CLICKS GROUP
LIMITED

INTEGRATED ANNUAL REPORT 2013

CONTENTS

INTRODUCING THE REPORT

Clicks Group has pleasure in presenting its Integrated Annual Report for the 2013 financial year. Management is committed to integrated reporting and aims to demonstrate the group's ability to create and sustain value for shareholders.

Throughout the report we demonstrate how the group's strategy of pre-eminence in both health and beauty retailing (in Clicks) and healthcare supply management (in UPD) has generated and will continue to generate value for shareholders.

This has been achieved by creating a link between the material issues and risks, the strategies and targets, financial and operational performance, as well as disclosure of our governance and remuneration practices.

Our integrated report is aimed at shareholders and the investment community locally and offshore. While the group interacts with a range of other stakeholders who influence the business, including customers, employees, suppliers and regulators, these groups are addressed through other forms of targeted communications.

Report scope and boundaries

The report covers the integrated sustainability performance and activities of the group and its subsidiaries for the period 1 September 2012 to 31 August 2013. The group operates primarily in South Africa where the majority of turnover and profit is generated. Operations are also located in Namibia, Botswana, Swaziland and Lesotho.

The focus of the operational reviews is on Clicks and UPD, the two main operating businesses, which collectively account for 95% of the group's turnover.

The Integrated Annual Report and the annual financial statements have been prepared according to International Financial Reporting Standards (IFRS), the requirements of the Companies Act and the Listings Requirements of the JSE. The group has applied the recommendations of King III and also considered local and international best reporting practices.

There have been no changes from last year in the scope and boundary of the report.

Report content and disclosure

Management's interpretation of materiality has again been applied in determining the content and disclosure in this report. This is aimed at ensuring the report is concise and relevant to our primary audience of shareholders and investors.

The group has extensive interaction with shareholders and analysts, and this provides insight into the issues that are material to the investment community.

Materiality has been defined as being issues that could affect the group's ability to create value over time or that could impact on an investor's valuation of the business. This does, however, exclude the disclosure of price-sensitive or competitor-sensitive information.

Summarised financial statements, which have been derived from the audited group financial statements, have been published in the integrated report. The audited annual financial statements are available to shareholders on the group's website, together with a five-year history of financial and non-financial performance, an expanded Corporate Governance Report and a schedule of the application of the King III principles.

The International Integrated Reporting Council has released a reporting framework which is expected to be approved within the next year. This framework will provide guidelines for integrated reporting globally and introduce reporting in terms of the capitals on which a business operates, namely the financial, intellectual, human, manufactured, social and relationship, and natural capitals. We welcome these guidelines and anticipate aligning our reporting with the framework from 2014 onwards.

The group's external auditor, Ernst & Young Inc. (EY), has provided assurance on the group annual financial statements and expressed an unmodified audit opinion.

Approval of the report

The directors confirm the report fairly represents the integrated performance of the group. The Audit and Risk Committee, which has oversight responsibility for integrated reporting, recommended the report for approval by the board. The board approved the 2013 Integrated Annual Report for release to shareholders on 12 November 2013.

David Nurek
Independent Non-executive Chairman

David Kneale
Chief Executive Officer

Group turnover up
13.6%

Diluted headline EPS up
9.2%

Total dividend up
10.5%

Return on equity at
55.6%

Most empowered retailer in South Africa

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

GROUP PROFILE

Clicks Group is a healthcare retail and supply group which is listed in the Food and Drug Retailers sector on the JSE.

Clicks was conceived as a drugstore in 1968 but legislation at the time prevented corporate ownership of 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, and the first Clicks pharmacy opened in 2004.

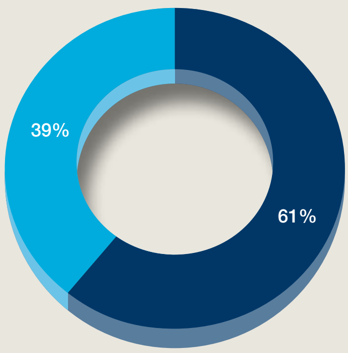
United Pharmaceutical Distributors (UPD) was acquired by the group in January 2003 to provide the distribution capability for the group's integrated healthcare strategy.

Over the past decade the group has grown into a leader in the healthcare market where Clicks has a 17.6% share of the retail pharmacy market and UPD a 26.7% share of the private pharmaceutical market.

The group's history is available at www.clicksgroup.co.za.

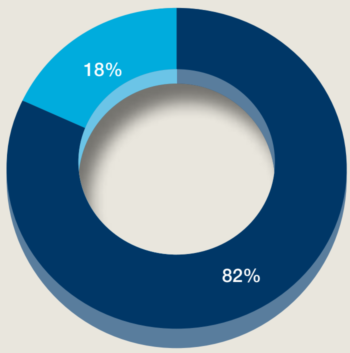
Business contribution

Turnover



- **Retail** (includes Clicks, Musica and The Body Shop)
- **Distribution** (includes UPD and Clicks Direct Medicines)

Operating profit



Group brands

Clicks, Musica and The Body Shop are market-leading brands and have a combined footprint of 607 stores, including 24 in the neighbouring countries of Namibia, Botswana, Swaziland and Lesotho.

- **Clicks** is South Africa's leading health and beauty retailer, offering value for money in convenient and appealing locations. Clicks has the largest retail pharmacy chain with 331 in-store dispensaries.
- **Musica** is the country's leading entertainment retail brand and was acquired in 1992.
- **The Body Shop** has been operated under a franchise agreement with The Body Shop International since 2001, and the contract extends until 2020.
- **UPD** is South Africa's leading full-range pharmaceutical wholesaler and the only one with a national presence.

Customers

Clicks targets consumers in the growing middle to upper income markets (LSM 6 – 10). The Clicks ClubCard is one of the largest loyalty programmes in South Africa with 4.1 million active members. 78% of ClubCard customers are women and 61% are in the 25 to 49 age group.

UPD fulfils the pharmaceutical supply needs of Clicks, the major private hospital groups and over 1 400 independent pharmacies. Customers in the Southern African Development Community (SADC) region are serviced through an operation in Botswana. UPD also provides bulk distribution services to pharmaceutical manufacturers.

Store footprint

	2013	New/ (closed)	2012
Clicks	**442**	22	420
Musica	**120**	(14)	134
The Body Shop	**45**	4	41
Total	**607**	12	595

Market share

%	2013	2012
Clicks		
Retail pharmacy	**17.6**	16.2
Front shop health	**39.6**	38.5
Baby	**9.9**	8.4
Skincare	**34.4**	34.1
Haircare	**30.5**	30.2
Small household appliances	**16.6**	19.4
UPD		
Private pharmaceutical market	**26.7**	24.3

"Our competitive positioning in the healthcare retail and supply markets should ensure the sustained creation of wealth for our shareholders."

GROUP STRATEGY AND TARGETS

Clicks Group is uniquely positioned in the southern African market as a health and beauty retail and healthcare supply specialist. Good growth prospects in its core health and beauty markets, together with the strength and scale of the group's brands, should ensure sustained wealth creation for shareholders in the short, medium and longer term.

Organic growth is the group's preferred strategy to gain market share and ensure sustained competitive advantage. Growth in retail pharmacy has been accelerated by acquiring independent pharmacies to attract additional pharmacists into Clicks and, where appropriate, to acquire and convert their premises into Clicks stores.

The Body Shop's offering of naturally inspired beauty products is aligned with the group's health and beauty focus. The chain has 45 stores across the country as well as a presence in 63 Clicks stores to increase distribution and accessibility to The Body Shop brand.

Musica, the music and entertainment chain, is not core to the group's strategy. The business, which was acquired by the group more than two decades ago, remains the market-leading entertainment retailer in the country and is managed to maximise shareholder value.

Focus on South Africa

Owing to the extensive opportunities to expand the Clicks store base and pharmacy network, South Africa remains the group's main source of growth. While expansion into the rest of Africa is not a primary focus of management, there are currently 15 Clicks stores in the neighbouring countries of Namibia, Swaziland, Botswana and Lesotho. UPD, through its Botswana subsidiary, has the opportunity to grow its export business to other countries in the Southern African Development Community (SADC).

Positioning in growth markets

Both Clicks and UPD are well positioned to benefit from the growth in the country's health and beauty markets. The healthcare market is expected to show sustainable long-term real growth owing to the increasing proportion of the population entering the private healthcare market. Approximately 8.5 million South Africans are covered by medical aid and health insurance schemes, having grown by 1.4 million since 2006 (source: Council for Medical Schemes). The remaining 44.5 million people, over 80% of the population, are reliant on the state healthcare system or pay their own medical expenses. The government's proposed National Health Insurance scheme is aimed at extending health cover to the majority of the population.

Increasing life expectancy and improving living standards among South Africans is creating a growing market for the group's health and beauty products. The average life expectancy in the country has increased from 52.5 years in 2006 to 59.6 years in 2013 (source: Statistics South Africa) and this growing and ageing population will require healthcare services for longer.

Improving living standards has resulted in a steady growth in the middle class population and an expansion of the universe of formal retail shoppers. The increasing number of South Africans in the LSM 6 to 10 categories, the market served by Clicks, has grown from 47% in 2007 to 60% of the population in 2013 (source: AMPS). An analysis of the shifts in the LSM groups appears on page 55.

Growth in corporate pharmacy

Corporate pharmacy, which includes national chain and supermarket pharmacies, has only been operating in South Africa since 2004 and already accounts for 35.5% of the retail pharmacy market. Independent retail pharmacies comprise 52% and courier pharmacy the remaining 12.5% of the market (source: IMS). Clicks has the largest retail pharmacy network in the country with 331 dispensaries and a market share of 17.6%. The chain aims to achieve a 30% share of the retail pharmacy market over the longer term.

Group strategy

Clicks Group's strategy is to create sustainable, long-term shareholder wealth by achieving pre-eminence in

- Health and beauty retailing through Clicks
- Healthcare supply management through UPD

Strategic objectives

CLICKS
feel good pay less

- Drive customer loyalty through ClubCard
- Expand the brand's retail footprint
- Improve the customer experience in pharmacies
- Enhance the front shop product offer
- Maintain a motivated and skilled workforce

UPD
WE DELIVER HEALTHCARE

- Grow wholesale pharmaceutical market share to 30%
- Grow pharmaceutical distribution market share to 30%
- Drive operational excellence and cost reduction
- Maintain a motivated and skilled workforce

These strategic objectives are supported by efficient financial, operating and information technology systems to deliver sustained performance, and underpinned by sound governance and risk management processes.

Review of performance in 2013 and plans for 2014

Clicks

Plans and targets for 2013	Achieved in 2013	Plans and targets for 2014
Drive customer loyalty through ClubCard		
Increase membership to 4.5 million	4.1 million members (2012: 3.9 million) Baby Club 225 000 members Seniors Club 216 000 members	Increase membership to 4.3 million Grow Baby Club to 250 000 members Grow Seniors Club to 300 000 members
Introduce new affinity partnerships	Nine affinity partners at year-end	
Expand the brand's retail footprint		
Open 20 to 30 new Clicks stores	Net 22 stores opened (2012: 20) 18 stores expanded/refurbished 442 stores at year-end (2012: 420)	Open 25 new Clicks stores 19 stores to be expanded/refurbished
Open 30 to 40 new pharmacies	Net 25 pharmacies opened (2012: 23) 331 dispensaries at year-end (2012: 306)	Open 20 to 25 new dispensaries
Improve the customer experience in pharmacies		
Expand private label scheduled medicines range	54 private label medicines in 2013 (2012: 39)	Expand private label scheduled generic medicines range
Embed repeat prescription service	16% of repeatable scripts now on this service	Grow repeat prescription service to 20% of repeat scripts
Enhance the front shop product offer		
Increase front shop private label and exclusive brand sales to 25%	Front shop private label sales 24.1% (2012: 24.2%)	Increase front shop private label and exclusive brand sales to 24.4%
Maintain pricing parity with food retailers	Achieved	Maintain price parity with food retailers
Maintain a motivated and skilled workforce		
Development programme for managers of top stores	60 managers completed store leadership development programme	60 managers to participate in operations management development programme
Increase pipeline of pharmacy assistants	397 trainees registered on learnership programmes	Further 250 trainees to be enrolled
Merchant Academy to train new and existing buyers and planners	20 buyers and planners registered on learnership and skills programmes	20 participants on merchant development programme
Attract pharmacy students (target 80 bursaries and 60 internships)	108 pharmacy bursary students 43 internships	100 bursaries 50 internships

UPD

Plans and targets for 2013	Achieved in 2013	Plans and targets for 2014
Grow private wholesale pharmaceutical market share to 30%		
Increase market share to 24.7% in 2013	Market share increased to 26.7%	Increase market share to 27.2% in 2014
Grow volume of business with private hospital groups and independent pharmacy	Sales to hospital groups increased 14% and accounted for 26% of turnover Sales to independent pharmacy decreased 5.6% and accounted for 18% of turnover	Grow volume of business with private hospital groups while continuing to stem independent pharmacy decline
Increase Clicks' buying levels from UPD to 97%	Clicks' buying levels from UPD 96%	Increase Clicks' buying levels from UPD to 97%
Grow pharmaceutical distribution market share to 30%		
Secure additional agency distribution contracts	20 contracts managed in 2013	Secure additional agency distribution contracts
Expand distribution capacity in UPD	R24 million invested in increasing distribution capacity	Commission new warehouse extension
Embed contracts awarded in 2012	R3.8 billion notional turnover from distribution agency contracts	
Drive operational excellence and cost reduction		
Achieve on-time deliveries of 99%	Achieved 98% on-time deliveries	Achieve on-time deliveries of 98%
Improve stock availability to 93%	Stock availability at 93%	Implement pick and pack scanning in all distribution centres
Reduce labour and transport costs	R32 million invested in automated wholesale storage and retrieval machine	Reduce labour and transport costs
Maintain a motivated and skilled workforce		
Reduce employee turnover to 8%	Employee turnover at 18%	Reduce employee turnover to 10%

Financial and operating targets

	Medium-term targets 2013 – 2015	Performance in 2013	Medium-term targets 2014 – 2016
Return on shareholders' interest (ROE) (%)	55 – 65	55.6	**50 – 60***
Shareholders' interest to total assets (%)	25 – 30	25.3	**25 – 30**
Return on total assets (%)	14 – 18	14.8	**14 – 18**
Inventory days	55 – 60	59	**55 – 60**
Operating margin (%)			
• Group	6.0 – 7.0	6.3	**6.0 – 7.0**
• Retail	7.0 – 8.0	7.4	**7.0 – 8.0**
• Distribution	2.2 – 2.7	2.5	**2.2 – 2.7**

* Target has been revised to a more sustainable level in the current economic environment

An analysis of the group's performance relative to the medium-term targets is included in the Chief Financial Officer's Report on pages 20 to 23.

INVESTMENT CASE

Clicks Group offers attractive growth prospects for investors seeking long-term and non-cyclical equity exposure to the retail and healthcare sectors in South Africa. The group's strategy of pre-eminence in health and beauty retailing through Clicks, and healthcare supply management through UPD, is aimed at sustaining organic growth and generating competitive returns for shareholders.

Market leadership

All businesses in the group occupy market-leading positions

- Clicks is independently rated as South Africa's first choice health and beauty retailer
- Largest retail pharmacy network with 331 in-store dispensaries
- UPD is the country's leading full-range pharmaceutical wholesaler and the only one with a national presence

Entrenching customer loyalty

Clicks ClubCard is one of the largest loyalty programmes in South Africa

- 4.1 million active ClubCard members
- ClubCard holders generate over 76% of Clicks' sales
- Growing loyalty through range of affinity partners
- Target to achieve 5 million ClubCard members over the next three years

Resilient business model

Over 80% of the group's turnover is in non-cyclical merchandise

- Increasing sales and profit contribution from health and beauty business
- As a value retailer Clicks is highly price competitive relative to food retailers
- As a cash retailer Clicks is not as interest rate sensitive as credit-based peers

UPD growth opportunities

As the country's only national full-range pharmaceutical wholesaler, UPD has scale advantage over its competitors

- Strong growth in third party agency distribution contracts in recent years
- Continued investment in distribution capacity
- Benefit from growth in Clicks pharmacy and private hospitals

Expanding store base

Clicks plans to grow store base from 442 to 500 in the next three years

- National portfolio of convenient and well-located stores
- Committed to opening 20 – 30 stores each year
- Opportunity to expand beyond 500 stores in the longer term

Growing market share

Group has a commanding share of the retail and wholesale pharmaceutical markets

- Clicks has 17.6% retail pharmacy market share and a goal to grow to 30% in the long term
- UPD's share of the private pharmaceutical market is 26.7%

Expanding pharmacy base

Objective is to operate a pharmacy and clinic in every Clicks store

- Currently 75% of stores have a dispensary
- Plan to open 20 – 30 dispensaries each year

Highly cash-generative business

Capital actively managed through investing for organic growth, share buy-backs and managing distribution cover levels

- R3 billion returned to shareholders in past five years through distributions and share buy-backs
- Capital expenditure of over R1.2 billion in the past five years, mainly on new stores and pharmacies, store refurbishments, distribution capacity and information technology

Increasing private label sales

Clicks private label and exclusive brands offer differentiated product at higher margins and engender customer loyalty

- Targeting to grow private label to 25% of sales from the current 18.4%

Sustained financial performance

Group has a track record of sustained performance and returns to shareholders

- Diluted headline earnings per share: 17.8% five-year annual compound growth
- Distributions per share: 22.4% five-year annual compound growth

MATERIAL ISSUES AND RISKS

Management has identified the material issues and risks which could adversely impact on the delivery of the strategy and on the performance of the group. These material risks are reviewed annually by the board and management to ensure all relevant internal, industry and macroeconomic factors are considered.

As part of this review process, "sourcing and registration of quality private label products in Clicks" has been removed from the register of material risks. Management believes this risk has been sufficiently mitigated or reduced in the past financial year. The material issue of UPD facing margin pressure from the increasing proportion of generic medicines has been included for the first time for the 2014 financial year.

The following table details the material issues for the year ahead, the implications for the business and the strategies which have been implemented to mitigate and manage the impact of these risks. Further detail on the group's risk management process is included in the Corporate Governance Report on the website.

