is determined by external, independent valuators using the external valuator's Binomial option pricing model.

Refer to note 21.2 for the key assumptions used in the Binomial option pricing model.

Non-derivative financial liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

28 Financial instruments continued

28.4 Fair values of financial instruments continued

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Interest rates used in determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at the reporting date plus an adequate constant credit spread, and were as follows:

	2010 %	2009 %
Borrowings	**10.0**	10.5
Leases	**9.0**	9.5

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.

Assets and liabilities measured at fair value

	Group 2010	
	Level 2 R'000	**Total R'000**
Financial assets		
Assets at fair value through profit or loss		
Options used for fuel hedge (note 16)	**43**	**43**
Share option hedge (note 16)	**119 192**	**119 192**
Total	**119 235**	**119 235**
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Forward exchange contracts used for hedging (note 16)	**7 414**	**7 414**
Foreign exchange options used for hedging (note 16)	**331**	**331**
Interest rate swaps used for hedging (note 16)	**1 246**	**1 246**
Total	**8 991**	**8 991**

	Group 2009	
	Level 2 R'000	Total R'000
Financial assets		
Assets at fair value through profit or loss		
Share option hedge (note 16)	68 301	68 301
Total	68 301	68 301
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Forward exchange contracts used for hedging (note 16)	16 537	16 537
Foreign exchange options used for hedging (note 16)	429	429
Interest rate swaps used for hedging (note 16)	3 064	3 064
Total	20 030	20 030

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	
	2010 R'000	2009 R'000
Loans and receivables	**868 414**	1 168 024
Trade receivables (note 15)	**716 362**	758 270
Cash and cash equivalents (note 26.4)	**152 052**	409 754
Other loans	**38 556**	57 064
	906 970	1 225 088

Loans and receivables

Loans and receivables consist of trade receivables and cash and cash equivalents.

Trade receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers who purchase from the group.

Trade receivables can be categorised into wholesale customers and retail customers.

The maximum exposure to credit risk, after impairment, for trade receivables at the reporting date by type of customer was:

	Carrying amount	
	2010 R'000	2009 R'000
Retail customers*	**41 157**	44 249
Wholesale customers**	**675 205**	714 021
	716 362	758 270

* Includes Clicks Direct Medicines.
** Prior-year balances restated to exclude Clicks Direct Medicines.

28 Financial instruments continued

28.5 Credit risk management continued

Retail customers*

The ageing of trade receivables at the reporting date was:

	Gross 2010 R'000	Impairment 2010 R'000	Net 2010 R'000	Gross 2009 R'000	Impairment 2009 R'000	Net 2009 R'000
Not past due	22 937	–	22 937	44 317	(1 877)	42 440
Past due 0 – 30 days	18 404	(1 717)	16 687	8 395	(6 586)	1 809
Past due 31 – 120 days	18 559	(17 026)	1 533	472	(472)	–
Total	59 900	(18 743)	41 157	53 184	(8 935)	44 249

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.

Wholesale customers**

The ageing of trade receivables at the reporting date was:

	Gross 2010 R'000	Impairment 2010 R'000	Net 2010 R'000	Gross 2009 R'000	Impairment 2009 R'000	Net 2009 R'000
Not past due	598 460	–	598 460	615 480	–	615 480
Past due 0 – 30 days	46 216	–	46 216	59 085	–	59 085
Past due 31 – 120 days	46 551	(16 022)	30 529	46 660	(7 204)	39 456
Total	691 227	(16 022)	675 205	721 225	(7 204)	714 021

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

Wholesale customers are primarily with hospitals and independent pharmacists.

UPD minimises its exposure to credit risk by insuring debtors with balances 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 as from 1 January 2010, previously Lombard Insurance Company.

The split between insured and uninsured debtors is as follows:

	Gross amount 2010 R'000	Gross amount 2009 R'000
Insured	480 849	605 439
Uninsured	210 378	115 786
	691 227	721 225

Uninsured debtors consist mainly of a concentration of debtors with a monthly turnover of less than R100 000 and low risk debtors such as government debtors. The increase in the uninsured portion is as a result of a business decision to increase the excess in relation to insured debtors.

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

* Includes Clicks Direct Medicines.
** Prior-year balances restated to exclude Clicks Direct Medicines.

28 Financial instruments continued

28.5 Credit risk management continued

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**	
	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
Balance at the beginning of the year	**(8 935)**	(4 843)	**(7 204)**	(25 775)
Acquisition of business	**–**	(710)	**–**	–
Additional allowances made	**(16 018)**	(6 928)	**(9 121)**	(5 818)
Trade receivables written off during the year as uncollectible	**6 210**	3 546	**303**	24 389
Balance at the end of the year	**(18 743)**	(8 935)	**(16 022)**	(7 204)

The creation of impairment losses have been included in "other costs" in the statement of comprehensive income (note 6).

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

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 risk damage to the group's reputation.

Liquidity and interest risk tables

The following tables detail the group's remaining contractual maturity for its financial liabilities, including interest payments and excluding the impact of netting agreements:

		Group 2010				
	Interest terms	Carrying amount R'000	Contractual cash flows R'000	1 year or less R'000	1 to 5 years R'000	Over 5 years R'000
Non-derivative liabilities						
Interest-bearing borrowings (see note 20)	Variable in relation to prime	18 829	20 951	7 749	13 202	–
Interest-bearing borrowings (see note 20)	Fixed	114 342	123 249	119 018	4 231	–
Trade and other payables (see note 23)		2 290 883	2 290 883	2 290 883	–	–
		2 424 054	2 435 083	2 417 650	17 433	–
Derivative financial liabilities						
Forward exchange contracts (note 16)		7 414	238 025	238 025	–	–
Total financial liabilities		2 431 468	2 673 108	2 655 675	17 433	–

* Includes Clicks Direct Medicines.
** Prior-year balances restated to exclude Clicks Direct Medicines.