1 Impact of current trading environment

Implications	Mitigation plans
The current trading environment is characterised by constrained consumer spending, relatively low selling price inflation and continuing cost increases. Low inflation could negatively impact profitability as volume increases are required to maintain revenue growth. This also creates pressure to remain price competitive. Cost growth ahead of inflation could place pressure on maintaining margins.	• Continued aggressive promotions strategy to entrench Clicks as a value retailer • Focus on growing sales volumes profitably • Ongoing review of expenses and cost structures across all businesses

2 Increasing competition in retail and corporate pharmacy sectors

Implications	Mitigation plans
Aggressive expansion by corporate pharmacy and retail chains, new entrants into the local retail sector and increasing price competitiveness of retailers could negatively affect sales, profitability and market share growth in Clicks.	• Clicks has a store footprint of 442 and plans to grow to 500 stores by opening 20 – 30 stores each year • Continued opening of pharmacies, with 20 – 25 planned for 2014 • Long-term plan to open dispensaries in all Clicks stores (currently in 75% of stores) • Continued growth in membership of the Clicks ClubCard loyalty programme • Ongoing improvement in pricing, product offer and customer service

3 Increasing cost of attracting and retaining pharmacy professionals

Implications	Mitigation plans
The group is the largest employer of pharmacists in the private sector. The shortage of healthcare professionals is an industry challenge, with South Africa having approximately half of the number of required pharmacists, based on World Health Organisation standards. The shortage of pharmacists could limit the growth of Clicks, increase costs and impact on margins.	• Pharmacy salaries externally benchmarked to ensure Clicks remains competitive in the employment market • An employee share ownership scheme aims to attract and retain scarce skills, with a higher allocation of shares to pharmacists • Specialist pharmacy recruitment team established • Group collaborates with pharmacy schools at universities to increase capacity • 397 learners trained through in-house Pharmacy Healthcare Academy • 100 bursaries to be granted for trainee pharmacists for 2014 • 50 pharmacy interns to be employed in 2014

4 Regulatory changes to medicine pricing

Implications	Mitigation plans
Legislative and regulatory changes proposed by the Department of Health (DoH) could impact on medicine pricing. These changes include draft regulations to cap the maximum logistics fees that can be earned by pharmaceutical wholesalers and the introduction of international benchmark pricing. These changes could reduce turnover, margins and profitability in Clicks and UPD.	• Continued management engagement with the DoH on proposed changes • Formal written and oral submissions to DoH in response to draft legislation or regulations • Ensure Clicks and UPD are operating efficiently to maintain margins and profitability, and to benefit from market consolidation should fees or turnover be negatively impacted by legislation

5 Margin pressure from genericisation of medicines in UPD

Implications	Mitigation plans
UPD faces margin pressure from the increasing use of lower-priced generic medicines while costs are fixed, and manufacturers are under pressure to reduce supply chain costs.	• The business has access to the Clicks and private hospital channels • Focus on driving volume and growing market share • Create operating efficiencies to reduce costs

6 Attracting and retaining scarce and skilled talent

Implications	Mitigation plans
An inability to attract and retain scarce talent in core areas of the business, particularly in general management, merchandise and planning, could ultimately compromise service delivery.	• Total rewards remuneration strategy across the group ensures market competitiveness in terms of cash and benefits • Employee share ownership scheme aimed at incentivising and retaining staff • Buyers and planners trained through Merchandise Academy • Leadership development programme initiated

7 Non-compliance with pharmacy and healthcare industry regulations

Implications	Mitigation plans
Sanction by the Pharmacy Council or Medicine Control Council for non-compliance could result in fines, penalties or restrictions being imposed on trading, as well as reputational damage.	• Pharmacy practice compliance reviews are conducted by the professional services team in Clicks • Monitoring by group legal compliance officer • Insurance cover for professional risk of dispensing errors

8 Non-compliance with current and emerging legislation

Implications	Mitigation plans
Sanction for non-compliance could result in fines and penalties, criminal implications for directors, as well as reputational damage.	• Compliance officer monitors existing and proposed legislation, and identifies potential impacts on the business • Training and compliance programmes put in place for all relevant legislation

9 Failure to achieve BBBEE targets

Implications	Mitigation plans
The group is committed to sustainable transformation. Failure to make meaningful progress towards achieving BBBEE targets could impact on the group's reputation and also limit the ability to secure distribution contracts in UPD.	• A transformation plan, which is aligned to the BBBEE codes of good practice, guides the implementation of the transformation strategy • Board social and ethics committee reviews BBBEE scorecards • BBBEE principles are embedded within each business unit • Business unit transformation forums responsible for BBBEE implementation • Independent assessment of BBBEE undertaken annually • Achieved level 3 BBBEE compliance in 2013 • Targeting level 3 BBBEE compliance in 2014

10 Loss of distribution clients in UPD

Implications	Mitigation plans
An inability to service UPD's current distribution clients according to defined standards and service level agreements (SLAs) could result in the contracts being terminated. This could result in a loss of revenue, financial penalties and reputational risk to the group.	• Measurable key performance indicators and SLAs in place for each contract to ensure service delivery • Service offering standardised to ensure robust and practical processes • Regular meetings are held with senior management at key clients to ensure any service-related issues are addressed

David Nurek (63)

Independent non-executive chairman

Dip Law, Grad Dip Company Law

Chairman of the social and ethics committee, member of the remuneration and nominations committee

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, Lewis Group and The Foschini Group, and a non-executive director of Trencor.

Prof. Fatima Abrahams (51)

Independent non-executive director

B Econ (Hons) (cum laude), M Com and D Com

Chairperson of the remuneration and nominations committee, member of the social and ethics committee

Appointed March 2008

Prof. 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. Prof Abrahams is chairperson of TSiBA Education, a non-profit private higher educational institution, and is a non-executive director of Iliad Africa, Lewis Group and The Foschini Group.

BOARD OF DIRECTORS

John Bester (67)

Independent non-executive director

B Com (Hons), CA (SA), CMS (Oxon)

Chairperson of the audit and risk committee, member of the remuneration and nominations committee

Appointed October 2008

John spent 16 years in the accounting profession, including serving as a partner of Ernst & Young for 10 years. He has been involved in commerce and industry for a further 32 years, holding a number of financial directorships during this time. He is a non-executive director of Personal Trust International, HomeChoice Holdings, Sovereign Food Investments, Tower Property Fund and Western Province Rugby Proprietary Limited, as well as a trustee of the Children's Hospital Trust.

Bertina Engelbrecht (50)

Group human resources director

B Proc, LL M, admitted attorney

Member of the social and ethics 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.

Michael Fleming (46)
Chief financial officer

B Com, CTA, CA (SA)

Appointed as a director in March 2011

Michael joined the Clicks Group in February 2011 and was previously chief financial officer of Tiger Brands Limited. He joined the Tiger Brands group in 2000 and was appointed as financial executive of the Tiger Brands consumer brands division in 2005 and promoted to chief financial officer in June 2008. During his tenure as CFO of Tiger Brands, Michael also served as a non-executive director of Oceana Group Limited.

Fatima Jakoet (53)
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 MMI Holdings, Tongaat Hulett, Rand Refinery, AfriSam and MTN West and Central Africa (WECA) region.

David Kneale (59)
Chief executive officer

BA

Member of the social and ethics 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.

Nkaki Matlala (60)
Independent non-executive director

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

Member of the audit and risk, and social and ethics committees

Appointed in August 2010

Dr Matlala is an experienced teacher and surgeon and is currently executive director: government and stakeholder relations at Mediclinic 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 Mediclinic in 2005. Dr Matlala is a member of the Hospital Association of South Africa board and a founding member and chairman of Phodiso Holdings, a healthcare investment company.

Martin Rosen (63)
Independent non-executive director

Member of the remuneration and 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.

"The return on equity at 55.6% remains the highest in the retail sector and the group achieved all of its medium-term financial and operating targets in the year."

CHAIRMAN'S REPORT

Challenging economic environment

Widespread challenges across the domestic economy in 2013, most notably volatility and unrest in the labour market, have impacted the country's growth prospects and placed renewed pressure on a sustained recovery in consumer spending in the country.

These challenges have led to the forecast growth in the country's gross domestic product (GDP) being downgraded from 2.7% to 2.1% for 2013. As recently as 2011 South Africa's GDP growth rate was 3.5%.

Ongoing industrial strike action in support of high wage demands, continued retrenchments and low levels of productivity have affected several sectors of the economy. The outlook for the labour market remains gloomy with unemployment in the country at around 25%, with limited prospects for large-scale job creation.

The negative news flow emanating from the country has contributed to the Rand declining 22% against the US Dollar over the course of the financial year.

Consumers have been impacted by rising debt levels while higher fuel, utility, food and medical costs are placing stress on household budgets. While the growth in unsecured credit in recent years fuelled consumer spending, the rapid slowdown in unsecured lending over the past year has disrupted retail trading, making consumers reluctant to spend. Interest rates remained unchanged over the past year and are at their lowest levels in more than four decades. While this is positive for debt servicing costs, low interest rates have had limited effect in stimulating growth in consumer spending.

The negative economic environment is also weighing heavily on consumer sentiment, evidenced by the Consumer Confidence Index falling to -8 at the end of the third quarter in 2013. This is the lowest reading in over ten years and is below the levels recorded during the financial and credit crisis of 2008/9. This does not support a turnaround in consumer spending in the short term.

The impact of the macro environment on the retail sector and on consumer spending, as well as the group's outlook for the year ahead, is covered in the Chief Executive's Report.

Solid financial performance

In this environment of slowing growth in the retail sector due to constrained consumer spending, the group produced a solid performance, again highlighting the defensive qualities of the core health and beauty offering.

Clicks strengthened its competitive position by gaining share in all its core markets while UPD's integrated pharmaceutical wholesale and distribution strategy continues to gain traction.

The group has continued to generate competitive returns to shareholders. Diluted headline earnings per share (HEPS) increased by 9.2% to 298.6 cents, having shown a five-year annual compound growth of 17.8%.

A final dividend of 119.5 cents per share was declared, bringing the total dividend to shareholders for the financial year to 168 cents, an increase of 10.5%. Dividends have grown at an annual compound rate of 22.4% over the past five years.

The return on equity at 55.6% remains the highest in the retail sector and the group achieved all of its medium-term financial and operating targets in the year, a credit to the management team in this tough environment.

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

Investment case

The group's strategy of pre-eminence in health and beauty retailing through Clicks, and healthcare supply management through UPD, is aimed at sustaining organic growth and generating wealth for shareholders.

The directors believe Clicks Group offers an attractive proposition for investors seeking non-cyclical equity exposure to the retail and healthcare sectors in South Africa, as outlined in the Investment Case on page 8.

Clicks Group has a resilient business model, with over 80% of turnover in non-cyclical merchandise. All businesses in the group have market-leading positions, with commanding and growing shares of the retail pharmacy market through Clicks and the private pharmaceutical market through UPD.

22.4% p.a.
compound growth in dividends over five years

A defining feature of the investment case is the organic growth opportunity in the two core businesses. Clicks is positioned to expand its store footprint beyond 500, extend its pharmacy presence in these stores, grow the private label product portfolio and increase the ClubCard loyalty programme from its base of over 4 million active members.

As the country's only national full-range pharmaceutical wholesaler, UPD has scale advantage over its competitors and the opportunity to expand both its wholesale and third party agency distribution businesses.

Clicks Group is highly cash-generative, with a proven capital management strategy of investing for organic growth and returning excess funds to shareholders, supported by a track record of sustained operational and financial performance.

Corporate governance

South African companies operate in an environment of strict governance and compliance, and the country is acknowledged internationally for its high standards of governance.

The Global Competitiveness Report 2013 – 2014 published by the World Economic Forum ranks South Africa number one out of 148 economies for the strength of auditing and reporting standards, the efficacy of corporate boards and also for the regulation of securities exchanges.

The endorsement of our country's regulatory, reporting and governance standards should reassure foreign fund managers investing in local companies like ourselves and provide confidence in our governance structures.

Governance practices in the group are enhanced on an ongoing basis to align with legislative and regulatory changes and to reflect best practice. The group has in all material respects applied the recommendations of the King III code. Detail on governance processes and developments in the past year are included in the abridged Corporate Governance Report on pages 38 to 40 and in the expanded report on the website.

Confirming the group's commitment to best practice reporting and disclosure to shareholders, our Integrated Annual Report for the 2012 financial year was again rated in the 'Excellent' category in the EY Excellence in Integrated Reporting Awards.

Executive remuneration

Executive pay practices in the group are aligned with shareholder interests and long-term value creation. The annual short-term incentive bonus scheme is aligned to the achievement of the group's published medium-term targets. As the group's performance for the 2013 financial year did not achieve the return on net assets target no executive directors qualified for a short-term bonus.

The group's long-term incentive (LTI) scheme is directly linked to the growth in earnings over a three-year performance period. The transparency of the LTI scheme has been enhanced with the introduction and disclosure of performance hurdles for new LTI allocations, which are detailed on page 43.

In line with the recommendations of King III, the remuneration policy is proposed to shareholders annually for a non-binding advisory vote. At the 2013 AGM the policy was approved by 99.3% of the votes cast. The group's remuneration policy and practices are outlined in the Remuneration Report on pages 41 to 45.

Acknowledgements

Thank you to David Kneale and the executive team for their leadership of the business and the delivery of the group's strategy in another challenging period. The non-executive directors provide valuable insight and guidance and I thank them for sharing their vast collective business experience.

In closing I thank our 8 400 employees at head office, stores and distribution centres across the country for their focus on meeting the needs of our customers and for ensuring our businesses remain market leaders.

Thank you to our external stakeholders, including our customers, shareholders and investment analysts, suppliers, industry regulators and business partners for your continued support.

David Nurek
Independent Non-executive Chairman

"The group produced a solid performance in this environment and entrenched its leadership in both health and beauty retailing through Clicks, and healthcare supply management through UPD."

CHIEF EXECUTIVE'S REPORT

Trading environment

Clicks Group encountered another year of demanding retail trading conditions against a backdrop of uncertainty and instability in the domestic economy. It is pleasing to report to shareholders that the group produced a solid performance in this environment and entrenched its leadership in both health and beauty retailing through Clicks, and healthcare supply management through UPD.

Consumers in the middle income market, the core Clicks target market, remained under financial pressure during the year. This pressure was evident in the low rate of real growth in the private healthcare market and in the continued need to drive sales volume in the health and beauty markets through promotional activity.

Promotions have proved successful in attracting value-conscious customers and now account for 26% of sales in Clicks compared to 23% last year. This strategy continues to entrench Clicks as a value retailer in line with the brand's heritage.

Two important trends in pharmacy continued to influence trading patterns. The first is the increasing use of generic medicines, which now account for 40% of pharmacy sales in Clicks, with sales growing by 16.1% in the past year. The second is the increasing shift to self-medication.

These trends continue to be driven largely by customers and medical aid funds to contain medicine costs. Clicks is actively switching patients to lower-cost generic medication and promoting over-the-counter medicines. Clicks also experienced good growth in front shop medicines, vitamins and supplements. This confirms the move to increased self-medication, as customers become more health and lifestyle conscious, opting for preventative rather than curative medicine.

The group operates in markets which are appealing to other food and general merchandise retailers. This competition is unlikely to abate. The group is well positioned to counter this competition through its extensive store and pharmacy network, loyal customer base, strong brand appeal and continued organic growth opportunities. Over the past year the group has improved its price-competitive index relative to its major competitors.

Group strategy

The group's strategy is to achieve pre-eminence in health and beauty retailing through Clicks, and in healthcare supply management through UPD. The directors confirm that the strategy has been consistently applied during the year and believe the integrated healthcare retail and supply model provides a unique competitive positioning for Clicks Group in the southern African market.

Material risks that could impact on performance and on the delivery of this strategy are reviewed annually and mitigation plans implemented. The major challenges facing the group have been identified as the current economic and trading environment, competition in retail and corporate pharmacy, and the cost of attracting and retaining pharmacy professionals. These are covered throughout the report and are detailed in the Material Issues and Risks on pages 9 to 11.

R11.5 bn
total managed turnover for UPD

4.1 m
Clicks ClubCard active members

Clicks continued to deliver on its strategy of achieving pre-eminence in health and beauty retailing. The chain was voted as South Africa's top health and beauty retailer in The Times/Sowetan Retail Awards for the fifth year and was again independently rated by customers as number one for price and value in health and beauty retailing in the country. The pharmacy network was extended to 331 with the opening of 25 dispensaries during the year. Retail pharmacy market share increased to 17.6%.

Clicks expanded its national store base to 442 as it moved towards its medium-term target of 500 outlets. Clicks increased front shop health market share to 39.6% while in the beauty category, skincare and haircare market share increased to 34.4% and 30.5% respectively.

In healthcare supply management, the second component of the group's strategy, UPD consolidated its leadership position in wholesale distribution and grew market share from 24.3% to 26.7%. Besides its leadership in wholesale distribution the business has become an increasingly significant player in the bulk distribution market and now has 20 distribution agency clients. Total managed turnover, combining wholesale and notional turnover managed on behalf of distribution clients, increased by 43.9% to R11.5 billion.

Over the past year the group recognised the need for further investment to support these strategies. An additional R50 million was committed to improving customer service in Clicks pharmacies and in making the chain more competitive. In UPD R56 million was committed to a new automated storage and retrieval machine and to expanding warehouse capacity following the strong growth in the bulk distribution business over the past two years.

Transformation is critical to support the group's strategy and ensure sustainability. Clicks Group was again rated as the most empowered company in the retail sector in the Financial Mail Top Empowerment Companies 2013 survey. The group maintained its level 3 BBBEE status and increased its overall points on the Department of Trade and Industry scorecard.

The directors believe the group's strategy remains relevant in the current environment, offers the group competitive advantage and should ensure sustainable growth in the health and beauty retailing and supply markets. The strategy therefore remains unchanged for the year ahead.

Trading performance

Group turnover increased by 13.6% to R17.5 billion with all businesses reporting volume growth in the tough trading climate. Selling price inflation remained low and averaged 2.6% for the year. The continued growth in lower-value generic medicines, outlined earlier in the report, means that low selling price inflation in healthcare is likely to be structural, rather than cyclical.

Clicks gained share in all of its core health and beauty markets. The ClubCard loyalty programme, which remains part of the DNA of the Clicks brand, grew to 4.1 million active members, accounting for 76% of the brand's sales.

Musica continued to gain share in its core markets of CD and DVD. A net 14 stores were closed and a further three will close

in 2014 as management continues to right-size the business. While Musica is non-core to the group's strategy, we believe there remains a demand for the physical music format and Musica will continue to gain market share as the last man standing.

The Body Shop serves the higher income customer market which is proving more resilient to economic pressure. Sales increased by 11.3%, with sales to Love Your Body loyalty card customers growing 16.9%. Four new stores were opened to extend the store footprint to 45, while the brand also has a presence in 63 Clicks stores.

UPD increased turnover by 22.8% and continued to gain share of both the wholesale distribution and third party distribution agency markets.

The trading performance of Clicks and UPD is covered in the Operational Review on pages 34 to 37. The financial performance is detailed in the Chief Financial Officer's Report on pages 20 to 23.

Supporting the national healthcare agenda

The group is committed to supporting government's policy of making healthcare more affordable and more accessible to all South Africans. Management continues to seek ways of partnering with the public healthcare sector to broaden access.

Clicks Group is one of 23 role players in the broader healthcare industry that formed the Public Health Enhancement Fund which aims to address skills shortages and improve access to affordable healthcare. Clicks has made a three-year financial commitment to support the fund, with a donation of R1 million in the first year.

Clicks launched a groundbreaking partnership with the Western Cape Department of Health (DoH) to provide baby immunisation and family planning services through its in-store clinics. Utilising the Clicks clinic network not only alleviates pressure on state healthcare facilities but also increases access for patients who are able to get treated at a range of well-located Clicks stores. The medical supplies are provided by the Western Cape DoH. Clicks would welcome the opportunity to enter similar partnerships with other provincial health departments to increase accessibility on a broader scale.

The Clicks Helping Hands Trust was established two years ago to offer free clinic services nationally to mothers whose babies were born in state hospitals and do not have medical cover. Infant and maternal mortality remain high in South Africa and through the Trust the group aims to lower their incidence. Free services include baby immunisation, feeding and nutritional advice, and family planning advice and medication.

South Africa faces a shortage of pharmacy staff and is estimated to have only half the required number of pharmacists. As the largest employer of pharmacy staff in the private sector, the group recognises its responsibility to build capacity to sustain the industry. Through the Pharmacy Healthcare Academy, which is registered with the SA Pharmacy Council, Clicks has trained close on 400 pharmacy assistants in the past year alone. Through our bursary scheme we invested R5.1 million in 2013 in training 108 students to increase the pool of graduates from pharmacy schools around the country.

Healthcare regulatory environment

While there were no material changes in healthcare regulation over the past year, we believe there are regulatory obstacles which are preventing the government from achieving its objectives of making medicines more affordable and more accessible.

The burdensome regulation for pharmacists to record patient details for purchases of schedule 1 and 2 medicines is overly bureaucratic and time-consuming, and should be abolished to encourage self-medication.

In considering applications for new pharmacy licences, the DoH will not grant a licence if there is another pharmacy within 500 metres. Clicks has fallen foul of this requirement and has been prevented from opening pharmacies in certain locations. This regulation not only restricts access to healthcare but is, in our view, also anti-competitive.

Finally, protracted delays by the Medicines Control Council (MCC) in the registration of generic medicines is hindering affordability by limiting access to cheaper drugs.

Investing in our people

Developing our people is critical to our ongoing success. In the past year R45 million was invested in skills development with over 3 700 employees being trained. The main focus is on healthcare, merchandise buying and planning, and management development in the store operations. Further detail is contained in the Social and Ethics Committee Report on pages 46 to 49.

Attracting and retaining pharmacy professionals remains one of the biggest challenges in our business. An additional investment of R50 million in Clicks pharmacy staff has contributed to a reduction in turnover from 37% to 28%, improved service levels to customers and is also building a pipeline for the future.

The group has also invested in retaining high-potential employees, black staff and employees with scarce and critical skills. Since the inception of the scheme in 2009 the group has been successful in retaining 96% of the participants. Currently 49 employees participate in the scheme.

Through the employee share ownership plan (ESOP) the group aims to not only attract and retain scarce talent, but also allow employees to share in the long-term growth and success of the business. There are now 8 279 employees who are shareholders, with black staff accounting for 86% and 63% women. Dividends totalling R5.9 million have been paid to ESOP participants over the past two years.

The senior leadership team was strengthened with the appointment of Keith Warburton as chief operating officer of the Clicks chain. Keith served as chief financial officer and an executive director of the group for five years and we are pleased to have attracted him back into the group. The group executive committee was expanded to include Keith, as head of Clicks, and Vikesh Ramsunder, the managing director of UPD.

Outlook

The group remains focused on delivering excellence in health and beauty retailing and healthcare supply management. The current weak consumer spending environment is anticipated to continue and trading over the important festive season will be critical to performance in the year ahead.

The Clicks footprint will be expanded with the planned opening of 25 new stores and 20 to 25 dispensaries.

Capital expenditure of R338 million has been committed for 2014 for stores and pharmacies, IT systems and expanding distribution capacity in UPD.

Appreciation

Thank you to our chairman, David Nurek, and the board of directors for their leadership and guidance. Thank you to my colleagues on the group executive, management and all our people for their hard work and commitment in another challenging year.

Our customers continue to make us their first choice in health and beauty retailing, and healthcare supply, and we thank them for their ongoing support.

David Kneale
Chief Executive Officer

> *"Management is committed to returning surplus cash to shareholders through dividends and share buy-backs. Over the past five years R3 billion has been returned to shareholders."*

CHIEF FINANCIAL OFFICER'S REPORT

Introduction

Clicks Group has continued to deliver on its strategic objectives in posting another resilient performance in a tough consumer climate, again highlighting the defensive qualities of healthcare retail and supply management.

Diluted headline earnings per share (HEPS) increased by 9.2% to 298.6 cents per share, having sustained an annual compound growth of 17.8% per annum over the past five years.

The total dividend for the year was increased by 10.5% to 168 cents per share while the return on equity remains the highest in the retail sector at 55.6%.

A feature of the year has been the strong cash generation of the business, with R1.4 billion in cash generated by operations before interest and taxation.

Management is committed to returning cash which is surplus to the group's needs to shareholders through dividends and share buy-backs, with R748 million returned during the year. Over the past five years R3 billion has been returned to shareholders.

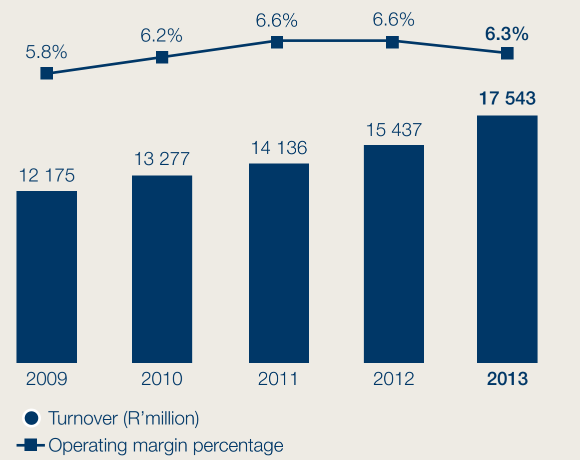
Financial performance

The review of the group's financial performance for the year ended 31 August 2013 focuses on the key line items of the statements of comprehensive income and financial position which management considers to have a material impact on performance.

The review should be read in conjunction with the summary of the financial statements on pages 26 to 31, and the annual financial statements on the group's website.

The segmental analysis, which reflects the retail and distribution segments, appears on pages 32 and 33 and the five-year analysis of financial performance is summarised on page 24.

Turnover and margin



Statement of comprehensive income

Turnover

Group turnover increased by 13.6% to R17.5 billion (2012: R15.4 billion), with continued low selling price inflation which averaged 2.6% for the year. All the group's businesses recorded volume growth.

Turnover in the second half accounted for 51.4% of total turnover following a stronger performance from Clicks. There is generally minimal seasonal effect on the group's turnover as the festive season in the first half of the financial year is counter-balanced by the winter season, which is the peak trading period for our healthcare business.

Retail turnover, including Clicks, Musica and The Body Shop, increased by 7.9%, with comparable store growth of 5.8%. Selling price inflation averaged 3.1% for the year.

As outlined in the Chief Executive's Report, middle income consumers, which form the core target market of Clicks, remain under financial pressure. Clicks increased turnover by 8.6% following a stronger performance in the second half of the year. Comparable store sales grew by 5.8% and a net 22 Clicks stores were opened during the year.

Musica performed well to contain the decline in sales to 1.0% as a net 14 stores were closed during the period. Comparable store sales increased by 5.9%.

The Body Shop increased turnover by 11.3%, benefiting from the opening of four new stores, and grew same store sales by 6.3%.

UPD benefited from new preferred supply chain partner contracts and increased turnover by 22.8%. Combining the wholesale turnover and notional turnover managed on behalf of distribution agency clients, UPD increased total managed turnover by 43.9% to R11.5 billion.

The Operational Review on pages 34 to 37 provides detail on the trading performance of Clicks and UPD.

Total income

Total income, comprising gross profit and other income, increased by 9.8% to R4.7 billion. The retail total income margin improved by 30 basis points to 33.3%, driven by private label margin growth and well-managed promotions in Clicks.

UPD's margin was impacted by supplier mix and declined from 8.9% to 8.5%.

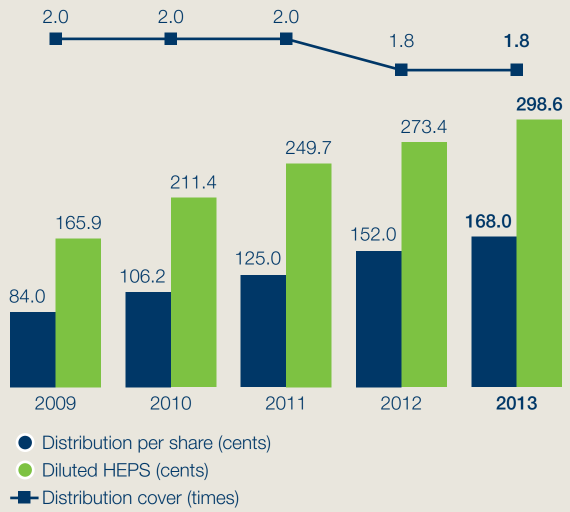
Owing to the faster growth in UPD the group's total income margin has moved from 27.7% in 2012 to 26.8% in 2013.

Operating expenditure

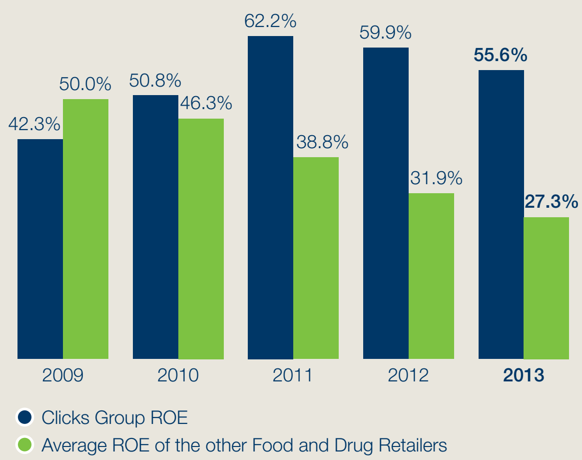
In the current low inflationary trading environment the group has continued to focus on cost management, with operating expenses increasing by 10.0%.

Retail costs increased by 9.6%. The continued investment in new stores, dispensaries, store revamps and improved

Sustained financial performance



Return on equity



IT systems resulted in a 16.9% increase in depreciation and amortisation for the year. Employment costs were impacted by the 25.8% increase in professional pharmacy staff costs which includes investment in staffing new pharmacies and hiring additional pharmacists, pharmacy assistants and trainees. Comparable retail cost growth was contained to 7.8%.

UPD's cost growth of 14.3% includes additional variable bulk distribution and temporary warehouse costs, with comparable costs increasing by 6.1%.

Operating profit

Operating profit increased by 9.1% to R1.1 billion (2012: R1.0 billion) and the group operating margin was 30 basis points lower at 6.3% as a result of the faster growth rate in the lower margin UPD business.

The investment in pharmacy resulted in the retail margin declining 10 basis points to 7.4%.

UPD increased operating profit by 24.2% and maintained its operating margin at 2.5% despite the investment in distribution capacity.

The operating margins for retail and UPD remain within the respective target ranges set out on page 23.

Statement of financial position

Inventory

Group inventory days improved from 63 to 59 days and is now within the targeted range of 55 to 60 days. This was driven mainly by the reduction in stock levels in UPD where inventory days normalised, moving from 34 to 30 days.

Inventory levels were 7.0% higher at year-end and were managed below turnover growth across all brands.

The group is investing in optimising the store replenishment system over the next two years to improve inventory management in Clicks.

Cash and capital management

Cash inflow from operations increased by 32.6% to R1 013 million (2012: R764 million), again demonstrating the cash-generating ability of the group's brands. This increase is largely attributable to the improvement in working capital which reflects an inflow of R26 million in 2013 compared to an outflow of R162 million in 2012.

The group's capital management strategy is focused on investing in the organic growth of the business and returning excess funds to shareholders through dividends and share buy-backs:

- Capital expenditure of R310 million was invested by the group, an increase of R54 million on the previous year. This included new stores and dispensaries, store refurbishments and IT systems, as well as an investment of R56 million in UPD for the installation of an automated picking machine and the extension of the bulk distribution warehouse facility.
- The group returned R748 million to shareholders through dividend payments of R394 million and share buy-backs of R354 million.

Since the inception of the share buy-back programme in May 2006, the group has acquired R2.7 billion in shares at an average price of R20.18, representing 39.2% of the issued shares at the start of the programme.

The ratio of shareholders' interest to total assets was 25.3% (2012: 28.2%) while the group's debt:equity ratio was 16.6% (2012: 14.0%) at year-end.

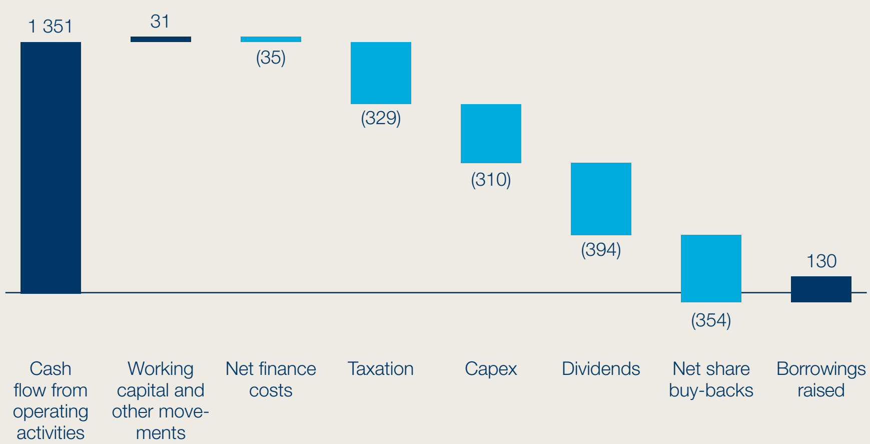
Dividends

The total dividend for the financial year was increased by 10.5% to 168 cents per share (2012: 152 cents), based on a dividend cover of 1.8 times HEPS. This comprises the interim dividend of 48.5 cents (2012: 44.1 cents) and a final dividend of 119.5 cents (2012: 107.9 cents). A dividend of 16.8 cents per "A" share (2012: 15.2 cents) was declared for participants in the employee share ownership programme.

R3 bn
returned to shareholders over past five years

Cash flow analysis

R'million



Integrated reporting

The group's 2012 Integrated Report was again rated in the "Excellent" category in the EY Excellence in Integrated Reporting Awards. These awards are independently judged by the University of Cape Town's College of Accounting and are recognised as the benchmark for disclosure and integrated reporting standards in the country.

Financial targets for 2014

The group's medium-term financial targets have been reviewed, based on the performance for 2013 and outlook for the next three years. The target for ROE has been revised to 50% to 60% (previously 55% to 65%) which is considered a more sustainable level in the current economic climate. The other targets are unchanged.

Medium-term financial targets	Performance in 2013	2014 – 2016 target
ROE (%)	55.6	50 – 60
Shareholders' interest to total assets (%)	25.3	25 – 30
Return on total assets (%)	14.8	14 – 18
Inventory days	59	55 – 60
Operating margin (%)		
Group	6.3	6.0 – 7.0
Retail	7.4	7.0 – 8.0
Distribution	2.5	2.2 – 2.7

Capital expenditure of R338 million is planned for the 2014 financial year. This investment includes R182 million for new stores and dispensaries, refurbishments and relocations; R88 million for IT systems; and R38 million for UPD, which includes the completion of the warehouse extension in Johannesburg.

Total trading space is expected to increase by 3% with the planned opening of 25 stores for Clicks and two for The Body Shop. A further three Musica stores will be closed.

The retail business' direct exposure to foreign exchange rate fluctuations impacts 6% to 7% of retail cost of sales. Further detail on forward exchange risk management appears on page 44 of the annual financial statements on the group's website.

Selling price inflation is expected to be between 4% and 5% in the new financial year.

Appreciation

Thank you to our local and international shareholders, fund managers and analysts for their continued investment and interest in the group. We also welcome those shareholders who invested in the group for the first time this year.

The finance staff across the group is committed to maintaining high standards of reporting to stakeholders and I thank my colleagues for their ongoing support.

Michael Fleming
Chief Financial Officer

FIVE-YEAR PERFORMANCE REVIEW

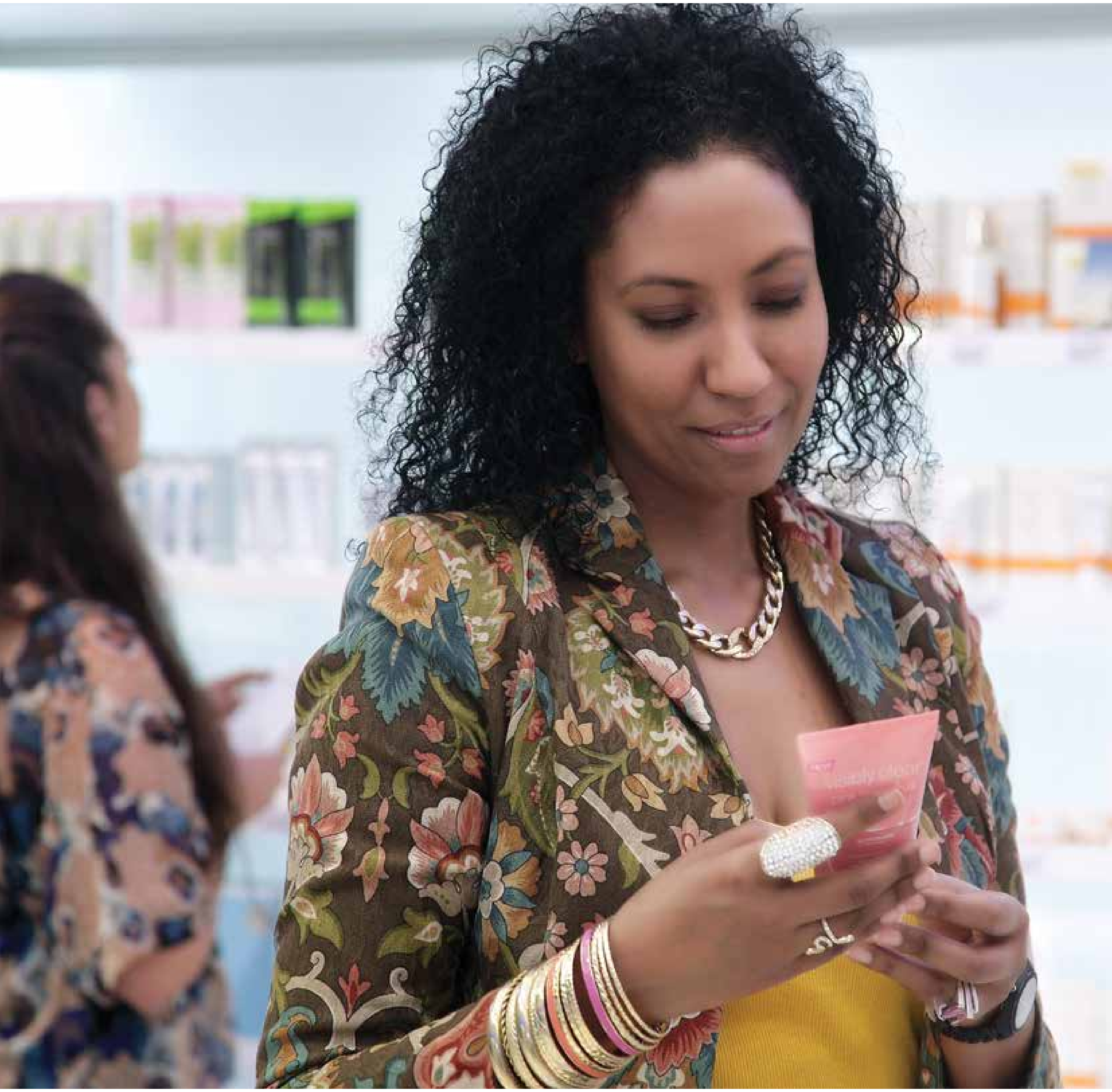
for the year ended 31 August

Financial performance		5-year compound growth (%)	2013	2012	2011	2010	2009
Statements of comprehensive income							
Turnover	(R'm)	9.3%	**17 543**	15 437	14 136	13 277	12 175
Expenses	(R'm)	11.1%	**(3 592)**	(3 265)	(3 008)	(2 706)	(2 373)
Operating profit	(R'm)	13.0%	**1 104**	1 011	938	824	709
Profit before taxation	(R'm)	12.4%	**1 051**	958	898	771	647
Headline earnings	(R'm)	13.6%	**757**	693	655	576	478
Statements of financial position							
Non-current assets	(R'm)	4.8%	**1 583**	1 490	1 415	1 384	1 362
Trade and other receivables	(R'm)	13.3%	**1 507**	1 172	999	869	908
Inventories	(R'm)	10.2%	**2 225**	2 080	1 802	1 571	1 422
Other current assets	(R'm)	(19.1%)	**18**	9	21	135	79
Cash and cash equivalents	(R'm)	2.8%	**116**	25	18	152	410
Total assets	(R'm)	8.7%	**5 449**	4 776	4 255	4 111	4 181
Total equity	(R'm)	3.8%	**1 377**	1 349	965	1 142	1 126
Non-current liabilities	(R'm)	(4.0%)	**252**	286	265	280	280
Current liabilities	(R'm)	11.5%	**3 476**	2 926	2 650	2 555	2 708
Call borrowings	(R'm)	24.3%	**344**	215	375	134	67
Total equity and liabilities	(R'm)	8.7%	**5 449**	4 776	4 255	4 111	4 181
Statements of cash flows							
Cash inflow from operations	(R'm)	30.8%	**1 013**	764	677	433	1 057
Dividends/distributions paid	(R'm)	20.2%	**394**	337	296	245	191
Capital expenditure	(R'm)	12.2%	**310**	256	216	206	224