28 Financial instruments continued

28.6 **Liquidity risk management** continued

	Interest terms	Group 2009 Carrying amount R'000	Contractual cash flows R'000	1 year or less R'000	1 to 5 years R'000	Over 5 years R'000
Non-derivative liabilities						
Interest-bearing borrowings (see note 20)	Variable in relation to prime	23 632	27 956	8 010	19 946	–
Interest-bearing borrowings (see note 20)	Fixed	43 673	51 133	28 028	23 105	–
Trade and other payables (see note 23)		2 408 117	2 408 117	2 408 117	–	–
		2 475 422	2 487 206	2 444 155	43 051	–
Derivative financial liabilities						
Forward exchange contracts (see note 16)		16 537	296 729	296 729	–	–
Total financial liabilities		2 491 959	2 783 935	2 740 884	43 051	–

	Group 2010 R'000	Group 2009 R'000
29 Capital commitments		
Capital expenditure approved by the directors		
Contracted	**6 755**	11 156
Not contracted	**243 078**	213 299
	249 833	224 455

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

30 Financial guarantees

The company has furnished guarantees to bankers in respect of liabilities of R200 million recognised on the statement of financial position of certain subsidiary companies. The net liability recognised on the group statement of financial position in respect of these liabilities is R100 million.

The company has guaranteed a R30 million facility given to Intercare by their bankers as detailed in notes 13.3 and 20.1.

Group companies provide surety for other group companies to the value of R939.3 million with respect to facilities held with various banks. At year-end R100 million of these facilities had been drawn down by group companies.

A group subsidiary has issued a deed of suretyship on behalf of another subsidiary in relation to a trade payable in the amount of R10 million.

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

31 Related party transactions

Group

Clicks Group Limited is the ultimate holding company of the group.

Transactions between group subsidiaries

During the year, in the ordinary course of business, certain companies within the group entered into transactions. These intragroup transactions have been eliminated on consolidation. For a list of the group's subsidiaries, see page 126.

Directors and key management

A number of directors of the company hold positions in other entities, where they may have significant influence over the financial or operating policies of these entities. Accordingly, the following is considered to be such an entity:

Director	***Entity***
DM Nurek	Investec Bank Limited ("Investec")

Transactions between the group and this entity have occurred under terms and conditions that are no more favourable than those entered into with third parties in arm's length transactions.

These transactions include:

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

ii) Investec has provided funding to group companies.

iii) A group company holds a derivative instrument from Investec. Refer note 16.

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

Executive directors' employment contracts do not provide for a defined period of employment, but specify a notice period for the chief executive officer of 12 months and six months for the other executive directors. During this notice period, all standard benefits accrue to the directors in question. Contracts do not provide for predetermined compensation on termination other than that accorded to employees in terms of the group's remuneration policies.

Employee benefits paid to directors are detailed in the Remuneration Report.

Shares held by directors and their related entities

The percentage of shares held by directors of the company and their related entities at year-end are disclosed in the Remuneration Report section on page 49 of this annual report.

Company

A schedule of the loans and investments in related parties is included on page 126.

The company received dividends from New Clicks South Africa (Proprietary) Limited, a wholly-owned subsidiary, of R1.3 billion, comprising cash dividends of R575 million, a dividend in substance of R697 million and a dividend in specie of R55 million. The company in turn paid distributions on treasury shares held by that subsidiary to that subsidiary of R3.6 million (2009: R17.4 million).

In addition, the company paid distributions to the Share Trust on shares held by the Share Trust of R1.5 million (2009: R2.8 million). Details regarding distributions relating to treasury shares are included in note 25.

32 Borrowing powers

In terms of the articles of association, the borrowing powers of the company are unlimited.

33 Operating segments

The group has adopted IFRS 8 "Operating Segments" with effect from 1 September 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor standard (IAS 14 "Segment Reporting") required an entity to identify two sets of segments, using a risks and returns approach, with the entity's system of internal financial reporting to key management personnel serving only as a starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the identification of the group's reportable segments has changed.

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:

- Clicks – is a specialist health, beauty and homeware retailer with stores within the Republic of South Africa, Namibia and Swaziland.
- 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 and Namibia.
- UPD – national full-range pharmaceutical wholesaler and also provides distribution capability for the Clicks Group. UPD operates within the Republic of South Africa and in Botswana.

Other operations include Clicks Direct Medicines. Clicks Direct Medicines was previously disclosed under the Distribution operating segment. Clicks Direct Medicines uses Clicks as a distribution channel and its strategy is aligned with Clicks' strategy, it is therefore appropriate with the adoption of IFRS 8 "Operating Segments", that Clicks Direct Medicines be disclosed within the Clicks reportable segment.

The information regarding the results of each reportable segment is included on pages 28 and 29. 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.

34 Business acquisition

34.1 Amalgamated Pharmacy Group (Proprietary) Limited

The group acquired the pharmacy businesses from Amalgamated Pharmacy Group (Proprietary) Limited ("APG"), effective 1 April 2010, for an amount of R32.7 million. At that date, the fair value of the identifiable assets and liabilities was R30.1 million and R4.7 million respectively. The pharmacy businesses acquired from APG had no significant contingent liabilities at that date.

The following reflects the businesses' assets and liabilities at 1 April 2010 together with their fair values:

	Carrying amount R'000	Fair value R'000
Non-current assets		
Intangible assets	–	16 674
Current assets		
Inventories	13 573	13 573
Total assets	13 573	30 247
Non-current liabilities		
Deferred tax liabilities	–	4 669
Total liabilities	–	4 669

34 Business acquisition continued

34.2 Clicks Direct Medicines (Proprietary) Limited and Direct Patient Support (Proprietary) Limited

In the previous year, the group acquired 60% of the shares of Clicks Direct Medicines (Proprietary) Limited and Direct Patient Support (Proprietary) Limited ("Direct Medicines"), effective 1 December 2008, for an amount of R13.2 million. At that date, the fair value of Direct Medicines' identifiable assets and liabilities was R28.8 million and R24 million respectively. The carrying amount of those assets and liabilities were equal to its fair value. Management performed an exercise considering the fair value versus the carrying amount of Direct Medicines. The result was that the difference between fair value and carrying amount was not considered material.

Direct Medicines had no significant contingent liabilities at that date.