Returns and margin performance		5-year average	2013	2012	2011	2010	2009
Total income margin	(%)	26.9	**26.8**	27.7	27.9	26.6	25.3
Operating margin	(%)	6.3	**6.3**	6.6	6.6	6.2	5.8
Return on total assets	(%)	14.4	**14.8**	15.3	15.7	13.9	12.3
Return on shareholders' interest	(%)	54.2	**55.6**	59.9	62.2	50.8	42.3
Inventory days		58	**59**	63	60	55	54
Asset turnover	(times)	3.2	**3.2**	3.2	3.3	3.2	2.9
Return on net assets	(%)	74.5	**69.7**	69.7	75.0	85.1	72.9
Shareholders' interest to total assets	(%)	26.2	**25.3**	28.2	22.7	27.8	26.9
Net debt to equity	(%)	7.1	**16.6**	14.0	37.1	(1.7)	(30.5)

Share performance		5-year compound growth (%)	2013	2012	2011	2010	2009
Headline earnings per share – basic	(cents per share)	17.7%	**302.4**	273.5	250.1	212.3	167.7
Headline earnings per share – diluted	(cents per share)	17.8%	**298.6**	273.4	249.7	211.4	165.9
Cash equivalent earnings	(cents per share)	18.6%	**386.7**	362.9	294.3	224.5	205.0
Net asset value	(cents per share)	7.3%	**558**	533	382	429	407
Dividends/distributions declared	(cents per share)	22.4%	**168.0**	152.0	125.0	106.2	84.0
Dividend/distribution cover	(times)		**1.8**	1.8	2.0	2.0	2.0
Weighted average number of shares in issue (net of treasury shares)	(000's)		**250 297**	253 154	262 118	271 073	285 249
Weighted average diluted number of shares in issue (net of treasury shares)	(000's)		**253 434**	253 258	262 515	272 277	288 349
Shares repurchased	(R'm)		**354**	12	552	322	344
Shares repurchased	(000's)		**6 187**	217	13 664	10 674	19 336

A comprehensive five-year review is available on the website at www.clicksgroup.co.za.



Summary of the audited financial statements for the year ended 31 August 2013

These summarised audited financial statements are a summary of the audited annual financial statements of the group for the year ended 31 August 2013. The audited annual financial statements were prepared under the supervision of the Chief Financial Officer, M Fleming CA(SA).

The audited annual financial statements are available on www.clicksgroup.co.za, or on request from the company secretary.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 August 2013

	Note	2013 R'000	2012 R'000
Revenue	3	**18 463 420**	16 243 377
Turnover	3	**17 543 301**	15 436 947
Cost of merchandise sold		**(13 760 770)**	(11 961 536)
Gross profit		**3 782 531**	3 475 411
Other income	3	**913 431**	800 554
Total income		**4 695 962**	4 275 965
Expenses		**(3 592 109)**	(3 264 637)
Depreciation and amortisation		**(200 398)**	(171 535)
Occupancy costs		**(500 992)**	(471 897)
Employment costs		**(1 789 428)**	(1 582 459)
Other costs		**(1 101 291)**	(1 038 746)
Operating profit		**1 103 853**	1 011 328
Loss on disposal of property, plant and equipment		**(7 854)**	(6 578)
Profit before financing costs		**1 095 999**	1 004 750
Net financing costs		**(45 216)**	(46 396)
Financial income	3	**6 688**	5 876
Financial expense		**(51 904)**	(52 272)
Profit before taxation		**1 050 783**	958 354
Income tax expense		**(299 215)**	(269 974)
Profit for the year		**751 568**	688 380
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign subsidiaries		**2 009**	1 615
Cash flow hedges		**9 952**	1 485
Change in fair value of effective portion		**13 822**	2 063
Deferred tax on movement of effective portion		**(3 870)**	(578)
Other comprehensive income for the year, net of tax		**11 961**	3 100
Total comprehensive income for the year		**763 529**	691 480
Profit/(Loss) attributable to:			
Equity holders of the parent		**751 171**	688 687
Non-controlling interest		**397**	(307)
		751 568	688 380
Total comprehensive income attributable to:			
Equity holders of the parent		**763 132**	691 787
Non-controlling interest		**397**	(307)
		763 529	691 480
Reconciliation of headline earnings			
Total profit for the period attributable to equity holders of the parent		**751 171**	688 687
Adjusted for:			
Loss on disposal of property, plant and equipment		**5 655**	4 736
Insurance recovery income		**–**	(1 018)
Headline earnings		**756 826**	692 405
Headline earnings per share (cents)			
– basic		**302.4**	273.5
– diluted		**298.6**	273.4
Earnings per share (cents)			
– basic		**300.1**	272.0
– diluted		**296.4**	271.9
Weighted average number of shares in issue (net of treasury shares)		**250 297**	253 154
Weighted average diluted number of shares in issue (net of treasury shares)		**253 434**	253 258

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 August 2013

	Note	2013 R'000	2012 R'000
ASSETS			
Non-current assets		**1 582 698**	1 490 348
Property, plant and equipment		**1 058 967**	1 010 657
Intangible assets		**349 018**	306 286
Goodwill		**103 510**	103 510
Deferred tax assets		**59 098**	57 401
Loans receivable		**12 105**	12 494
Current assets		**3 866 710**	3 286 064
Inventories		**2 225 372**	2 080 375
Trade and other receivables		**1 507 766**	1 171 541
Loans receivable		**–**	3 710
Cash and cash equivalents		**115 559**	25 451
Derivative financial assets		**18 013**	4 987
Total assets		**5 449 408**	4 776 412
EQUITY AND LIABILITIES			
Equity		**1 376 838**	1 348 904
Share capital	4	**2 976**	3 054
Share premium		**3 497**	3 497
Treasury shares	4	**(954 553)**	(927 963)
Share option reserve		**79 549**	55 905
Cash flow hedging reserve		**13 542**	3 590
Foreign currency translation reserve		**1 790**	(219)
Distributable reserve		**2 229 232**	2 210 632
Equity attributable to equity holders of the parent		**1 376 033**	1 348 496
Non-controlling interest		**805**	408
Non-current liabilities		**252 305**	286 601
Employee benefits		**91 489**	105 989
Deferred tax liabilities		**9 208**	39 555
Operating lease liability		**151 608**	141 057
Current liabilities		**3 820 265**	3 140 907
Trade and other payables		**3 260 197**	2 768 759
Employee benefits		**148 402**	109 861
Provisions		**6 596**	8 828
Interest-bearing borrowings		**344 355**	214 566
Tax payable		**58 605**	37 536
Derivative financial liabilities		**2 110**	1 357
Total equity and liabilities		**5 449 408**	4 776 412

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2013

	2013 R'000	2012 R'000
Balance at 1 September	**1 348 904**	965 187
Purchase of treasury shares	**(354 158)**	(12 013)
Disposal of treasury shares	**158**	1 973
Total comprehensive income for the year	**763 529**	691 480
Share-based payment reserve movement	**23 644**	39 562
Dividends/distributions to shareholders	**(394 005)**	(337 285)
Withholding tax on dividends*	**(11 234)**	–
Balance at 31 August	**1 376 838**	1 348 904
Dividends/distributions per share (cents)		
Interim paid	**48.5**	44.1
Final declared/paid	**119.5**	107.9
	168.0	152.0

* Relating to retrospective withholding tax on 2012 interim dividend

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 August 2013

	2013 R'000	2012 R'000
Cash effects from operating activities		
Profit before working capital changes	**1 350 885**	1 235 114
Working capital changes	**25 718**	(161 586)
Cash generated by operations	**1 376 603**	1 073 528
Interest received	**6 277**	5 787
Interest paid	**(41 418)**	(39 252)
Taxation paid	**(328 647)**	(276 458)
Cash inflow from operating activities before dividends/distributions paid	**1 012 815**	763 605
Dividends/distributions paid to shareholders	**(394 005)**	(337 285)
Net cash effects from operating activities	**618 810**	426 320
Cash effects from investing activities		
Investment in property, plant and equipment and intangible assets to maintain operations	**(103 400)**	(84 322)
Investment in property, plant and equipment and intangible assets to expand operations	**(206 486)**	(171 467)
Proceeds from disposal of property, plant and equipment	**885**	2 651
Repayment of loans receivable	**4 510**	5 189
Net cash effects from investing activities	**(304 491)**	(247 949)
Cash effects from financing activities		
Purchase of treasury shares	**(354 158)**	(12 013)
Proceeds from disposal of treasury shares	**158**	1 973
Interest-bearing borrowings raised/(repaid)	**129 789**	(160 670)
Net cash effects from financing activities	**(224 211)**	(170 710)
Net increase in cash and cash equivalents	**90 108**	7 661
Cash and cash equivalents at the beginning of the year	**25 451**	17 790
Cash and cash equivalents at the end of the year	**115 559**	25 451

1 Basis of Preparation

The information in these summarised audited group consolidated financial statements has been extracted from the group's 2013 audited consolidated annual financial statements, which have been prepared in compliance with International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Council, the disclosure requirements of IAS 34 and the South African Companies Act (71 of 2008, as amended). The accounting policies and methods of computation applied in the preparation of the financial statements are in accordance with IFRS and are consistent with those applied in the preparation of the summarised financial statements for the year ended 31 August 2012 except for the change in segmental disclosure due to the change in reporting lines as detailed in the note to the segmental analysis together with the standards and amendments that became effective on 1 January 2012 and 1 July 2012: Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets; Amendment to IAS 1 – Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income. These amendments have been applied for the first time in the group's financial year commencing 1 September 2012. The amendments did not result in any material change to the financial results.

The summarised consolidated financial statements do not contain all the information and disclosures required in the annual financial statements.

The summarised consolidated financial statements have been extracted from the audited group annual financial statements upon which Ernst & Young Inc. has issued an unqualified report. The audited group consolidated annual financial statements are available for inspection at the registered office of the company.

2 Accounting policies

The accounting policies and methods of computation applied in the preparation of these summarised consolidated financial statements are consistent with those applied in the preparation of the group's consolidated annual financial statements for the year ended 31 August 2013.

3 Revenue

	2013 R'000	2012 R'000
Turnover	**17 543 301**	15 436 947
Financial income	**6 688**	5 876
Other income	**913 431**	800 554
Distribution and logistics fees	**526 015**	413 741
Rental income	**271**	207
Advertising income, cost recoveries and other	**387 145**	386 606
	18 463 420	16 243 377

4 Share capital

	2013 R'000	2012 R'000
Authorised – group and company		
600 million (2012: 600 million) ordinary shares of one cent each	**6 000**	6 000
50 million (2012: 50 million) "A" ordinary shares of one cent each	**500**	500
Issued ordinary shares – group and company		
2013: 268.323 million (2012: 276.123 million) ordinary shares of one cent each and 29.153 million (2012: 29.153 million) "A" ordinary shares of one cent each	**2 976**	3 054

4 Share capital (continued)

	Ordinary shares '000	"A" ordinary shares '000	2013 '000	2012 '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	**268 323**	**29 153**	**297 476**	305 276
Treasury shares held at the end of the year	**(21 443)**	**(29 153)**	**(50 596)**	(52 234)
Net number of shares in issue at the end of the year	**246 880**	**–**	**246 880**	253 042

Of the shares in issue, the group holds the following treasury shares:	2013 R'000	2012 R'000
Shares held by a subsidiary – 21.273 million (2012: 22.886 million) ordinary shares of one cent each – cost	**952 811**	925 971
Shares held by the New Clicks Holdings Share Trust – 0.170 million (2012: 0.195 million) ordinary shares of one cent each – cost	**1 450**	1 700
Shares held by the Clicks Group Employee Share Ownership Trust – 29.153 million (2012: 29.153 million) "A" ordinary shares of one cent each – cost	**292**	292
	954 553	927 963

7.8 million ordinary shares were cancelled during the current financial year (2012: nil).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

In respect of the company's shares held by entities within the group, all voting rights are suspended until those shares are reissued.

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

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

5 Reconciliation of segmental operating profit

	2013 R'000	2012 R'000
Segmental operating profit	**1 103 853**	1 011 328
Loss on disposal of property, plant and equipment	**(7 854)**	(6 578)
Financial income	**6 688**	5 876
Financial expense	**(51 904)**	(52 272)
Profit before taxation	**1 050 783**	958 354

SEGMENTAL ANALYSIS

for the year ended 31 August 2013

R'000	Retail 2013	Retail 2012*
Statement of financial position		
Property, plant and equipment	**862 958**	848 774
Intangible assets	**337 008**	297 797
Goodwill	**6 529**	6 529
Inventories	**1 613 406**	1 521 949
Trade and other receivables	**249 379**	167 923
Cash and cash equivalents	**143 990**	21 953
Other assets	**483 288**	470 933
Total assets	**3 696 558**	3 335 858
Employee benefits – non-current	**86 638**	98 193
Operating lease liability	**151 608**	141 057
Trade and other payables	**1 719 457**	1 494 466
Employee benefits – current	**128 664**	99 676
Other liabilities	**846 325**	617 129
Total liabilities	**2 932 692**	2 450 521
Net assets	**763 866**	885 337
Statement of comprehensive income		
Turnover	**12 292 106**	11 395 623
Gross profit	**3 623 003**	3 330 496
Other income	**474 410**	433 274
Total income	**4 097 413**	3 763 770
Expenses	**(3 190 814)**	(2 911 124)
Operating profit	**906 599**	852 646
Ratios		
Increase in turnover	**7.9**	8.4
Selling price inflation	**3.1**	0.7
Comparable stores' turnover growth	**5.8**	5.5
Gross profit margin	**29.5**	29.2
Total income margin	**33.3**	33.0
Operating expenses as a percentage of turnover	**26.0**	25.5
Increase in operating expenses	**9.6**	8.3
Increase in operating profit	**6.3**	5.9
Operating profit margin	**7.4**	7.5
Inventory days	**68**	69
Trade debtor days	**9**	7
Trade creditor days	**51**	46
Number of stores	**607**	595
as at 31 August 2012/2011	**595**	590
opened	**30**	31
closed	**(18)**	(26)
Number of pharmacies	**331**	306
as at 31 August 2012/2011	**306**	283
new/converted	**26**	26
closed	**(1)**	(3)
Total leased area	**313 193**	302 886
Weighted retail trading area	**242 070**	234 443
Weighted annual sales per m^2	**50 760**	48 607
Number of permanent employees	**7 868**	7 564

* The segmental analysis for the year to 31 August 2013 has been consolidated due to a change in the composition of its reportable segments. Clicks, Musica and The Body Shop are reported as part of the Retail reportable segment. In addition, in the current financial year Clicks Direct Medicines has been included in the Distribution business which now comprises UPD and Clicks Direct Medicines. This change was made due to a change in management reporting lines as the business has been incorporated within the Distribution business. In the prior year, the business was reported as part of Retail. This has resulted in a decrease in total assets in Retail of R47.4 million, a decrease in total liabilities of R35.8 million and a decrease in operating profit of R1.9 million for 2012. Within Distribution, total assets increased by R21.2 million, total liabilities increased by R9.6 million and operating profit increased by R1.9 million for 2012.

Distribution		Intragroup elimination		Total operations	
2013	2012*	**2013**	2012*	**2013**	2012
196 009	161 883	**–**	–	**1 058 967**	1 010 657
12 010	8 489	**–**	–	**349 018**	306 286
96 981	96 981	**–**	–	**103 510**	103 510
618 797	567 564	**(6 831)**	(9 138)	**2 225 372**	2 080 375
1 587 825	1 322 141	**(329 438)**	(318 523)	**1 507 766**	1 171 541
44 214	37 452	**(72 645)**	(33 954)	**115 559**	25 451
358 942	257 739	**(753 014)**	(650 080)	**89 216**	78 592
2 914 778	2 452 249	**(1 161 928)**	(1 011 695)	**5 449 408**	4 776 412
4 851	7 796	**–**	–	**91 489**	105 989
–	–	**–**	–	**151 608**	141 057
1 872 366	1 592 816	**(331 626)**	(318 523)	**3 260 197**	2 768 759
19 738	10 185	**–**	–	**148 402**	109 861
398 020	368 747	**(823 471)**	(684 034)	**420 874**	301 842
2 294 975	1 979 544	**(1 155 097)**	(1 002 557)	**4 072 570**	3 427 508
619 803	472 705	**(6 831)**	(9 138)	**1 376 838**	1 348 904
7 710 270	6 277 104	**(2 459 075)**	(2 235 780)	**17 543 301**	15 436 947
157 221	143 302	**2 307**	1 613	**3 782 531**	3 475 411
497 921	416 303	**(58 900)**	(49 023)	**913 431**	800 554
655 142	559 605	**(56 593)**	(47 410)	**4 695 962**	4 275 965
(460 195)	(402 686)	**58 900**	49 173	**(3 592 109)**	(3 264 637)
194 947	156 919	**2 307**	1 763	**1 103 853**	1 011 328
22.8	10.7	**10.0**	9.6	**13.6**	9.2
1.8	0.1			**2.6**	0.5
				5.8	5.5
2.0	2.3			**21.6**	22.5
8.5	8.9			**26.8**	27.7
6.0	6.4			**20.5**	21.1
14.3	11.4			**10.0**	8.5
24.2	22.4			**9.1**	7.9
2.5	2.5			**6.3**	6.6
30	34			**59**	63
62	64			**48**	46
72	76			**64**	61
				607	595
				595	590
				30	31
				(18)	(26)
				331	306
				306	283
				26	26
				(1)	(3)
				313 193	302 886
				242 070	234 443
				50 760	48 607
517	499			**8 385**	8 063

OPERATIONAL REVIEW

Sales performance

Clicks has continued to entrench its strategy of pre-eminence in health and beauty retailing in southern Africa, with a competitive performance over the past year resulting in increased market shares in all its core health and beauty product categories.