The following reflects Direct Medicines' statement of financial position at 1 December 2008 together with the fair value of the identifiable assets and liabilities:

	Carrying amount and fair value R'000
ASSETS	
Non-current assets	3 890
Property, plant and equipment	1 269
Loan receivable	2 611
Shareholders' loans	10
Current assets	24 934
Inventories	7 147
Trade and other receivables	14 511
Cash and cash equivalents	3 276
Total assets	28 824
EQUITY AND LIABILITIES	
Equity	4 813
Share capital	1
Distributable reserve	4 812
Current liabilities	
Trade and other payables	24 011
Total equity and liabilities	28 824

The group's acquisition was not in terms of the put and call to acquire the remaining 40% of the shares in Direct Medicines effective 30 August 2010. The amount paid was separately agreed at R3.5 million.

35 Impact of reclassification of operating expenses

The results for the year ended 31 August 2009 have been restated for the reclassification of certain expenses between occupancy costs and other costs within the UPD business. The impact on the statement of comprehensive income for the year ended 31 August 2009 is a R13.3 million decrease in occupancy costs and a corresponding increase of R13.3 million in other operating costs. There is a nil net impact on the statement of comprehensive income and statement of financial position for the year ended 31 August 2009.

The impact of the reclassification is as follows:

	Previously reported R'000	Reclassification R'000	Restated amount R'000
Statement of comprehensive income			
Gross profit	2 517 382	–	2 517 382
Other income	564 482	–	564 482
Expenses	(2 372 694)	–	(2 372 694)
Depreciation and amortisation	(113 665)		(113 665)
Occupancy costs	(352 055)	13 269	(338 786)
Employment costs	(1 156 928)		(1 156 928)
Other costs	(750 046)	(13 269)	(763 315)
Operating profit	709 170	–	709 170

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 August 2010

	Notes	2010 R'000	2009 R'000
Reversal of impairment		600	–
Dividends received – subsidiary		1 327 469	354 750
Profit before taxation		1 328 069	354 750
Income tax expense	7	–	(1 225)
Profit for the year		1 328 069	353 525
Other comprehensive income/(loss) for the year, net of tax		–	–
Total comprehensive income for the year		1 328 069	353 525

COMPANY STATEMENT OF FINANCIAL POSITION

at 31 August 2010

	Notes	2010 R'000	2009 R'000
ASSETS			
Non-current assets			
Interest in subsidiary companies (see page 126)		876 237	243 904
Current assets		788	958
Income tax receivable		–	958
Cash and cash equivalents		788	–
Total assets		877 025	244 862
Equity		875 102	244 862
Share capital	17	2 841	3 029
Share premium	17	10 662	10 748
Share option reserve	18	24 600	24 549
Distributable reserve		836 999	206 536
Current liabilities			
Trade and other payables		1 923	–
Total equity and liabilities		877 025	244 862

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2010

	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 2008	324 139	3 242	135 967	23 832	219 539	382 580
Additional shares issued	208	2	74 200	–	–	74 202
Shares cancelled	(21 506)	(215)	–	–	(354 535)	(354 750)
Share cancellation expenses written off	–	–	(99)	–	–	(99)
Equity-settled capital contribution to subsidiary	–	–	–	717	–	717
Total comprehensive income for the year	–	–	–	–	353 525	353 525
Distributions to shareholders (see note 25)	–	–	(199 320)	–	(11 993)	(211 313)
Balance at 31 August 2009	**302 841**	**3 029**	**10 748**	**24 549**	**206 536**	**244 862**
Additional shares issued	**8 533**	**86**	**249 693**	**–**	**–**	**249 779**
Shares cancelled	**(27 368)**	**(274)**	**–**	**–**	**(697 606)**	**(697 880)**
Share cancellation expenses written off	**–**	**–**	**–**	**–**	**–**	**–**
Equity-settled capital contribution to subsidiary	**–**	**–**	**–**	**51**	**–**	**51**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**1 328 069**	**1 328 069**
Distributions to shareholders (see note 25)	**–**	**–**	**(249 779)**	**–**	**–**	**(249 779)**
Balance at 31 August 2010	**284 006**	**2 841**	**10 662**	**24 600**	**836 999**	**875 102**

During the year the group cancelled 27 367 849 (2009: 21 505 674) ordinary shares of one cent each. 27 367 849 (2009: 21 500 000) were previously held as treasury shares and nil (2009: 5 674) were purchased in the open market. Of the total cost of R697.880 million, R0.274 million was deducted from share capital and R697.606 million from distributable reserves of the company.

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 2010

	2010 R'000	2009 R'000
Cash effects of operating activities		
Profit before working capital changes	629 863	354 750
Working capital changes	1 923	–
Cash generated by operations	631 786	354 750
Taxation received/(paid)	958	(19)
Cash inflow from operating activities before distributions	632 744	354 731
Distributions paid to shareholders	(249 779)	(211 313)
Net cash effects of operating activities	382 965	143 418
Cash effects of investing activities		
Purchase of treasury shares from subsidiary company	(274)	(354 750)
(Increase)/decrease in loan receivables	(631 682)	137 229
Net cash effects of investing activities	(631 956)	(217 521)
Cash effects of financing activities		
Proceeds from the issue of share capital	249 779	74 202
Share cancellation expenses	–	(99)
Net cash effects of financing activities	249 779	74 103
Net movement in cash and cash equivalents	788	–
Cash and cash equivalents at the beginning of the year	–	–
Cash and cash equivalents at the end of the year	788	–

NOTES TO THE COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 August 2010

	2010 R'000	2009 R'000
Profit before working capital changes		
Profit before tax	1 328 069	354 750
Adjustment for:		
Dividend in substance	(697 606)	–
Reversal of impairment	(600)	–
	629 863	354 750
Working capital changes		
Increase in trade and other payables	1 923	–
	1 923	–
Taxation received/(paid)		
Income tax receivable at the beginning of the year	958	961
Current tax charge	–	(22)
Income tax receivable at the end of the year	–	(958)
	958	(19)

INTEREST IN SUBSIDIARY COMPANIES

at 31 August 2010

	Country of incorporation	Ordinary issued share capital	Shares at cost less amounts written off 2010 R'000	Shares at cost less amounts written off 2009 R'000	Amount owing (to)/by subsidiaries 2010 R'000	Amount owing (to)/by subsidiaries 2009 R'000
Name of company/entity and nature of business						
Directly held						
i) ***Trading***						
New Clicks South Africa (Proprietary) Limited	South Africa	R500	**272 439**	272 439	**570 185**	(66 052)
ii) ***Property owning***						
Optimprops 93 (Proprietary) Limited	South Africa	R100	**13**	13	**–**	–
Crantock Investments (Proprietary) Limited	South Africa	R1	**–**	44	**–**	–
Elsdon Investments (Proprietary) Limited	South Africa	R2	**–**	3 911	**–**	–
Clicks Centurion (Proprietary) Limited	South Africa	R10	*****	*	**9 000**	9 000
Flamborough Investments (Proprietary) Limited	South Africa	R1	*****	*	**–**	–
Indirectly held						
i) ***Trading***						
Safeway (Swaziland) (Proprietary) Limited	Swaziland	E2	**–**	–	**–**	–
Clicks Stores (Lesotho) (Proprietary) Limited	Lesotho	M1 000	**–**	–	**–**	–
The Clicks Organisation (Botswana) (Proprietary) Limited	Botswana	BWP3 000	**–**	–	**–**	–
Safeway (Namibia) (Proprietary) Limited	Namibia	N$100	**–**	–	**–**	–
The Clicks Group Finance Company (Proprietary) Limited	South Africa	R999	**–**	–	**–**	–
United Pharmaceutical Distributors (Proprietary) Limited	South Africa	R10	**–**	–	**–**	–
Clicks Retailers (Proprietary) Limited	South Africa	R200	**–**	–	**–**	–
Milton & Associates (Proprietary) Limited	South Africa	R200	**–**	–	**–**	–
Leon Katz (Proprietary) Limited	South Africa	R200	**–**	–	**–**	–
J & G Purchase & Associates (Proprietary) Limited	South Africa	R220	**–**	–	**–**	–
Kalahari Medical Distributors (Proprietary) Limited	Botswana	BWP200	**–**	–	**–**	–
Clicks Direct Medicines (Proprietary) Limited	South Africa	R600	**–**	–	**–**	–
Direct Patient Support (Proprietary) Limited	South Africa	R100	**–**	–	**–**	–
ii) ***Name protection and dormant***						
8 companies (2009: 13 companies)			**–**	–	**–**	–
			272 452	276 407	**579 185**	(57 052)

	2010 R'000	2009 R'000
Shares at cost less amounts written off	**272 452**	276 407
Amounts owing by/(to) subsidiary companies	**579 185**	(57 052)
Equity-settled capital contribution to subsidiary	**24 600**	24 549
Interest in subsidiaries	**876 237**	243 904

All subsidiary companies 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 have been impaired in prior years based on the fact that the carrying value of the loan and investment exceeded the present value of management's best estimate of likely future cash flows discounted at the group's risk adjusted pre-tax weighted average cost of capital.

All other loans are interest free, unsecured and an unconditional right to defer payment for 12 months.

* values less than R1 000

ANALYSIS OF SHAREHOLDERS

at 31 August 2010

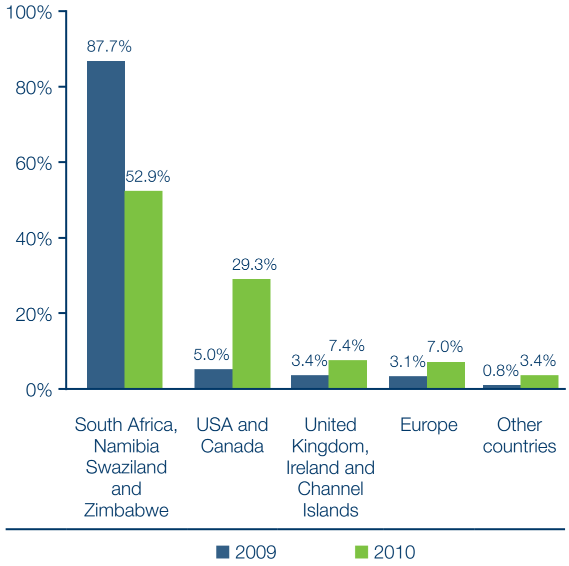
Public and non-public shareholders	Number of holders	Percentage of holders	Number of shares	Percentage of shares
Public shareholders	3 778	99.8%	265 183 578	93.4%
Non-public shareholders				
Shares held by directors	7	0.2%	795 855	0.3%
The New Clicks Holdings Share Trust	1	0.0%	1 139 345	0.4%
Treasury shares held by New Clicks South Africa (Pty) Limited	1	0.0%	16 888 151	5.9%
Total non-public shareholders	9	0.2%	18 823 351	6.6%
Total shareholders	3 787	100.0%	284 006 929	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 2010:

Major beneficial shareholders	2010 Percentage of shares	2009 Percentage of shares
Government Employees Pension Fund	17.6%	16.2%
New Clicks South Africa (Pty) Limited	5.9%	8.3%
Fidelity International Discovery Fund	3.1%	–

Major fund managers	2010 Percentage of shares	2009 Percentage of shares
Public Investment Corporation (SA)	16.9%	16.0%
Fidelity Management & Research (US)/International (UK)	12.3%	2.0%
Investec Asset Management (SA)	8.0%	19.8%
Morgan Stanley Investment Management (UK)	6.0%	1.0%
Oasis Asset Management (SA)	4.6%	5.9%
Wellington Management Company (US/UK)	3.7%	0.1%
William Blair (US)	3.1%	–

Geographic distribution of shareholders



Classification of registered shareholdings	Number of holders	Percentage of holders	Number of shares	Percentage of shares
Banks	86	2.3%	100 065 141	35.2%
Pension funds	74	2.0%	65 615 061	23.1%
Mutual funds	110	2.9%	52 059 346	18.3%
Brokers	35	0.9%	24 422 693	8.6%
Own holdings	1	0.0%	16 888 151	5.9%
Individuals	2 838	74.9%	7 298 964	2.6%
Insurance companies	17	0.5%	6 101 761	2.2%
Nominees and trusts	410	10.8%	4 705 899	1.7%
Investment companies	8	0.2%	3 120 199	1.1%
Other	208	5.5%	3 729 714	1.3%
	3 787	100.0%	284 006 929	100.0%