Sales increased by 8.6% following a stronger performance in the second half where sales grew by 10% compared to 7% in the first six months. In the prevailing low inflationary and tough consumer spending environment the chain continued to focus on promotional activity to drive volume. The contribution from promotions increased from 23% of sales in 2012 to 26% in 2013.

Pharmacy sales increased by 10.8%, driven by an increasing shift to lower-cost generic medicines and the growing trend to self-medication, as outlined in the Chief Executive's Report. Sales of generic medicines were 16.1% higher and now account for 40% of pharmacy sales, while over-the-counter medicines, not requiring a prescription, grew by 14.1%. This has translated into an increase in retail pharmacy market share to 17.6%.

Sales performance	% change	% contribution
Pharmacy	**10.8**	**25.9**
Front shop health	**15.9**	**21.7**
Beauty and personal care	**6.1**	**32.4**
General merchandise	**2.7**	**20.0**
Total turnover	**8.6**	**100.0**

Front shop health was the strongest growth area in Clicks at 15.9%, with front shop medicine sales growing by 12.1%, and vitamins and supplements by 11.4%, confirming the move to self-medication. Sales of baby products increased by 27.6%. Front shop ranges are being broadened to offer greater depth and store space allocated to these categories increased by 10% in new and existing stores in the past year.

Market share (%)	2013	2012
Health		
Retail pharmacy*	**17.6**	16.2
Front shop health**	**39.6**	38.5
Baby**	**9.9**	8.4
Beauty and personal care		
Skincare**	**34.4**	34.1
Haircare**	**30.5**	30.2
General merchandise		
Small household appliances***	**16.6**	19.4

* IMS
** AC Nielsen (restated)
*** GfK (restated)

Beauty and personal care are highly competitive markets where promotions are key to driving sales growth. In the main sub-categories, fragrance grew by 13.0%, colour cosmetics 6.5% and skincare 6.4%. Growth in haircare was slower at 1.5% owing to a lack of product innovation in Caucasian haircare.

General merchandise sales increased by 2.7%. While the convenience categories of confectionery (up 9.6%) and domestic cleaning products (up 16.4%) performed well, the overall result was impacted by electrical sales which declined by 1.2% as management focused on margin protection. This contributed to a decline in market share of small household appliances to 16.6%, although Clicks remains the leader in this market.

Private label and exclusive brands ensure product differentiation and enhance margin. Sales were maintained at 18.4% of total sales in Clicks and 24.1% of front shop sales. Private label sales, excluding exclusive brands, grew by over 15% and the overall contribution was constrained by a few exclusive brands moving into national distribution. The range of private label scheduled medicines was increased from 39 to 54 products.

Increasing customer loyalty

Clicks ClubCard is a strategic growth driver which builds loyalty and increases frequency of shopping. Active membership passed the 4 million mark during the year to reach 4.1 million at year-end. The loyalty programme accounted for 76.1% of sales in Clicks and R237 million was returned to customers in cash-back vouchers. The average basket value of ClubCard members remains double that of non-ClubCard members.

The Baby Club, launched two years ago to assist women during pregnancy and the early years of motherhood, increased membership by 46% to 225 000.

ClubCard was voted as South Africa's number one loyalty brand in the Ask Afrika Icon Brands awards and sixth overall in a survey of the country's most iconic brands.

In the year ahead management plans to increase ClubCard membership to 4.3 million.

Expanding retail footprint

During the year a net 22 stores were opened to bring the footprint to 442. This includes 15 stores in Namibia, Swaziland, Botswana and Lesotho. A further 18 stores across the chain were extended or revamped. Clicks is committed to expanding its store base to 500 in the medium term and plans to open 25 stores in 2014, with a further 19 stores to be extended or refurbished.

Growing pharmacy presence

Clicks has the largest retail pharmacy chain in the country and opened 25 in-store dispensaries during the year, bringing the network to 331. Primary care clinics are operated in 122 of these pharmacies.

A repeat prescription reminder service has been implemented to enhance patient loyalty and improve adherence to medicines.

The Clicks pharmacist development strategy, including the bursary programme and training through the in-house Pharmacy Healthcare Academy, is covered in the Chief Executive's Report and in the Social and Ethics Committee Report.

The goal remains to operate a pharmacy in every Clicks store and 20 to 25 new dispensaries are planned for the new financial year.

Keith Warburton
Chief Operating Officer

"In addition to its leadership in the pharmaceutical wholesale market, UPD has become a significant player in the bulk distribution market."

OPERATIONAL REVIEW

Sales performance	% change	% contri-bution
Clicks	9.8	32.0
Hospitals	14.1	25.9
Independent pharmacy	(5.6)	18.1
Other channels	334.3	24.0
Total turnover	22.8	100.0

UPD's integrated pharmaceutical wholesale and distribution strategy continued to gain momentum during the year, with strong growth in turnover and market share gains in both wholesale and distribution.

Turnover grew by 22.8% while volume growth was higher at 23.5%, driven by the faster growth in lower-value generic medicines which increased by 26.7%. Originator products grew by 22.9%, with overall scheduled medicines up 24.4%.

Inflation averaged only 1.8% despite an increase of a maximum 5.8% in the single exit price (SEP) of medicines in the second half of the year.

UPD's robust trading performance over the year resulted in its wholesale market share increasing to 26.7% from 24.3% in 2012.

Clicks remains UPD's largest single customer, with sales to Clicks' in-store dispensaries increasing by 9.8%. Sales to the private hospital groups, including Life Healthcare, Mediclinic and Netcare, grew by 14.1%.

Sales to independent pharmacies declined by 5.6%. Despite the contraction in this sector in recent years, UPD still services over 1 400 independent pharmacies.

UPD reported excellent growth in its other channels, driven by preferred supply chain partner contracts.

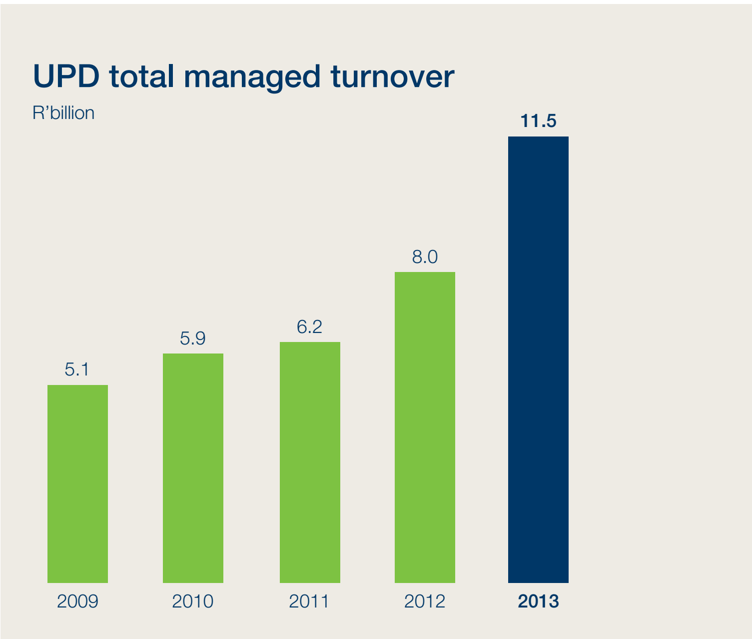
Product availability, which is core to UPD offering superior range and service to customers, was consistent with the previous year at 93%.

In addition to its leadership in the pharmaceutical wholesale market, UPD has become a significant player in the bulk distribution market. Through its third party distribution agency business UPD offers pharmaceutical manufacturers an efficient and cost-effective one-stop supply chain solution.

The business now manages a portfolio of 20 distribution clients comprising local and international, generic and originator pharma manufacturers.

Notional turnover (the value distributed on behalf of clients) of the bulk distribution business increased from R1.7 billion in 2012 to R3.8 billion in 2013.

Combining the wholesale turnover with the notional turnover managed on behalf of distribution agency clients, UPD now manages turnover of R11.5 billion. The scale of the business



UPD market share increased to

26.7%

is further demonstrated by UPD moving 154 million units of medicine in the past year.

UPD has continued to invest for growth, with a second automated wholesale storage and retrieval machine being installed at a cost of R32 million. The strong growth in the bulk distribution business over the past two years has necessitated the need to increase capacity and R24 million was committed to expanding the warehouse facility. This extension will be completed in the 2014 financial year and will position UPD to secure additional distribution clients from 2015.

The business faces continued margin pressure from the growth in generics, which account for 37% of wholesale medicines, as it has a high fixed cost base. The business is therefore focused on increasing its scale to create efficiencies to off-set the margin pressure.

UPD is competitively advantaged in the South African pharmaceutical market and remains the country's only national full-range wholesaler. In the year ahead UPD will continue to grow volumes of business with Clicks, private hospital groups, independent pharmacies and its preferred supply partners, extract efficiencies from the newly automated wholesale operation and focus on maintaining high levels of service to distribution agency clients. This will enable the business to make progress towards achieving its long-term strategic objective of growing market share in both wholesale and bulk distribution to 30%.

Vikesh Ramsunder
Managing Director

CORPORATE GOVERNANCE REPORT

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

The directors confirm that the group has in all material respects applied the recommendations of the King Code of Governance Principles 2009 (King III) to achieve the overarching corporate governance philosophies of fairness, accountability, independence, responsibility and transparency.

An expanded Corporate Governance Report, from which this report has been extracted, is available on the website.

Governance developments

Governance processes are reviewed on an ongoing basis to align with legislative and regulatory changes and to reflect best industry practice. During the financial year the governance framework was enhanced through the following:

- The independence of non-executive directors was reviewed and this practice is undertaken annually.
- The terms of reference of the board committees and the board charter were reviewed and updated to comply with the requirements of King III and the Companies Act.
- The group's processes have been aligned with the requirements of the Companies Act 2008. The memoranda of incorporation (MOI) for all the group's South African companies have been approved by the JSE and the company's MOI was approved by shareholders at the 2013 annual general meeting (AGM). MOIs for all South African subsidiary companies were adopted.
- A Competition Act compliance review was conducted and no material areas of non-compliance were identified. This review is undertaken annually.
- Ernst & Young Inc. were appointed as the group's external auditor at the 2013 AGM.
- A code of ethics for suppliers was formulated and communicated to suppliers.

Application of King III principles

The directors confirm that the group has applied the principles of King III and elected to explain Principle 9.3 which was not fully applied during 2013. Details of the group's application of each King III principle is available on the website.

Board of directors

Board composition

Clicks Group has a unitary board structure with nine directors, comprising three salaried executive directors and six non-executive directors.

The board elected the chairman after the AGM in January 2013 and will continue to follow this practice after the AGM each year.

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.

Biographical details of the directors appear on pages 12 and 13.

Independence of directors

King III requires the board to review the independence of long-serving non-executive directors. This applies to the chairman of the board, David Nurek, who has served as a non-executive director for 16 years.

The remuneration and nominations committee conducted an evaluation of the independence of the chairman and non-executive directors during the year. All relevant factors which could impact on their independence and performance were considered, in particular the factors outlined in King III. Based on the feedback from this evaluation, the remuneration and nominations committee considers there are no factors which prevent the directors from exercising independent judgement or acting in an independent manner. All six non-executive directors, including the chairman, are therefore appropriately classified as being independent in terms of both the King III definition and the guidelines outlined in the JSE Listings Requirements.

Board appointment

The remuneration and 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.

Directors do not have a fixed term of appointment. In accordance with the company's MOI, one-third of the non-executive directors must retire at the AGM each year. In addition, the executive directors retire on the third year anniversary of their appointment or re-election to the board. All retiring directors are eligible for re-election. Directors appointed during the year are required to have their appointments ratified at the following AGM.

Executive directors retire as employees at the age of 63. There is no prescribed retirement age for directors.

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 terms of reference 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.

These committees are as follows:

- the audit and risk committee;
- the remuneration and nominations committee; and
- the social and ethics committee.

The role, functions and composition of these committees are contained in the extended Corporate Governance Report on the website.

Board and committee meetings	Board	Audit and risk	Remuneration and nominations	Social and ethics
Number of meetings	4	4	3	2
David Nurek	4*	1**	3	2*
Fatima Abrahams	4		3*	2
John Bester	4	4*	3	
Bertina Engelbrecht	4			2
Michael Fleming	4			
Fatima Jakoet	4	4		
David Kneale	4			1
Nkaki Matlala	4	4		1
Martin Rosen	4		3	
Meeting attendance (%) 2013	**100**	**100**	**100**	**80**
Meeting attendance (%) 2012	100	94	100	100

* Chair
** Did not stand for re-election to the committee at the 2013 AGM and attends meetings as an invitee

Group executive committee

Executive management and the board work closely 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 three executive directors and during the reporting period the chief operating officer of Clicks and the managing executive of UPD were appointed to this committee.

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. Directors have unrestricted access to the advice and services of the company secretary.

In terms of the JSE Listings Requirements, the board is required to consider and satisfy itself on an annual basis on the competence, qualifications and experience of the company secretary.

The board conducted a formal evaluation of the company secretary during the year and is satisfied that the company secretary has the requisite competence, qualifications and experience to carry out the required responsibilities. The company secretary practised as an attorney for close on 30 years and has extensive experience in corporate and commercial law, litigation and corporate governance.

The board is satisfied that the company secretary is the gatekeeper of good governance, that an arm's length relationship exists between the company secretary and the board, and that the directors are able to look to the company secretary for guidance on their responsibilities and duties. The directors are also satisfied that the company secretary provides a central source of guidance and advice to the board, and within the company, on matters of good governance and of changes in legislation.

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 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 remuneration and nominations committee.

The responses from the evaluation process indicate that the board is well balanced, the size of the board is adequate for the group and the board has the relevant knowledge relating to the group's business. The directors believe board meetings are well organised, efficiently run and all relevant aspects of the company's businesses are dealt with thoroughly by the board and its various committees which have all discharged their responsibilities adequately.

Risk management

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 stakeholders against avoidable risks.

The key risks facing the group, together with mitigation strategies, are covered in the Material Issues and Risks report on pages 9 to 11.

In compliance with King III the board obtained assurance from internal audit regarding the effectiveness of the risk management process in 2013. The methodology was previously reviewed by an external assurance provider, and was found to be adequate. There have not been any subsequent changes to the methodology.

The board is responsible for the oversight of the risk management process and has delegated responsibility to the audit and risk committee. The role, functions and composition of the committee are included in the Audit and Risk Committee Report on pages 50 to 52.

Accountability and compliance

Details of the internal audit function and systems of internal control, as well as the external audit function, are contained in the Audit and Risk Committee Report on page 51.

Information technology governance

Information technology (IT) governance is integrated into the group's operations, and governance practices and frameworks are reviewed as part of the annual internal audit plan.

An IT steering committee reports to the chairman of the audit and risk committee. The steering committee meets quarterly to review governance issues as recommended by King III, including IT standards, governance frameworks, results of internal and external audit reviews and specific IT risks.

Legislative and regulatory compliance

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

There were no cases of material legislative or regulatory non-compliance 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).

Directors and the company secretary are required to obtain written approval prior to dealing in the company's shares. 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. Details of all dealings by directors during the reporting period are contained in the Directors' Report.

Ethics and values

The group subscribes to the highest ethical standards of business practice. A set of values and a behavioural code of conduct requires 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.

The social and ethics committee is responsible for monitoring ethics practices and the report of the committee appears on pages 46 to 49.

A fraud prevention policy ensures that a firm stance is taken against fraud and the prosecution of offenders.

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.

Anti-competitive conduct

Clicks Group does not engage in practices that could limit competition 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. A Competition Act compliance process is undertaken every year.

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

Governance focus areas for 2014

The Protection of Personal Information (POPI) Act is expected to be promulgated during the 2013 calendar year. Training will be provided to ensure all executives and senior management are aware of the impact of the Act on the group and the data processed by the businesses.

The coverage plan to monitor and assess high-risk legislation to identify material risks and ensure sufficient controls are in place to mitigate against these risks will be continually reviewed.

Governance focus areas for the year ahead are as follows:

- improving compliance risk monitoring in conjunction with internal audit;
- ongoing identification and analysis of legislation and regulatory requirements;
- increasing employee awareness relating to legal and regulatory requirements; and
- training employees in regard to the requirements of POPI.

REMUNERATION REPORT

Remuneration policy

The group's remuneration policy is based on the total rewards strategy. This strategy is aimed at driving a high-performance culture that delivers sustainable returns to shareholders through employees who are motivated and committed. The remuneration policy supports the attraction, development and retention of employees who contribute to sustained business growth, and the policy is transparent with pay bands established for each job grade.

The reward principles of market competitiveness, internal equity and performance are entrenched in the policy.

Remuneration includes a combination of annual guaranteed pay, variable pay including both short and long-term incentives, and other benefits.

Salary premiums based on market benchmarking data are paid for scarce and critical skills and are reviewed annually to ensure the group remains competitive in the employment market.

Annual salary increases are merit based, with increases being directly related to the employee's annual performance rating. The annual increase for employees in the bargaining unit is based on a collective bargaining process (refer to the section on Management and staff on pages 42 and 43).

Remuneration structure

The total rewards framework enhances the group's employment proposition as an employer of choice while providing flexibility to meet the differing needs of employees.

Annual guaranteed pay is determined by considering the following factors:

- the size and nature of the job based on the Hay job evaluation methodology;
- the Clicks Group pay and benefits structure relative to its defined market position, including any market premiums for scarce and critical skills;
- individual performance as assessed during the biannual performance review process; and
- individual position in the pay band range relative to competence and performance.

Variable pay includes all discretionary, performance-based pay, including short-term incentives such as performance bonuses, sales incentives and commissions.

Benchmarking

The remuneration and nominations committee reviews the group's overall pay framework annually against defined market benchmarks per job size or skill pool.

External compensation and benefit consultants advise the group, including the remuneration and nominations committee, on best pay practices, competitive positioning and benchmarking on strategic human capital issues.

The group's benchmarking and market information is based on independent surveys, including the PricewaterhouseCoopers Remchannel, Hay Group, Deloitte Senior Manager and Deloitte Execeval surveys.

Remuneration governance

The remuneration and nominations committee has oversight of the group's remuneration practices and is constituted as a committee of the board. The committee comprises independent non-executive directors, as recommended by King III. During the period under review Professor Fatima Abrahams (chair), John Bester, David Nurek and Martin Rosen served on the committee. The chief executive officer and the group human resources director are permanent invitees of the remuneration committee and are recused from discussions that relate to their own performance appraisal and remuneration. Detail on the committee meeting attendance is included in the Corporate Governance Report on page 39.