Distribution of registered shareholdings	Number of holders	Percentage of holders	Number of shares	Percentage of shares
1 – 1 000	1 921	50.7%	754 112	0.3%
1 001 – 10 000	1 372	36.3%	4 694 808	1.6%
10 001 – 100 000	314	8.3%	9 925 985	3.5%
100 001 – 1 000 000	149	3.9%	53 591 446	18.9%
1 000 001 shares and over	31	0.8%	215 040 578	75.7%
	3 787	100.0%	284 006 929	100.0%

SHAREHOLDERS' DIARY

Dates for 2010/11

Shareholder meetings

2010 annual general meeting	18 January 2011
Special general meeting	18 January 2011

Preliminary profit announcements

Interim results to February 2011	April 2011
Final results to August 2011	October 2011

Publication of 2011 annual report

November 2011

Distributions

2010 Final distribution	
Last day to trade with distribution included	21 January 2011
Date of distribution payment	31 January 2011
2011 Interim distribution	
Last day to trade with distribution included	July 2011
Date of distribution payment	July 2011
2011 Final distribution	
Last day to trade with distribution included	January 2012
Date of distribution payment	January 2012

STRATE Charity Shares

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

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the fifteenth annual general meeting of shareholders of Clicks Group Limited ("the company") will be held at the registered office of the company, corner Searle and Pontac Streets, Cape Town on Tuesday, 18 January 2011 at 10:00, at which the resolutions set out below will be considered and, if deemed fit, passed with or without amendment, and the actions set out below taken:

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

   To receive and consider for adoption the annual financial statements of the company and the group for the year ended 31 August 2010.

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

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

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

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

   In compliance with paragraph 3.84 of the JSE Listings Requirements ("the Listing Requirements"), a brief curriculum vitae is provided on page 17 hereof.

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

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

   In compliance with paragraph 3.84 of the Listings Requirements, a brief curriculum vitae is provided on page 17 hereof.

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

   To consider the re-election as a director of the company of Martin Rosen who retires in accordance with the articles and being eligible, offers himself for re-election.

   In compliance with paragraph 3.84 of the Listings Requirements, a brief curriculum vitae is provided on page 17 hereof.

6. **Ordinary resolution number 6** – re-election of director

   To consider the re-election as a director of the company of Nkaki Matlala who retires in accordance with the articles and being eligible, offers himself for re-election.

   In compliance with paragraph 3.84 of the Listings Requirements, a brief curriculum vitae is provided on page 17 hereof.

7. **Ordinary resolution number 7** – approval of directors' fees

   To approve the proposed fee structure, payable to non-executive directors, as disclosed in the Remuneration Report (page 49) for the year 1 September 2010 to 31 August 2011.

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

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

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

   - the general authority shall be valid until the next annual general meeting of the company or for 15 months from the passing of this ordinary resolution (whichever period is shorter); and
   - any general distribution of share premium by the company shall not exceed 20% (twenty percent) of the group's issued share capital and reserves, in any one financial year, measured as at the beginning of such financial year.

   The directors of the company are of the opinion that, were the company to enter into a transaction to distribute share capital and/or reserves totalling 20% (twenty percent) of the current issued share capital and consolidated reserves of the company and its subsidiaries ("the group"):

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

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

   "Resolved that, subject to the adoption of ordinary resolution number 10, as a specific approval contemplated in section 221 of the Companies Act, the directors of the company be and are hereby authorised by way of a specific authority to issue for cash 15 000 000 authorised, but unissued, shares in the capital of the company to the company's wholly- owned subsidiary, New Clicks South Africa (Proprietary) Limited, at a value, determined as the volume weighted average traded price of the company's share on the JSE measured over the 30 (thirty) business days prior to the date the application for the listing of shares is submitted to the JSE Limited. Such shares to be issued and allotted by the directors in one or more tranches, prior to the next annual general meeting of the company, subject to the Companies Act, the articles and the Listings Requirements as presently constituted and as may be amended from time to time."

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

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

    "Resolved that, subject to the adoption of ordinary resolution number 9, 15 000 000 ordinary shares of R0.01 (1 cent) each in the authorised but unissued share capital of the company be allotted and issued for cash to the company's wholly-owned subsidiary, New Clicks South Africa (Proprietary) Limited, by the directors in one or more tranches, prior to the next annual general meeting of the company, at a value, determined as the volume weighted average traded price of the company's shares on the JSE measured over the 30 business days prior to the date the application for the listing of shares is submitted to the JSE Limited."

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

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

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

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

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

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

The directors, having considered the effects of the repurchase of the maximum number of ordinary shares in terms of the aforegoing general authority, are of the opinion that:

- the company and the group will be able in the ordinary course of business, to pay its debts for a period of 12 (twelve) months after the date of this notice of the annual general meeting; and
- the assets of the company and group will be in excess of the liabilities of the company and group for a period of 12 (twelve) months after the date of this notice of the annual general meeting fairly valued in accordance with the accounting policies used in the audited financial statements for the year ended 31 August 2010;
- the share capital and reserves of the company and group will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of this notice of annual general meeting; and
- the working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of this notice of the annual general meeting.

Reason and effect of special resolution number 1

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

Further to the above, the reasons for the repurchase of the company's shares include the desire to maintain the ratio of shareholders' interest to the total assets of the group within the financial targets published on page 6.

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

Directors and management (pages 16 and 17);

Major beneficial shareholders (page 127);

Directors' interests in ordinary shares (page 49); and

Share capital of the company (page 101).

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

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

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

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

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

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

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

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

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

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

By order of the board

DW Janks
Company Secretary
12 November 2010

ANNEXURE 1 – EXPLANATORY NOTES pertaining to ordinary resolutions number 9 and 10 – specific authority to issue shares

1. **Introduction**

   The explanatory notes have been incorporated in the Clicks Group Limited ("the company") 2010 annual report to provide shareholders with information pertaining to the specific issue of shares for cash, in order for shareholders to consider and vote on ordinary resolutions number 9 and 10.

   The address and registration number of the company is disclosed on the back inside cover of the annual report.

2. **Purpose of this annexure**

   The purpose of this annexure, which includes all the relevant information pertaining to the specific issue of shares for cash in accordance with the Listings Requirements of the JSE Limited ("JSE"), is to inform the company's shareholders of the implications thereof, and to enable them to make an informed decision as to how to vote at the annual general meeting to be held at 10:00 on Tuesday, 18 January 2011, for the purpose of considering, and if deemed fit, approving the ordinary resolutions necessary to perform the specific issue of shares for cash.

3. **Details and rationale**

   The company will issue 15 000 000 ordinary shares of 1 cent each to New Clicks South Africa (Pty) Limited ("New Clicks SA"), a wholly-owned subsidiary of the company. The ordinary shares may be issued in one or more tranches and will be issued at a value, determined as the volume weighted average traded price ("VWAP") of the company's share on the JSE measured over the 30 (thirty) business days prior to the date the application for the listing of shares is submitted to the JSE. The shares held by New Clicks SA will be accounted for as treasury shares and will have no voting rights. New Clicks SA is considered to be a non-public shareholder in terms of the JSE Listings Requirements.

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

   In the past three years there have been no issues of the company's shares other than in terms of the issue of ordinary shares to New Clicks SA, for which the company's directors have been granted the relevant authority. The company has issued in aggregate 8 741 227 shares over the past three years to New Clicks SA for a total consideration of R323 980 898. The capital raised from these issues was used to make distributions to the company's shareholders as will the specific issue of shares for cash being contemplated in this annexure.

4. **Financial effects**

   The specific issue of shares for cash to New Clicks SA is an inter-company transaction and will have no effect on the company's consolidated earnings, headline earnings, net asset value or tangible net asset value.

5. **Material changes**

   There have been no material changes in the financial or trading position of the company and its subsidiaries ("the group") since the publication of the group's annual results for the year ended 31 August 2010.

6. **Share capital and reserves**

   As at 2 November 2010 ("last practicable date"), the equity position of the group before and after the specific issue of shares for cash is as follows:

	R'000
Before the specific issue	
Authorised share capital	
600 000 000 ordinary shares of 1 cent each	6 000
Total authorised	6 000
Issued share capital	
284 006 929 ordinary shares of 1 cent each	2 840
Share premium	–
Treasury shares (20 281 509 ordinary shares of 1 cent each)	(203)
Total after treasury shares	2 637
After the specific issue	
Authorised share capital	
600 000 000 ordinary shares of 1 cent each	6 000
Total authorised	6 000
Issued share capital	
279 521 420 ordinary shares of 1 cent each[1]	2 795
Share premium[2]	622 650
Treasury shares (15 796 000 ordinary shares of 1 cent each)	(622 808)
Total after treasury shares and issue of shares for cash	2 637

Notes:

[1] For illustrative purposes all of the treasury shares as at 2 November 2010, except for those treasury shares held by the New Clicks Holdings Share Trust for purposes of delivery to participants of the share incentive scheme, have been cancelled.

[2] For the purposes of this note it has been assumed that all the ordinary shares are issued at the 30 day VWAP until the close of business on 26 October 2010, being R41.52 (this is for illustrative purposes only).

7. Major shareholders

In so far as is known to the directors, the major shareholders as at 31 August 2010, being the beneficial owners, directly or indirectly, of 5% or more of the issued share capital of the company, are as follows:

	Number of shares owned	% of total issued shares
Government Employees Pension Fund	49 886 356	17.6
New Clicks SA	16 888 151	5.9
Total	66 774 507	23.5

8. Directors

8.1 Directors' information

David Nurek#	Non-executive chairman
Business address:	36 Hans Strijdom Avenue, Foreshore, Cape Town, 8001
Principal activities:	Regional chairman of Investec's Western Cape business, Investec global head of legal risk, non-executive chairman of Distell Group, Foschini Group and Lewis Group, non-executive director of Aspen Pharmacare, Sun International, Trencor and Mobile Industries
Fatima Abrahams#	Non-executive director
Business address:	PO Box 31222, Grassy Park, 7888
Principal activities:	Senior professor at the University of the Western Cape, chairperson of TSiBA Education, non-executive director of Foschini Group and Lewis Group
John Bester#	Non-executive director
Business address:	Belmont Office Park, Belmont Road, Rondebosch, 7700
Principal activities	Non-executive director of Personal Trust International, HomeChoice Holdings and Western Province Rugby (Proprietary) Limited, and a trustee of Children's Hospital Trust
Bertina Engelbrecht*	Group human resources director
Business address:	Corner Searle and Pontac Streets, Cape Town, 8001
Michael Harvey*	Managing director, Clicks
Business address:	Corner Searle and Pontac Streets, Cape Town, 8001
Fatima Jakoet#	Non-executive director
Business address:	PO Box 5142, Cape Town, 8000
Principal activities:	Non-executive director of the SA Reserve Bank Group, Metropolitan Holdings Group, Tongaat Hulett and MTN West and Central Africa Region
David Kneale*†	Chief executive officer
Business address:	Corner Searle and Pontac Streets, Cape Town, 8001
Dr Nkaki Matlala#	Non-executive director
Business address:	Medi-Clinic Tshwane Region, Boardwalk Lakeside, Block J, 107 Haymeadow Drive, Faerie Glen, 0043
Principal activities:	Chief clinical officer and director of Medi-Clinic Southern Africa and chairman of the Hospital Association of South Africa and Phodiso Holdings
Martin Rosen#	Non-executive director
Business address:	MV Media Commerce House, 374 Rivonia Boulevard, Rivonia, 2128
Principal activities:	Executive director of MegaVision Media (Proprietary) Limited
Keith Warburton*	Chief financial officer
Business address:	Corner Searle and Pontac Streets, Cape Town, 8001

* Executive director
\# Independent
† British

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

8.2 Directors' remuneration

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

8. Directors continued

8.3 Directors' interests in securities

As at the end of the financial year, being 31 August 2010, the direct and indirect holdings and outstanding options in the issued share capital of the company were as follows:

Director	Beneficial Direct	Beneficial Indirect	Held by associates	Percentage of issued share capital (%)
John Bester	10 000	10 000	1 000	0.01
Bertina Engelbrecht	34 591	–	–	0.01
Michael Harvey	143 815	–	–	0.05
David Kneale	214 646	–	–	0.08
David Nurek	–	329 682	–	0.11
Martin Rosen	2 000	–	–	0.00
Keith Warburton	46 121	5 000	–	0.02
Total	451 173	344 682	1 000	0.28

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

The only dealing by the directors of the company for the period commencing 1 September 2010 and terminating 12 November 2010 of this annexure is set out below:

Director	Date	Nature of transaction	Number of shares	Price per share (cents)	Percentage of issued share capital (%)
David Nurek	26 October 2010	Sale	50 000	4 435	0.02

8.4 Directors' interests in transactions

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

9. Litigation statement

There have been no legal proceedings, including any proceedings that are pending or threatened of which the group is aware, which may have or have had in the recent past, being at least the previous 12 months, a material effect on the group's financial position.

10. Trading history of Clicks Group Limited shares on the JSE

The high, low and closing prices of the company's shares on the JSE, and the volumes and value traded, for the eight quarters ending December 2009, monthly from November 2009 to October 2010 and for each trading day for the 30 trading days prior to the last practicable date were as follows:

	High (cents)	Low (cents)	Close (cents)	Volume (shares)	Value (R'000)
Quarter ended					
31 March 2008	1 750	1 300	1 414	67 064 111	940 238
30 June 2008	1 550	1 200	1 238	62 748 021	877 067
30 September 2008	1 615	1 119	1 550	83 446 288	1 171 452
31 December 2008	1 745	1 276	1 700	59 443 741	895 094
31 March 2009	1 800	1 208	1 500	51 749 551	776 090
30 June 2009	1 950	1 400	1 835	59 370 856	985 017
30 September 2009	2 300	1 800	2 290	43 913 311	867 448
31 December 2009	2 750	2 075	2 725	52 561 354	1 309 640
Monthly					
30 November 2009	2 699	2 301	2 515	21 218 366	539 242
31 December 2009	2 750	2 480	2 725	16 700 324	428 227
31 January 2010	2 850	2 451	2 650	22 584 594	586 708
28 February 2010	2 815	2 558	2 760	21 868 914	586 396
31 March 2010	3 194	2 761	2 964	29 368 123	875 171

	High (cents)	Low (cents)	Close (cents)	Volume (shares)	Value (R'000)
30 April 2010	3 255	2 920	3 095	30 955 110	957 933
31 May 2010	3 293	2 802	3 254	36 520 999	1 129 393
30 June 2010	3 603	3 100	3 395	52 299 975	1 760 304
31 July 2010	3 799	3 351	3 615	25 975 192	940 812
31 August 2010	3 790	3 370	3 750	20 609 148	728 905
30 September 2010	4 435	3 704	4 420	28 351 514	1 125 597
31 October 2010	4 640	4 055	4 570	49 987 541	2 118 830
Daily					
21 September 2010	4 009	3 859	3 990	2 300 954	91 580
22 September 2010	4 100	3 890	3 970	2 323 071	92 984
23 September 2010	4 016	3 918	3 960	1 306 759	51 754
27 September 2010	4 098	3 960	3 990	1 821 869	73 140
28 September 2010	4 010	3 964	3 989	1 833 065	73 238
29 September 2010	4 298	4 000	4 233	2 454 849	101 391
30 September 2010	4 435	4 224	4 420	1 836 483	80 468
01 October 2010	4 447	4 250	4 272	1 319 908	57 360
04 October 2010	4 300	4 087	4 097	2 467 060	102 131
05 October 2010	4 127	4 080	4 088	2 078 042	85 131
06 October 2010	4 125	4 055	4 079	14 425 936	589 421
07 October 2010	4 130	4 080	4 107	3 833 867	157 335
08 October 2010	4 146	4 070	4 090	435 298	17 834
11 October 2010	4 410	4 064	4 117	4 266 840	176 374
12 October 2010	4 268	4 110	4 207	1 985 960	82 779
13 October 2010	4 344	4 216	4 250	908 225	38 768
14 October 2010	4 335	4 255	4 306	3 231 909	138 441
15 October 2010	4 369	4 270	4 369	1 537 950	66 406
18 October 2010	4 441	4 275	4 428	328 256	14 351
19 October 2010	4 626	4 411	4 552	2 138 386	97 454
20 October 2010	4 590	4 495	4 500	659 310	29 884
21 October 2010	4 599	4 429	4 460	1 691 784	76 155
22 October 2010	4 460	4 375	4 384	1 279 390	56 453
25 October 2010	4 482	4 385	4 416	1 298 605	57 459
26 October 2010	4 537	4 420	4 505	1 594 195	71 281
27 October 2010	4 640	4 417	4 525	669 061	30 302
28 October 2010	4 572	4 419	4 520	2 347 579	105 965
29 October 2010	4 600	4 497	4 570	1 489 980	67 546
01 November 2010	4 660	4 555	4 620	1 220 877	56 443
02 November 2010	4 672	4 580	4 630	1 273 961	58 847

11. Expenses

The expenses relating to the specific issue of shares, as detailed below, are estimated to be approximately R240 757 (excluding VAT) and relate, inter alia, to:

	R'000
JSE documentation fee	10
JSE listing fees*	156
Investment bank and sponsor	75
Total	241

* The JSE listing fee is based on the value of the shares being listed. For illustrative purposes it has been assumed that the shares are issued at the 30-day VWAP until the close of business on 26 October 2010 being R41.52.

12. Directors' recommendation

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

13. Directors' responsibility statement

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

14. Consent

The sponsor to the company has consented in writing to act in the capacity stated in this document and to his name being stated in this document and has not withdrawn his consent prior to the publication of this document.

15. Documents available for inspection

Copies of the following documents, in relation to the company and its subsidiaries, will be available for inspection at the company's registered office and at Investec's office in Johannesburg during normal office hours up to the date of the annual general meeting, being Tuesday, 18 January 2011:

- the memorandum and articles of association of the company and its subsidiaries;
- the audited financial statements for the three financial years ended 31 August 2008, 2009 and 2010;
- the consent letter referred to in paragraph 14 above; and
- a signed copy of this annexure.