The committee assists the board in ensuring the group has a competitive remuneration policy and governance framework which is aligned with the group strategy and performance goals.

The primary responsibilities of the committee include:

- ensuring the remuneration policy is aligned to and promotes the achievement of the group's strategic objectives and encourages individual performance;
- ensuring the critical elements of the remuneration policy, including annual guaranteed pay, scarce skills premiums, benefits and incentives, are benchmarked to ensure the group is competitive in the employment market;
- ensuring all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued;
- reviewing and approving the performance evaluation of the chief executive officer and executive directors against agreed deliverables;
- reviewing incentive schemes to ensure alignment to shareholder value creation and that the schemes are administered in terms of the rules; and
- reviewing the remuneration of non-executive directors and recommending adjustments to the fees at the annual general meeting (AGM).

The group's remuneration policy was proposed to shareholders for a non-binding advisory vote at the AGM in January 2013 and was approved by 99.3% (2012: 100%) of the votes cast. The policy is proposed to shareholders annually.

An external rewards specialist is retained to advise the committee on remuneration trends and benchmarking of both executive and non-executive remuneration. The members of the committee have independent access to the adviser and may request professional advice on any remuneration issue.

The remuneration paid to directors is disclosed on pages 44 and 45. As the group's three prescribed officers in terms of the Companies Act are all executive directors, this meets the King III requirement to disclose the remuneration paid to all prescribed officers.

Executive directors' remuneration

The remuneration of executive directors consists of three components, with a significant portion of remuneration being performance-related:

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

The remuneration structure of executive directors is linked to the achievement of the group's medium-term financial and operating targets and is therefore aligned to shareholder interests.

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.

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 of 11 listed companies. This benchmarking scope recognises the complexity in the group's business model, product and service offering, and the regulatory environment within which the group operates.

The performance of the chief executive officer is assessed by the chairman and the board, while the performance of the other executive directors is evaluated by the chief executive officer and reviewed by the remuneration and nominations committee. The annual pay increase of the executive directors is directly related to individual performance ratings and aligned to the annual increase ranges per performance rating as determined by the committee.

Short-term incentive bonus scheme

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, and are aligned to the group's medium-term financial targets. The incentive scheme is designed to encourage employees to focus on both financial and non-financial levers across financial, customer, people and internal business process improvement metrics.

The achievement of targets is reviewed by the remuneration and nominations 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 with the performance hurdles set at 100% of the targeted group RONA and at least 95% of the targeted group operating profit.

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 scheme provides for a stretch performance incentive to drive extraordinary performance. The stretch performance hurdle is met when the targeted group RONA is achieved and the targeted operating profit has been exceeded by at least 5% (as verified by an external remuneration consultant and a non-executive director).

Bonus payments are capped at 120% of annual guaranteed remuneration for the chief executive officer and at 80% for the other executive directors. The targets and value of all bonuses awarded to executives are approved by the remuneration and nominations committee.

The group's performance for the 2013 financial year did not achieve the RONA target and accordingly no executive director qualified for a short-term bonus.

Executive directors participate in the cash-settled long-term incentive scheme which is detailed later in this report.

Management and staff

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 performance-based salary increase is paid to all non-bargaining unit employees. The average performance-linked increases for the new financial year will result in a 5.9% (2012: 6.1%) increase in payroll costs. The annual increase date is 1 September which is aligned with the group's financial year and budgeting period.

Collective salary increases are negotiated with the representative trade union for the Clicks bargaining unit. The negotiation team is headed by the Clicks head of human resources. Following a private mediation process a monthly salary increase of 8% was granted to all staff in the bargaining unit (which comprises 27% of the total group employees). The employees in the bargaining unit also participate in the group's short-term incentive scheme.

All store employees' compensation complies with the sectoral determination or statutory requirements in all countries in which the group operates and the minimum rates of pay as determined for the retail industry are either met or exceeded.

Employee share ownership programme

The employee share ownership programme (ESOP) is aimed at attracting and retaining scarce and critical skills, accelerating transformation, building employee commitment and enabling employees to share in the growth and success of the business.

Through the ESOP scheme, 10% of the group's issued shares (after the issue of "A" shares equating to 29.2 million "A" shares) have been placed in a share trust for allocation to all full-time permanent staff.

Employees with more than five years' service, pharmacists and senior employees from designated employment equity groups received a 15% enhancement of their share allocation.

Shares have been allocated to 8 279 employees, with black staff receiving 86% and women 63% of the shares. Pharmacists comprise 5% of the ESOP beneficiaries.

A dividend of R3.1 million (2012: R2.8 million) was paid to 6 679 qualifying employees during the year.

The ESOP has a minimum term of three years and a maximum of seven years, with a sliding scale that applies to employees who leave the group within the three to seven-year period.

Executive directors do not participate in the ESOP.

Group retention scheme

The group retention scheme was implemented in 2009 to retain talented employees by providing them with a long-term financial incentive linked to the growth in the group's earnings. One-quarter of the retention value is allocated on joining the scheme, with the balance payable at the end of the three-year retention period. The objective of the scheme has been achieved as reflected in the retention rate of 96% of the participants since the inception of the scheme.

The scheme targets high-potential employees, black staff and employees with scarce and critical skills. There are currently 49 employees participating in the scheme, of which 33% are black and 43% are women. The candidates recommended for inclusion in the retention scheme are reviewed and approved by the remuneration and nominations committee, which also approves all payments made under the scheme. During the financial year, R2.7 million was paid out to participants in the retention scheme. A total of R9.7 million has been paid out since the inception of the scheme.

Incentive schemes

Short-term and long-term incentives are an integral part of the total rewards framework and aim to align employee performance with the interests of shareholders.

Short-term incentive schemes

All permanent employees in the group participate in the short-term incentive schemes which reward the achievement of performance targets of the business.

The remuneration and nominations committee annually reviews the short-term incentive schemes and any allocation and payment is approved.

RONA-based short-term incentive scheme

Performance for the group's RONA-based short-term incentive scheme is measured at the group, business unit and team level against agreed targets. Although the scheme rewards team performance, individual performance as measured through the group's annual performance appraisal process may limit the value of the payment should an employee not meet individual performance targets.

Performance exceeding the targeted performance may result in the payment of a higher bonus provided this is funded by an increase in the operating profit. Bonuses for management and staff are capped at two times the value of an on-target bonus due.

UPD, Musica and 152 Clicks stores achieved the short-term targets for their business units and R19.2 million will be paid in accordance with the scheme rules.

Retail store incentive scheme

The retail store incentive scheme was introduced in 2012 to reward staff in Musica and The Body Shop stores for outperforming quarterly store sales targets. The scheme is self-funded as the value of the payment may not exceed the gross profit on the qualifying store turnover. The scheme paid out R1.4 million to Musica staff and R80 000 to staff of The Body Shop. The scheme will be extended to Clicks store staff with effect from 2014.

Long-term incentive scheme

The long-term incentive (LTI) scheme aligns executive remuneration with the creation of shareholder value as the scheme is linked to the growth in the group's earnings over a three-year performance period.

Appreciation units are allocated to participants in this scheme. A base value is determined for the appreciation units at the date of allocation by multiplying the group's reported diluted headline earnings per share (HEPS) by an internal price earnings ratio of 12.

An exercise value is determined at the end of the three-year period by multiplying the diluted HEPS for the year by the factor of 12. The difference between the exercise value and the base value is the amount paid out in cash.

The LTI scheme has been enhanced to further align executive and shareholder interests by implementing performance hurdles for new LTI allocations based on the three-year compound annual growth rate (CAGR) in diluted HEPS:

Performance hurdle	Range (based on three-year CAGR in diluted HEPS)	Percentage of LTI payout
Weak	0% or negative growth	0%
Below target	Up to 7.9% growth	70%
On target	8% to 14.9% growth	100%
Above target	15% to 19.9% growth	150%
Exceptional	Above 20% growth	200%

The scheme retains the element of deferral as executives 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.

Units are forfeited if an executive resigns within the three-year performance period.

During the 2013 financial year 2.8 million (2012: 3.6 million) appreciation units were issued. A total of 17 (2012: 16) executives currently participate in this scheme, collectively holding 9.3 million (2012: 8.5 million) units at year-end.

The following table details the appreciation units which have been allocated to executive directors under this scheme over the last three years. The relevant amounts have been expensed through the statement of comprehensive income.

Executive director	2010 allocation at R25.37 per unit (number of units)	2011 allocation at R29.96 per unit (number of units)	2012 allocation at R32.81 per unit (number of units)
Bertina Engelbrecht	335 987	304 539	304 785
Michael Fleming	551 833	495 327	475 465
David Kneale	1 407 174	1 286 916	1 257 239

Employee benefits

Retirement funds

Retirement fund membership is compulsory for all full-time employees. South African employees are offered the choice of a pension or provident fund arrangement in their selection of the Clicks Group Retirement Fund, the Clicks Group Negotiated Pension Fund or the Clicks Group Negotiated Provident Fund. Employees in Namibia are members of the Namflex Umbrella Pension Fund and those in Botswana are members of the Sentlhaga Pension Fund.

The funds are all defined contribution schemes and the group carries no liability in relation to these funds. All funds provide death and disability cover, while the negotiated funds also include a funeral benefit. Combined membership, which includes pensioners, across the funds was 8 351 (2012: 8 043) at year-end.

Medical aid

Membership of one of the Horizon Medical Aid Scheme benefit options is actively encouraged and all existing members of Discovery Health may continue their membership. At year-end 842 (2012: 594) employees were principal members with Horizon and 708 (2012: 763) employees were principal members of a Discovery Health medical aid scheme. This equates to 19% (2012: 18%) of permanent full-time employees being members of a medical aid scheme.

Directors' remuneration

Executive directors' remuneration 2013

Director (R'000)	**Salary**	**RONA short-term incentive**	**Performance-based long-term incentive***	**Pension fund**	**Other benefits**	**Total**
Bertina Engelbrecht	**2 184**	**–**	**3 514**	**314**	**2**	**6 014**
Michael Fleming	**3 351**	**–**	**5 772**	**490**	**59**	**9 672**
David Kneale	**6 010**	**–**	**14 719**	**864**	**2**	**21 595**
Total	**11 545**	**–**	**24 005**	**1 668**	**63**	**37 281**

Executive directors' remuneration 2012

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

[1] Resigned as an executive director on June 2012

* Payments relating to the performance for the year ended 31 August are paid in November. The expense is provided for over the three-year vesting period in the relevant financial year

Non-executive directors' remuneration

Director (R'000)	2013 Directors' fees	2012 Directors' fees
David Nurek	**740**	692
Fatima Abrahams[2]	**310**	281
John Bester	**407**	379
Fatima Jakoet	**275**	256
Nkaki Matlala	**319**	295
Martin Rosen	**213**	189
Total	**2 264**	2 092

[2] The fees paid to Professor Abrahams include an amount of R16 464 (2012: R15 000) for performing the role of chairman of The Clicks Group Employee Share Ownership Trust

Total directors' remuneration

R'000	2013	2012
Executive directors (including the long-term incentive scheme)	**37 281**	38 053
Non-executive directors	**2 264**	2 092
Total directors' remuneration	**39 545**	40 145

Directors' shareholdings at 31 August

	2013			2012		
Director	Direct beneficial shares	Indirect beneficial shares	Total	Direct beneficial shares	Indirect beneficial shares	Total
David Nurek	**–**	**240 000**	**240 000**	–	240 000	240 000
John Bester	**12 000**	**10 000**	**22 000**	12 000	10 000	22 000
Bertina Engelbrecht	**76 522**	**–**	**76 522**	68 019	–	68 019
David Kneale	**248 122**	**–**	**248 122**	220 925	–	220 925
Martin Rosen	**–**	**2 000**	**2 000**	2 000	–	2 000
Total	**336 644**	**252 000**	**588 644**	302 944	250 000	552 944

The total number of ordinary shares in issue is 268 323 498 (2012: 276 123 498). Percentage of issued share capital held by directors is 0.22% (2012: 0.20%). Details of dealings in Clicks Group shares by directors during the financial year are contained in the Directors' Report on page 53.

Non-executive directors' fees

The fee structure is aligned to the King III remuneration guidelines that non-executive directors receive a base fee for appointment to the board or any committee, together with an attendance fee per meeting. The base fee comprises approximately 75% of the total fee. The chairman of the board or any committee receives a higher fee.

Fees are paid for a calendar year. The fees have been adjusted for the 2014 calendar year and are subject to approval by shareholders at the AGM in January 2014. The proposed total fees for non-executive directors for the 2014 calendar year represents an increase of 9.83% over the previous year.

In line with best governance practice, non-executive directors do not participate in incentive schemes. None of the non-executive directors have service contracts with the group and no consultancy fees were paid to directors during the year.

	2014*			2013*
Board position	Proposed total fees R	Proposed base fee R	Proposed meeting fee R	Total fee R
Board chairman**	820 000	615 000	205 000	750 000
Board member	190 000	142 500	47 500	170 000
Chair: Audit and risk committee	205 000	153 750	51 250	190 000
Audit and risk committee member	116 000	87 000	29 000	106 000
Chair: Remuneration and nominations committee	90 000	67 500	22 500	85 000
Remuneration and nominations committee member	54 000	40 500	13 500	50 000
Chair: Social and ethics committee**	n/a	n/a	n/a	n/a
Social and ethics committee member	48 000	36 000	12 000	45 000

* Fees relate to the calendar year

** Proposed fees for board chairman inclusive of all committee memberships

Maintained
level 3
BBBEE status

SOCIAL AND ETHICS COMMITTEE REPORT

The Clicks Group's social and ethics committee is a formal sub-committee of the board established in terms of the Companies Act. The committee has an independent role and is governed by a formal charter. This report is prepared in compliance with the requirements of the Companies Act and will be presented to shareholders at the annual general meeting in January 2014.

Role of the committee

The social and ethics committee acts in terms of the delegated authority of the board and assists the directors in monitoring the group's activities in terms of legislation, regulation and codes of best practices relating to:

- ethics;
- stakeholder engagement, including employees, customers, suppliers, communities and the environment; and
- strategic empowerment and transformation.

Responsibilities of the committee

The responsibilities of the committee are as follows:

- monitor the company's activities relating to social and economic development, good corporate citizenship, the environment, and health and public safety;
- ensure appropriate short and long-term targets are set by management;
- monitor progress on strategic empowerment and performance against targets;
- monitor changes in the application and interpretation of empowerment charters and codes; and
- monitor functions required in terms of the Companies Act and its regulations.

Composition and functioning

The committee comprises three independent non-executive directors, namely David Nurek, (chairman), Professor Fatima Abrahams and Dr Nkaki Matlala, and two executive directors, David Kneale and Bertina Engelbrecht. Biographical details of the committee members appear on pages 12 and 13 and attendance at committee meetings is included in the Corporate Governance Report on page 39.

Fees paid to the committee members for 2013 and the proposed fees for 2014 are disclosed in the Remuneration Report on page 45.

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

Activities of the committee

The committee met twice during the year and performed the following activities:

- monitored the company's progress against BBBEE targets across all areas of strategic empowerment;
- monitored the company's progress against its socio-economic development and the 10 principles set out in the United Nations Global Compact, with specific reference to the work undertaken by the Clicks Foundation, Clicks Helping Hands Trust and the bursary programme for pharmacy students;
- monitored the group's sustainability performance with specific reference to its continued inclusion in the JSE Socially Responsible Investment (SRI) Index and participation in the Carbon Disclosure Project; and
- monitored the group's legal and regulatory compliance in the areas of environment, health and public safety, consumer relationship, labour and employment law.

The group was included in the JSE SRI Index for the fourth successive year, based on an independent assessment of social, environmental and corporate governance practices.

While the group is not a signatory to the United Nations Global Compact, it has adopted the 10 principles and monitors compliance against these principles in the areas of human rights, labour, anti-corruption and the environment.

The group's progress on empowerment and transformation, environmental management and stakeholder engagement is covered in the following pages.

Empowerment and transformation

Clicks Group was again rated as the most empowered company in the retail sector in the Financial Mail Top Empowerment Companies 2013 survey, confirming the group's progress and commitment to sustainable transformation.

As a proudly South African retailer, the group is committed to the spirit of and the intent behind the Broad-based Black Economic Empowerment (BBBEE) Act. The group's transformation strategy is aligned to the Department of Trade and Industry's (DTI) codes of good practice.

Transformation is managed within a governance framework that includes the board's social and ethics committee, the internal transformation committee, which is chaired by the chief executive and co-ordinated by the group human resources director, and the business unit transformation forums which are responsible for implementation.

The group maintained its level 3 BBBEE rating in 2013.

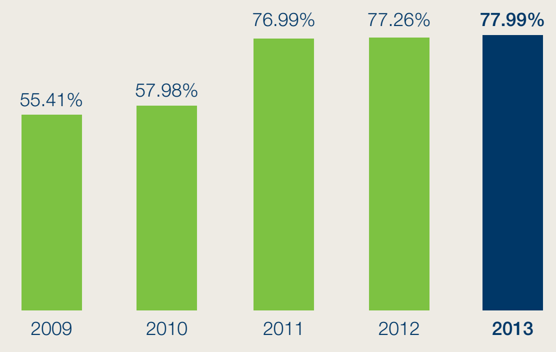
BBBEE element	Maximum points	2013	2013 target	2012
Ownership	20	**12.58**	12.00	13.89
Management control	10	**8.88**	7.97	8.63
Employment equity	15	**10.38**	10.00	9.50
Skills development	15	**10.74**	15.00	10.15
Preferential procurement	20	**15.41**	14.00	15.09
Enterprise development	15	**15.00**	15.00	15.00
Socio-economic development	5	**5.00**	5.00	5.00
Total	100	**77.99**	78.97	77.26
BBBEE level		**3**	3	3

Ownership

The group achieved 12.58 (2012: 13.89) points on the ownership element of the scorecard which is attributable to the employee share ownership programme (ESOP) launched in 2011, and an independent analysis conducted on the group's shareholding to determine the level of beneficial black ownership.

The ESOP is aimed at attracting and retaining scarce and critical skills while allowing permanent full-time employees to share in the long-term growth and success of the group. At the end of the reporting period, 8 279 employees are shareholders with black employees accounting for 86% and women 63%. Pharmacists comprise 5% of the ESOP beneficiaries. The second dividend of R3.1 million (2012: R2.8 million) was paid to scheme participants this year.

BBBEE scorecard



The ESOP is governed by a board of trustees which consists of a majority of black employee representatives and is chaired by an independent non-executive director, Professor Fatima Abrahams.

Management control

The management control element of the scorecard reflects the composition of the board of directors, group executive committee and senior management who are members of the business unit operating boards. The board comprises 44% black directors with females making up 33%. The group executive committee has 40% black representation and 20% female.

Employment equity

The group is committed to creating a diverse workforce through the advancement of previously disadvantaged people, women and employees with disabilities.

Black staff account for 85% (2012: 85%) of total staff. Female employees comprise 63% of the total permanent workforce, with 35% at the combined top and senior management level and 48% at middle management.