For and on behalf of the board

Clicks Group Limited

Keith Warburton
Director

Cape Town
12 November 2010

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

FORM OF PROXY

For use by certificated Clicks Group Limited ("the company") shareholders and "own name" dematerialised company shareholders only, at the annual general meeting of shareholders of the company to be held on Tuesday, 18 January 2011 at 10:00 at the registered office of Clicks Group Limited, corner Searle and Pontac Streets, Cape Town.

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

of (address) ____

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

hereby appoint:

1. ____ or failing him/her

2. ____ or failing him/her

3. the chairman of the meeting, as my/our proxy to attend, speak and vote either for or against a resolution or to abstain from voting on my/our behalf, as indicated below, at the annual general meeting to be held on Tuesday, 18 January 2011 at 10:00 and at any adjournment thereof.

		Number of votes (one vote per ordinary share)		
		Vote for	Vote against	Abstain from voting
1.	Ordinary resolution No. 1: Adoption of financial statements			
2.	Ordinary resolution No. 2: Reappointment of auditors			
3.	Ordinary resolution No. 3: Re-election of Mr M Harvey as a director			
4.	Ordinary resolution No. 4: Re-election of Mr D Kneale as a director			
5.	Ordinary resolution No. 5: Re-election of Mr M Rosen as a director			
6.	Ordinary resolution No. 6: Re-election of Dr N Matlala as a director			
7.	Ordinary resolution No. 7: Approval of 2011 directors' fees			
8.	Ordinary resolution No. 8: General authority to make distributions to shareholders by way of a reduction in share premium			
9.	Ordinary resolution No. 9: Specific authority to issue shares in terms of the Companies Act			
10.	Ordinary resolution No. 10: Specific authority to issue shares in terms of the JSE Listings Requirements			
11.	Special resolution No. 1: General authority to repurchase shares			

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

Signed by me/us this ______________________ day of ____________________________

Signature(s) ____

NOTES

1. On a poll, a shareholder is entitled to one vote for every share held.
2. Any alteration or correction made on this form must be initialled by the signatory/ies.
3. This proxy form must be lodged with the company's transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) or at the registered office of the company, Cnr Searle and Pontac Streets, Cape Town, no later than 24 hours (10:00, Monday, 17 January 2011) before the commencement of the meeting or posted to the company secretary at PO Box 5142, Cape Town 8000, to arrive no later than 24 hours (10:00, Monday, 17 January 2011) before the commencement of the meeting (excluding Saturdays, Sundays and public holidays).
4. A proxy need not be a shareholder of the company.
5. If this proxy is signed under power of attorney or on behalf of a company, such powers of authority, unless previously registered with the company, must accompany it.
6. If you are a dematerialised shareholder and are not an own name dematerialised shareholder and you are unable to attend the annual general meeting, you must contact your Central Securities Depository Participant ("CSDP") or broker, as the case may be, and furnish it with your voting instructions in respect of the annual general meeting in accordance with the mandate between yourself and the CSDP or broker, as the case may be. You should not complete the attached form of proxy. If your CSDP or broker does not obtain your voting instructions from you in respect of the annual general meeting, it will be obliged to act in terms of your mandate, or if your mandate is silent, to abstain from voting. The instruction must be provided within the time period required by your CSDP or broker, as the case may be.

DEFINITIONS

Capital expenditure

Maintenance capital expenditure

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

Growth capital expenditure

Capital expenditure that is not maintenance capital expenditure.

Cash flow

Financing activities

Activities that result in changes to the capital and funding structure of the group.

Investing activities

Activities relating to the acquisition, holding and disposal of capital assets and long-term investments.

Operating activities

Activities that are not financing or investing activities that arise from the operations conducted by the group.

Comparable stores' turnover growth

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

Current ratio

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

Creditor days

Closing trade creditors at year-end (adjusted to exclude VAT) divided by the cost of merchandise sold during the year, multiplied by 365 days.

Debtor days

Closing trade debtors at year-end (adjusted to exclude VAT) divided by sales during the year, multiplied by 365 days.

Distribution cover

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

Distribution per share

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

Earnings per share

Earnings per share

Profit for the year divided by the weighted average number of shares in issue for the year.

Diluted earnings per share

Profit for the year divided by the weighted average diluted number of shares in issue for the year.

Headline earnings per share

Headline earnings divided by the weighted average number of shares in issue for the year.

Diluted headline earnings

Headline earnings divided by the weighted average diluted number of shares in issue for the year.

Effective tax rate

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

Free float

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

Full-time equivalent (FTE)

This ratio is a measure of staffing levels which converts the total number of hours worked by all staff (including part-time and casual staff) to an equivalent number of full-time staff.

Gross profit margin

Gross profit expressed as a percentage of turnover.

Headline earnings

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

IFRS

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

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

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

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

Inventory days

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

JIBAR

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

Market capitalisation

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

Net asset value per share

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

Net tangible asset value per share

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

Operating profit

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

DEFINITIONS continued

Operating profit margin
Operating profit expressed as a percentage of turnover.

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

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

Return on shareholders' interest (ROE)
Headline earnings expressed as a percentage of the average shareholders' interest for the year.

Return on total assets (ROA)
Headline earnings expressed as a percentage of the average total assets for the year.

Segmental reporting

Operational segment
A distinguishable type of operation within the group.

Business unit segment
A distinguishable trading brand or component of the group.

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

Shareholders' interest
Share capital, share premium, share option reserve reduced by the cost of treasury shares and other reserves comprising equity.

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

Total income
Gross profit plus other income.

Total income margin
Total income expressed as a percentage of turnover.

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

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

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

CORPORATE INFORMATION

Clicks Group Limited

Incorporated in the Republic of South Africa (22 January 1996)
Registration number 1996/000645/06
JSE share code: CLS
ISIN: ZAE000134854

Registered address

Cnr Searle and Pontac Streets
Cape Town 8001
Telephone: +27 (0)21 460 1911

Postal address

PO Box 5142
Cape Town 8000

Company secretary

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