Employee profile

	Female				Male				
Occupational level	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Top management	–	1	–	2	–	–	3	11	17
Senior management	3	6	7	18	3	3	3	45	88
Middle management	14	37	31	111	20	44	21	124	402
Junior management	351	394	132	445	312	172	63	178	2 047
Semi-skilled	2 110	1 127	112	204	1 410	388	52	77	5 480
Unskilled	38	18	1	1	39	9	1	1	108
Total	**2 516**	**1 583**	**283**	**781**	**1 784**	**616**	**143**	**436**	**8 142**
Non-SA based employees	105	24	–	2	99	11	1	1	243
Employees with disabilities	33	12	5	10	57	88	11	11	227

The group has been included in the Department of Labour Director General's review process since September 2012. This process has been highly constructive, leading to a review of the group's workforce planning processes, the alignment between people development and the group's employment equity targets across different geographic locations based on the national economically active population statistics.

While the group's total black employee profile reflects the national demographic, the group has revised its employment equity targets per occupational level and per geographic location to improve its demographic representation.

The staff turnover of 21.5% exceeded the targeted range of 18% – 20%. This is due mainly to improved staff scheduling practices and the reduction in the number of Musica stores.

Skills development

The group remains committed to investing in the development of the skills, knowledge and capability of its employees. This year R45 million (2012: R40 million) was invested in learning and skills development, which equates to 2.8% of basic payroll (2012: 2.8%). A total of 3 735 employees (2012: 4 687) participated in learning and development interventions which included on-the-job training, skills programmes, learnership programmes, short courses and academic qualifications. Black employees accounted for 81% (2012: 82%) of all employees trained, and females 50% (2012: 63%).

Learning and skills development interventions focused on enabling performance, enhancing management and leadership competencies, developing scarce and critical skills and facilitating organisational transformation.

Learning and development statistics	**2013**	2012
Learning and development spend as a % of payroll	**2.8**	2.8
Learning and development spend (R'million)	**45**	40
Employees trained	**3 735**	4 687
Black employees as a % of all employees trained	**81**	82
Female employees as a % of all employees trained	**50**	63
Delegates on the leadership development programme	**20**	20
Delegates on management development programmes	**223**	333
Delegates on retail learnership and skills programmes	**137**	273
Delegates on pharmacy learnership and skills programmes	**397**	360
Interns or graduates on workplace experience programmes	**43**	39
Pharmacy bursary spend (R'million)	**5.1**	1.8

The group's pharmacy development strategy focuses on the continued investment in stakeholder engagement with pharmacy schools across the country; investing in learning laboratories at university pharmacy schools; managing the pharmacy bursary scheme; providing workplace experience through the pharmacy internship programme; the development of pharmacists' assistants and trainees through learnership programmes; and the continuous professional development of pharmacists and nursing practitioners.

In the past year the group awarded R5.1 million (2012: R1.8 million) in bursaries to 108 (2012: 61) pharmacy students, with 53% awarded to black students.

The in-house Pharmacy Healthcare Academy is instrumental in developing pharmacists' assistants. The academy is registered with the SA Pharmacy Council and 397 learners are currently registered on the learnership programmes.

Preferential procurement

The group's procurement practices are focused on sourcing merchandise and services from locally-based and empowered suppliers. In the past year 58% of procurement was from level 4 and higher-rated BBBEE suppliers, 10% from qualifying small and exempt enterprises and 4% directed at black-owned enterprises.

Enterprise development

The group invested over R55.7 million in enterprise development initiatives and again achieved the maximum 15 points on the DTI scorecard.

The UPD independent owner-driver scheme, which has been operating since 2003, contracts close to 50 small enterprise owner-drivers to deliver products from UPD to Clicks, independent pharmacies, hospitals and clinics. UPD paid R32 million (2012: R33 million) to the owner-drivers this year, with an additional R0.8 million (2012: R0.8 million) to the management company supporting the owner-drivers.

Clicks spent R52 million with Bakers Transport (2012: R60 million), a 100% black-owned independent transport and logistics services company and provided an interest-free loan of R9 million to Triton, a 50% black-owned small enterprise. The group also continued to support Style Studio, a specialist haircare and beauty chain, through an interest-free loan of R0.8 million which was repaid during the year.

Socio-economic development

The group continues to demonstrate its commitment to making a sustainable contribution to the communities within which it operates by investing a minimum of 1% of profit after tax in social development programmes through the Clicks Foundation. A total of R13.8 million (2012: R7 million) was invested in social development through financial and product donations to non-profit making organisations and initiatives aligned to the group's focus on health and well-being.

Clicks Group is one of 23 role players in the broader healthcare industry that formed the Public Health Enhancement Fund which aims to address skills shortages and improve access to affordable healthcare. Clicks has made a three-year financial commitment to support the fund, with a donation of R1 million in the first year.

The Clicks Helping Hands Trust, launched in 2011, continues to offer free clinic services to mothers whose babies were born in state hospitals and who do not belong to a medical aid. The trust was established in response to the need to reduce infant and maternal mortality in South Africa. The services offered include baby immunisation, growth measurement and baby weighing, feeding and nutritional advice, as well as family planning advice and medication.

Other beneficiaries of the group's social investment included organisations such as Child Welfare, Carel du Toit Trust, Topsy Foundation, Villa of Hope, The Clothing Bank, Thokomala and Cotlands.

Environmental management

The group continues to embed environmental management into its business operations to ensure sustainable business practices. The board social and ethics committee has ultimate accountability for environmental sustainability, while the group human resources director has responsibility for the implementation of the environmental management policy.

The group's response to climate change will be to continue to monitor and evaluate all aspects of our environment while focusing on energy efficiency, water and waste management, and distribution network optimisation.

- Energy efficiency
  The group conducted an internal carbon footprint audit based on internationally recognised greenhouse gas protocols. These results are being verified by Global Carbon Exchange, a strategic environmental sustainability consultancy and training provider and a member of the Carbon Protocol South Africa.

  The group continued its participation in the annual Carbon Disclosure Project and was rated the top performer in the consumer discretionary category in South Africa with a score of 92 (2012: 84).

  The implementation of the green store initiative in 81 Clicks stores has led to the installation of energy-efficient LED lighting which resulted in the reduction in air-conditioning unit use as well as wattage and heat load of the stores. The lighting wattage consumption has been reduced by more than 40% in the past three years due to improved technology and reduced lux levels.

- Water management
  The group has implemented an initiative to capture waste water in the cooling towers of the head office building that is recycled to flush the toilets in the building. This has resulted in a saving of approximately 80 000 litres of water per annum.

- Distribution network optimisation
  Route optimisation in the distribution of products continues to deliver a reduction in kilometres travelled and use of fossil fuels. Since 2008 a 65% reduction in kilometres travelled has been achieved in spite of the centralised distribution and the growth in pharmaceutical wholesale distribution capability for the group's integrated healthcare strategy.

	2013*	2012	2011
Scope 1 emissions (CO_2e) metric tons			
Company-owned vehicles	**1 858**	1 711	1 819
Fugitive emissions (Kyoto gases)	**102**	121	83
Stationary and mobile equipment	**139**	67	43
Scope 2 emissions (CO_2e) metric tons			
Purchased electricity	**90 695**	91 446	91 555
Scope 3 emissions (CO_2e) metric tons			
Product distribution	**6 093**	4 944	5 028
Employee commute	**22 356**	19 195	19 925
Business travel (flights and car hire)	**932**	888	1 595
Other direct fugitive emissions (non-Kyoto gases)	**850**	1 108	1 209
Total	**123 025**	119 480	121 257

* Currently being externally verified

Stakeholder engagement

The group follows a board-endorsed stakeholder engagement process. Five primary stakeholder groups have been identified that are most likely to influence the group's ability to create sustainable shareholder value. These groups are customers, shareholders, employees, suppliers, and government and industry regulators.

Management acknowledges the role and importance of other stakeholder groups including trade unions, industry associations, statutory bodies, property landlords, financial institutions, service providers, media and the communities in which the group operates.

The group engages in open and transparent mutually beneficial relationships. Performance indicators have been developed for each primary stakeholder group and these metrics are used in the formal reporting process on stakeholder engagement at board meetings.

David Nurek
Chairman: Social and Ethics Committee

12 November 2013

AUDIT AND RISK COMMITTEE REPORT

The Clicks Group audit and risk committee is a formal statutory committee in terms of the Companies Act and sub-committee of the board. The committee functions within documented terms of reference and complies with relevant legislation, regulation and governance codes. This report of the audit and risk committee is presented to shareholders in compliance with the requirements of the Companies Act and the King Code of Governance Principles (King III).

Role of the committee

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

The responsibilities of the committee are as follows:

Integrated reporting

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

Combined assurance

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

Finance function

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

Internal audit

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

Risk management

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

- Express the committee's opinion on the effectiveness of the system and process of risk management
- Ensure risk management reporting in the integrated report is comprehensive and relevant

External audit

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

Composition of the committee

The committee comprised three independent non-executive directors during the period. These directors include suitably skilled directors having recent and relevant financial experience. The committee is elected by shareholders at the annual general meeting.

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

Independent non-executive director	Qualifications
John Bester (Chairman)	B Com (Hons), CA (SA), CMS (Oxon)
Fatima Jakoet	B Sc, CTA, CA (SA), Higher certificate in financial markets
Nkaki Matlala	B Sc, M Sc, M D, M Med (Surgery), FCS

Biographical details of the committee members appear on pages 12 and 13, with supplementary information contained in Annexure 1 to the Notice of Annual General Meeting on page 62.

Fees paid to the committee members for 2013 and the proposed fees for 2014 are disclosed in the Remuneration Report on page 45.

The chairman of the board, executive directors, group head of internal audit and senior management attend meetings at the invitation of the committee, together with the external auditor.

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

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

Internal audit

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

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

- evaluating governance processes, including ethics;
- assessing the effectiveness of the risk methodology and internal financial controls; and
- evaluating business processes and associated controls in accordance with the annual audit plan and combined assurance model.

The internal audit function is established by the board and its responsibilities are determined by the committee. Administratively the group head of internal audit reports to the chief financial officer who, in turn, reports to the chief executive officer. The group head of internal audit has direct and unrestricted access to the chairman of the committee. The group head of internal audit is appointed and removed by the committee. The chairman of the committee meets with the group head of internal audit on a monthly basis.

Internal control

Systems of internal control are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against misstatement or loss.

While the board of directors is responsible for the internal control systems and for reviewing their effectiveness, responsibility for their actual implementation and maintenance rests with executive management. The systems of internal control are based on established organisational structures, together with written policies and procedures, and provide for suitably qualified employees, segregation of duties, clearly defined lines of authority and accountability. They also include cost and budgeting controls, and comprehensive management reporting.

Internal financial controls

The committee has considered the results of the formal documented review of the company's system of internal financial controls and risk management, including the design, implementation and effectiveness of the internal financial controls, conducted by the internal audit function during the 2013 year. The committee has also assessed information and explanations given by management and discussions with the external auditor on the results of the audit.

No material matter has come to the attention of the board that has caused the directors to believe that the company's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

External audit

A review of the external auditor was undertaken by the board and four audit firms were invited to tender for the audit for the

2013 financial year. Following this process, the board proposed Ernst & Young Inc. (EY) for election as the group's external auditor and this was approved by shareholders at the AGM in January 2013.

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

The external auditor has unrestricted access to the group's records and management. The auditor furnishes a written report to the committee on significant findings arising from the annual audit and is able to raise matters of concern directly with the chairman of the committee.

The group has received confirmation from the external auditor that the partners and staff responsible for the audit comply with all legal and professional requirements with regard to rotation and independence.

The committee is satisfied that the external auditor is independent of the company.

Policy on non-audit services

Non-audit services provided by the external auditor may not exceed 25% of the total auditor's remuneration. In addition, 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 EY received fees of R375 000 (2012: (KPMG) R80 302) for non-audit services, equating to 13.7% (2012: (KPMG) 2.6%) of the total audit remuneration. These services related mainly to the assurance of the systems related to distribution services provided by UPD to third parties.

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

Activities of the committee

The committee met four times during the financial year and attendance at the meetings is detailed in the Corporate Governance Report on page 39. Members of the committee, the external auditor and the group head of internal audit may request a non-scheduled meeting if they consider this necessary. The chairman of the committee will determine if such a meeting should be convened.

Minutes of the meetings of the committee, except those recording private meetings with the external and internal auditors, are circulated to all directors and supplemented by an update from the committee chairman at each board meeting. Matters requiring action or improvement are identified and appropriate recommendations made to the board.

The chairman of the committee attends all statutory shareholder meetings to answer any questions on the committee's activities.

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

- recommended to the board and shareholders the appointment of the external auditors, approved their terms of engagement and remuneration, and monitored their independence, objectivity and effectiveness;
- determined the nature and extent of any non-audit services which the external auditor may provide to the group and preapproved any proposed contracts with the external auditors;
- reviewed the group's internal financial control and financial risk management systems;
- monitored and reviewed the effectiveness of the group's internal audit functions;
- reviewed and recommended to the board for approval the Integrated Annual Report and annual financial statements; and
- evaluated the effectiveness of the committee.

Refer to the Corporate Governance Report on the website for an overview of the risk management process and function.

Evaluation of chief financial officer and finance function

The committee is satisfied that the expertise and experience of the chief financial officer is appropriate to meet the responsibilities of the position. This is based on the qualifications, levels of experience, continuing professional education and the board's assessment of the financial knowledge of the chief financial officer.

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

Approval of the audit and risk committee report

The committee confirms that it has functioned in accordance with its terms of reference for the 2013 financial year and that its report to shareholders has been approved by the board.

John Bester
Chairman: Audit and Risk Committee

12 November 2013

DIRECTORS' REPORT

The directors have pleasure in presenting their report for the year ended 31 August 2013.

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

Group financial results

The results of operations for the year are set out in the consolidated statement of comprehensive income on page 26. The profit attributable to ordinary shareholders for the year is R751 million (2012: R689 million).

Share capital

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.

7 800 000	cancelled on 29 January 2013

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

22 886 224	shares held by a subsidiary of the company as treasury shares at 1 September 2012
6 186 489	shares in terms of a general repurchase between 1 September 2012 and 31 August 2013 by a subsidiary of the company
(7 800 000)	shares bought back into the company and cancelled on 29 January 2013
21 272 713	shares held by a subsidiary of the company as treasury shares at 31 August 2013

Dividends to shareholders

Interim

The directors approved an interim ordinary dividend of 48.5 cents per ordinary share (2012: 44.1 cents per ordinary share) from distributable reserves. The dividend was paid on 1 July 2013 to shareholders registered on 28 June 2013.

Final

The directors have approved a final ordinary dividend of 119.5 cents per ordinary share (2012: 107.9 cents per ordinary share) and a dividend of 16.8 cents per "A" share (2012: 15.2 cents) for participants in the employee share ownership programme. The source of such dividends will be from distributable reserves. The dividend will be payable on 27 January 2014 to shareholders registered on 24 January 2014.

Events after the financial year-end

No significant events, other than the declaration of the final dividend, as set out above, took place between the end of the financial year under review and the date of this report.

Directors and secretary

The names of the directors in office at the date of this report are set out on pages 12 and 13, and the company secretary's details are set out on the inside back cover.

Retirement and re-election of directors

In accordance with the company's memorandum of incorporation (MOI) Nkaki Matlala and Martin Rosen retire by rotation at the forthcoming annual general meeting. The retiring directors, being eligible, offer themselves for re-election.

Directors' interest in shares

In terms of the cash-settled long-term employee incentive scheme which requires all participants at the end of the three-year incentive performance period to purchase shares on the open market to the equivalent of 25% of the after-tax cash settlement value, the executive directors and company secretary made the following purchases on 11 December 2012 at a price of R66.83 per share: David Kneale purchased 27 197 shares, Bertina Engelbrecht purchased 8 503 shares and David Janks purchased 2 842 shares.

Incentive schemes

Information relating to the incentive schemes is set out on pages 42 to 44.

Special resolutions

Special resolutions passed at the annual general meeting held on 23 January 2013:

Special Resolution No. 1: Adoption of MOI

Special Resolution No. 2: General authority to repurchase shares

Special Resolution No. 3: Approval of directors' fees

Special Resolution No. 4: General approval to provide financial assistance

Subsidiary companies

The names of the company's main subsidiaries and financial information relating thereto appear on page 56 of the annual financial statements.

DEFINITIONS

Capital expenditure

Maintenance capital expenditure

Capital expenditure incurred in replacing existing capital 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

Cash equivalent earnings per share

Profit for the year, adjusted for non-cash items and deferred tax, divided by the weighted average number of shares.

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

Turnover 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.

Dividend cover

Undiluted headline earnings per share for the year divided by the ordinary dividend per share for the year.

Dividend per share

Dividend per share is the actual interim cash dividend paid and the final cash dividend declared, expressed as cents per share.

Earnings per share

Earnings per share

Profit for the year divided by the weighted average number of shares in issue for the year.

Diluted earnings per share

Profit for the year divided by the weighted average diluted number of shares in issue for the year.

Headline earnings per share

Headline earnings divided by the weighted average number of shares in issue for the year.

Diluted headline earnings per share

Headline earnings divided by the weighted average diluted number of shares in issue for the year.

Effective tax rate

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

Free float

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

Gross profit margin

Gross profit expressed as a percentage of turnover.

Headline earnings

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

IFRS

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

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

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

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

Inventory days

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

Issued shares

Ordinary shares and unlisted "A" shares having a par value of one cent each in the authorised share capital of Clicks Group Limited.

King III

The revised King Code and Report on Corporate Governance for South Africa, released in 2009, which sets out principles of good corporate governance for South African companies.

Living Standards Measure (LSM)

The South African Audience Research Foundation (SAARF) LSM is a widely used marketing research tool in South Africa and a unique means of segmenting the market. It divides the population into 10 LSM groups, 10 (highest) to 1 (lowest), grouping people according to their living standards using criteria such as ownership of major appliances and access to services.

Market capitalisation

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

Net asset value per share

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

Operating profit

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

Operating profit margin

Operating profit expressed as a percentage of turnover.

Percentage of ordinary shares traded

The number of ordinary shares traded on the JSE Limited during the year as a percentage of the weighted average number of ordinary shares in issue (net of treasury shares).

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.

Return on net assets (RONA)
Operating profit as defined for RONA divided by average net assets for the year as defined for RONA.

Operating profit as defined for RONA is the reported operating profit for the group inclusive of capital gains and losses relating to continuing operations of the business and excluding the employee short-term bonus.

Net assets as defined for RONA are the average assets less liabilities for the year excluding taxation and financial-related assets and liabilities (cash, overdrafts, loans receivable, interest-bearing borrowings, deferred tax and taxation payable).

Segmental reporting
The group has two reportable segments, being the retail division and the distribution division.

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 and share premium (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.

Trade 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.

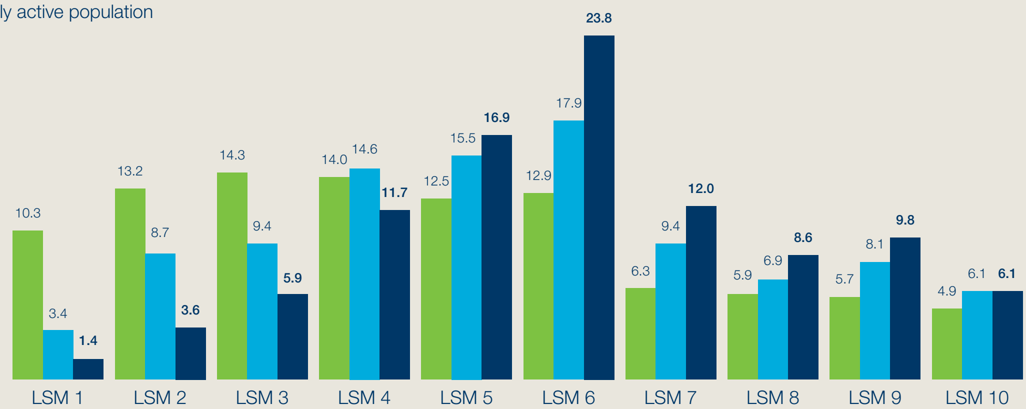
Trade debtor days
Closing trade debtors at year-end (adjusted to exclude VAT) divided by sales for the year, multiplied by 365 days.

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

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

SAARF Living Standards Measure (LSM)
Percentage of economically active population



June 2013	LSM 1	LSM 2	LSM 3	LSM 4	LSM 5	LSM 6	LSM 7	LSM 8	LSM 9	LSM 10
Population ('000)	526	1 351	2 192	4 357	6 299	8 874	4 474	3 204	3 657	2 280
Average monthly household income (R)	1 480	2 200	2 581	3 178	4 310	6 668	11 415	15 847	22 207	33 158

Source: SAARF AMPS

● 2003 ● 2008 ● 2013

SHAREHOLDER ANALYSIS at 31 August 2013

Public and non-public shareholders	Number of holders	Percentage of holders	Number of shares	Percentage of shares
Public shareholders	4 736	99.9%	246 291 691	91.8%
Non-public shareholders				
Shares held by directors	6	0.1%	588 644	0.2%
Treasury stock held by New Clicks South Africa Proprietary Limited	1	0.0%	21 272 713	7.9%
The New Clicks Holdings Share Trust	1	0.0%	170 450	0.1%
Total non-public shareholders	8	0.1%	22 031 807	8.2%
Total shareholders	4 744	100.0%	268 323 498	100.0%

According to the company's register of shareholders, read in conjunction with the company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following shareholders held 3% or more of the issued share capital at 31 August 2013:

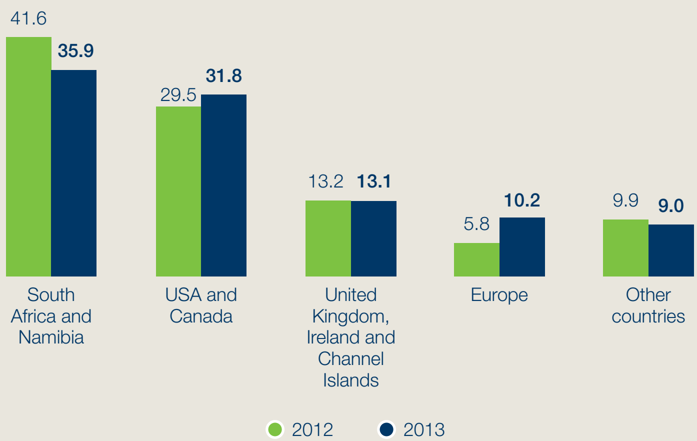
Major beneficial shareholders holding 3% or more	2013 Percentage of shares	2012 Percentage of shares
Government Employees Pension Fund	13.5%	13.8%
New Clicks South Africa Proprietary Limited	7.9%	8.3%
GIC Private Limited	3.4%	2.5%

Major fund managers managing 3% or more	2013 Percentage of shares	2012 Percentage of shares
Public Investment Corporation (SA)*	11.9%	12.2%
Baillie Gifford & Co (UK)*	10.4%	9.1%
Coronation Fund Managers (SA)*	7.7%	7.4%
Aberdeen Asset Managers (UK)	7.0%	3.7%
Fidelity Management & Research (US)/International (UK)	6.1%	3.0%
JPMorgan Asset Management (US, UK and Asia)	5.3%	3.6%
GIC (Singapore)	4.2%	3.0%
Mondrian Investment Partners (UK)	2.9%	3.2%
Morgan Stanley Investment Management (UK)	–	3.7%

* Subsequent to the year-end, Public Investment Corporation disclosed an increase in their holding to 15.2%, Coronation Fund Managers disclosed an increase in their holding to 16.5% and Baillie Gifford & Co disclosed a reduction in their holding to 2.4%

Geographic distribution of shareholders

Percentage of ordinary shares in issue



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 18th annual general meeting ("AGM") 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 30 January 2014 at 09:30. The board of directors of the company have determined that the record date for all purposes of determining which shareholders are entitled to participate in and vote at this AGM is 17 January 2014. The last date to trade in order to be eligible to vote is 10 January 2014. At the AGM the following resolutions will be proposed, considered, and if deemed fit, passed with or without amendment, and such other business will be conducted as is required to be dealt with at the AGM in terms of the Companies Act, 71 of 2008, as amended ("the Companies Act").

1 **Presentation of the Directors' Report**

2 **Presentation of the Audit and Risk Committee Report**

3 **Presentation of the Social and Ethics Committee Report**

4 **Ordinary resolution number 1** – adoption of financial statements
To receive and consider for adoption the annual financial statements incorporating the Directors' Report and the Audit and Risk Committee Report of the company and its subsidiaries ("the group") for the year ended 31 August 2013. The financial statements are available on the company's website: www.clicksgroup.co.za and an abridged version is contained in the Clicks Group Limited 2013 Integrated Annual Report.

"Resolved that the audited annual financial statements of the group incorporating the Directors' Report, the Audit and Risk Committee Report and the Independent Auditor's Report for the year ended 31 August 2013 be accepted and adopted."

5 **Ordinary resolution number 2** – reappointment of auditors
To approve the reappointment of Ernst & Young Inc. as auditors of the company for the ensuing year and to note that the individual registered auditor who will undertake the audit is Malcolm Rapson. The audit and risk committee has recommended that the firm and the designated auditor be reappointed for the ensuing period.

"Resolved that the firm Ernst & Young Inc. and Malcolm Rapson as the designated auditor be reappointed for the ensuing year."

6 **Ordinary resolution number 3** – re-election of director
To consider the re-election as a director of the company of Nkaki Matlala who retires in accordance with the company's memorandum of incorporation ("MOI") and being eligible, offers himself for re-election. In compliance with paragraph 3.84 of the JSE Listings Requirements ("the Listings Requirements"), a brief curriculum vitae is provided in Annexure 1 to this notice.

"Resolved that Nkaki Matlala be and is hereby elected as a director."

7 **Ordinary resolution number 4** – re-election of director
To consider the re-election as a director of the company of Martin Rosen who retires in accordance with the MOI and being eligible, offers himself for re-election. In compliance with paragraph 3.84 of the Listings Requirements, a brief curriculum vitae is provided in Annexure 1 to this notice.

"Resolved that Martin Rosen be and is hereby elected as a director."

8 **Ordinary resolution number 5** – election of members of the audit and risk committee
Explanatory note
In terms of the Companies Act, at each AGM an audit committee comprising at least three members who are all independent non-executive directors must be elected. It is proposed that the following current members of the audit and risk committee be re-elected for the next year. The election of each member of the audit and risk committee will be voted on separately.

Brief curricula vitae of the members are provided in Annexure 1 to this notice on page 62.

Election of John Bester as member of the audit and risk committee

8.1 "Resolved that John Bester be and is hereby elected as a member of the audit and risk committee."

Election of Fatima Jakoet as member of the audit and risk committee

8.2 "Resolved that Fatima Jakoet be and is hereby elected as a member of the audit and risk committee."

Election of Nkaki Matlala as member of the audit and risk committee

8.3 "Resolved that Nkaki Matlala be and is hereby elected as a member of the audit and risk committee, subject to his re-election as a director of the company."

9 **Ordinary resolution number 6 (non-binding advisory vote)** – approval of the company's remuneration policy
Explanatory note
In terms of principle 2.27 of the King Report on Corporate Governance for South Africa, 2009 ("King III Report"), the company's remuneration policy should be tabled to shareholders for a non-binding advisory vote at the AGM. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation. Accordingly, the shareholders are requested to endorse the company's remuneration policy set out in the Remuneration Report on pages 41 to 45, by way of a non-binding advisory vote.

"Resolved that the company's remuneration policy contained in the Clicks Group Limited 2013 Integrated Annual Report be accepted and approved."

10 **Special resolution number 1** – general authority to repurchase shares
Explanatory note
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 ordinary shares, subject to the terms and conditions set out in the resolution. The directors require that such general authority should be implemented in order to facilitate the repurchase of the company's ordinary shares in circumstances where the directors consider this to be appropriate and in the best interests of the company and its shareholders.

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 46 and 48 of the Companies Act, the acquisition by the company or any of its subsidiaries from time to time of the issued ordinary 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 MOI, 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 MOI;
- this general authority shall only be valid until the company's next AGM, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- a press announcement will be published as soon as the company and/or its subsidiaries has repurchased ordinary shares constituting, on a cumulative basis, 3% (three per cent) of the initial number of ordinary shares, and for each 3% (three per cent) in aggregate of the initial number of shares repurchased thereafter, containing full details of such repurchases;
- acquisitions by the company and its subsidiaries of shares in the capital of the company in terms of this general authority may not, in the aggregate, exceed in any one financial year 5% (five per cent) of the company's issued ordinary share capital of the class of the repurchased shares from the date of the grant of this general authority;
- in determining the price at which the company's shares are acquired by the company or its subsidiaries in terms of this general authority, the maximum premium at which such shares may be acquired will be 10% (ten per cent) of the weighted average of the market price at which such shares are traded on the JSE for the 5 (five) business days immediately preceding the date the repurchase transaction is effected;
- in the case of a derivative (as contemplated in the Listings Requirements) the price of the derivative shall be subject to the limits set out in paragraph 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 when the company entered the market to proceed with the 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."

When any such repurchase of the maximum number of ordinary shares in terms of the aforegoing general authority is made, the directors will give consideration to the following issues and at the time the repurchase is made, the directors must be 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 the repurchase;
- the assets of the company and group are to be in excess of the liabilities of the company and group for a period of 12 (twelve) months after the date of the repurchase fairly valued in accordance with the accounting policies used in the audited financial statements for the year ended 31 August 2013;
- the share capital and reserves of the company and group are adequate for ordinary business purposes for a period of 12 (twelve) months after the date of the repurchase;
- the working capital of the company and the group are adequate for ordinary business purposes for a period of 12 (twelve) months after the date of this notice of the AGM; and
- having applied the solvency and liquidity test set out in section 4 of the Companies Act, that the company will satisfy the solvency and liquidity test immediately after completing the proposed repurchase.

The following additional information, some of which may appear elsewhere in the Integrated 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 12 and 13

Major beneficial shareholders – page 56

Directors' interests in ordinary shares – page 45

Share capital of the company – page 27

Litigation statement

In terms of paragraph 11.26 of the Listings Requirements, the directors, whose names appear in the Integrated 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 Integrated 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 Integrated 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.

11 Special resolution number 2 – specific authority to repurchase shares from New Clicks South Africa Proprietary Limited

Explanatory note

The reason for special resolution number 2 is to grant the company's directors the specific authority in terms of the Listings Requirements and the Companies Act to approve the purchase by the company of 22 185 735 ordinary shares of R0.01 each in the issued share capital of the company from New Clicks South Africa Proprietary Limited, a wholly-owned subsidiary of the company, on such terms as are set out in the resolution.

New Clicks South Africa Proprietary Limited acquired various tranches of the company's shares since January 2011 and currently holds approximately 8.27% (22 185 735 shares) of the issued share capital in the company. In terms of the Companies Act, subsidiaries may only hold up to a maximum of 10% of the aggregate of the number of issued shares of its holding company. In order to create new capacity for the company to purchase further company shares through its subsidiaries, the directors should be given authority to resolve that the company should purchase the shares stipulated in the special resolution from New Clicks South Africa Proprietary Limited. Such shares will, following their purchase, be cancelled as issued shares and restored to the status of authorised shares.

The specific repurchase will be performed at a price determined to be an amount equal to the volume weighted average traded price measured over the 30 business days prior to the day approval is received from the JSE confirming such cancellation and that such shares will be delisted from the main board of the JSE. The specific repurchase will have no financial effect on the company or its shareholders other than in respect of transaction costs that are normally incurred in transactions of this nature, namely securities transfer tax, brokers' fees and STRATE settlement fees, the JSE inspection fee of R17 470 (excluding VAT) and the independent expert's fee of R35 000 (excluding VAT). As this repurchase is intragroup there will be no cash outflow from the group for the specific repurchase. Application will be made to the JSE for the delisting of the shares once they have been repurchased and the special resolution relating thereto will be filed with the Companies and Intellectual Property Commission ("CIPC"). In terms of the Listings Requirements and the provisions of the Companies Act, New Clicks South Africa Proprietary Limited will be excluded from voting on this special resolution.

Special resolution:

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

"Resolved that the company be hereby authorised, by way of a specific authority, to purchase, in accordance with the Companies Act, the Listings Requirements and the company's MOI, 22 185 735 ordinary shares in the issued share capital of the company from New Clicks South Africa Proprietary Limited, a wholly-owned subsidiary of the company, at a price determined to be an amount equal to the volume weighted average traded price measured over the 30 business days prior to the day approval is received from the JSE confirming the cancellation of such shares and confirming that such share will be delisted from the main board of the JSE."

The directors of the company are of the opinion that, after considering the effect of the specific repurchase:

- the company and the group will be able, in the ordinary course of business, to pay its debt for a period of 12 (twelve) months after the date of approval of the special resolution;
- the assets of the company and the group will be in excess of the liabilities of the company and the group for a period of 12 (twelve) months after the date of the approval of the special resolution. For this purpose the assets and liabilities were recognised and measured in accordance with the accounting policies used in the audited annual financial statements of the group, ended 31 August 2013;
- the share 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 the approval of the special resolution;
- 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 approval of the special resolution;
- and after having applied the solvency and liquidity test set out in section 4 of the Companies Act, that the company will satisfy the solvency and liquidity test immediately after completing the proposed repurchase and that the provisions of section 48 of the Companies Act have been complied with;
- the company and/or its subsidiaries are not repurchasing any such shares during a prohibited period as defined by the Listings Requirements; and
- after considering the independent expert's report issued by Grant Thornton Advisory Services which appears in Annexure 2 to this notice on page 63 that the specific share repurchase will not have any material effects on the rights and interests of any shareholder.

The following additional information, some of which may appear elsewhere in the Integrated Annual Report of which this notice forms part, is provided in terms of the Listings Requirements for purposes of the specific authority to repurchase the company's shares:

Directors and management – pages 12 and 13;

Major beneficial shareholders – page 56;

Directors' interests in ordinary shares – page 45;

Share capital of the company – pages 30 and 31;

Directors' Report – page 53.

Litigation statement

In terms of paragraph 11.23 of the Listings Requirements, the directors, whose names appear in the Integrated 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 Integrated 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 Integrated 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.

Share capital
The table below sets out the issued and authorised issued share capital of the company before and after the specific repurchase.

	Before R'000	After R'000
Authorised		
600 000 000 ordinary shares with a par value of 1 cent each	6 000	6 000
50 000 000 ordinary "A" shares with a par value of 1 cent each	500	500
Issued – before the specific repurchase		
268 323 498 ordinary shares with a par value of 1 cent each	2 683	2 461
29 153 295 ordinary "A" shares with a par value of 1 cent each	292	292
Treasury shares held		
Ordinary shares with a par value of 1 cent each	224	2

Financial effects
The repurchase of the shares will not have any effect on headline earnings per share and net asset value per share.

No *pro forma* financial effects have been prepared as the transaction costs expected to be incurred are not material and will have no significant financial effect.

The repurchase of the shares will be effected from within the group, and the source of funds will be from distributable reserves.

12 **Special resolution number 3** – approval of directors' fees
Explanatory note
In terms of section 66(8) of the Companies Act the company may pay remuneration to its directors for their service as directors. Section 66(9) requires the remuneration to be paid in accordance with a special resolution approved by shareholders within the previous two years.

The effect of the special resolution is that the directors will be entitled to the fees to be paid for the period from the AGM to be held in January 2014 until the AGM to be held in January 2015.

The proposed fees are set on page 45 in the Remuneration Report.

Invitation fee
All non-executive directors who attend committee meetings by invitation at the request of the board shall be eligible to receive the same fee as if they were a member of the committee.

"Resolved that the fees of the directors as reflected in the Remuneration Report be approved for the period from the AGM held in January 2014 until the AGM to be held in January 2015."

13 **Special resolution number 4** – general approval to provide financial assistance
Explanatory note
The reason for this special resolution is to provide general authority for the company to provide direct or indirect financial assistance to a related or interrelated company or corporation, subject to sub-sections 45(3) and 45(4) of the Companies Act.

Section 45 of the Companies Act provides, *inter alia*, that any direct or indirect financial assistance to a related or interrelated company or corporation must be provided only pursuant to a special resolution of the shareholders, adopted within the previous two years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category, and the board of directors must be satisfied that:

- immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test, as defined in section 4 of the Companies Act; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

The company, when the need arises, *inter alia*, provides loans to and/or guarantees repayment or other obligations of subsidiaries or related or interrelated companies. The company requires the ability to continue providing financial assistance, if and when necessary, to its current and future subsidiaries and/or any other company or corporation that is or becomes related or interrelated, in accordance with section 45 of the Companies Act.

In the circumstances and in order to, *inter alia*, ensure that the company's subsidiaries and other related and interrelated companies and corporations have access to financing and/or financial backing from the company, it is necessary to obtain the approval of shareholders, as set out in special resolution number 4. The passing of this special resolution will have the effect of allowing the directors of the company to authorise the company to provide direct or indirect financial assistance to the company's subsidiaries and other related and interrelated companies and corporations to allow such persons or companies or corporations to have access to financing and/or financial backing from the company.

It is specifically recorded that the authority sought in this resolution does not authorise the company to provide financial assistance to directors or prescribed officers.

"Resolved that the board of directors of the company may, subject to compliance with the requirements of the company's MOI, the Companies Act and the Listings

Requirements, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance by way of a loan, guarantee, the provision of security or otherwise, to any related or interrelated company or corporation, or to any future subsidiaries and/or any other company or corporation that is or becomes related or interrelated to the company, for any purpose or in connection with any matter. The financial assistance may be provided at any time during the period commencing on the date of the adoption of this resolution and ending 2 (two) years after such date."

14 To transact such other business as may be transacted at an annual general meeting

All shareholders of ordinary shares and "A" shares in the company are entitled to attend, speak and vote at the AGM. 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 AGM; alternatively
- you may appoint a proxy to represent you at the AGM 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 48 hours prior to the time appointed for the holding of the meeting (excluding Saturdays, Sundays and public holidays). A proxy need not also be a shareholder; alternatively
- you may participate electronically in the manner set out below.

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, subject to the mandate between yourself and your CSDP or broker, as the case may be:

- if you wish to attend the AGM 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 AGM 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 AGM 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 48 hours prior to the time appointed for the holding of the meeting (excluding Saturdays, Sundays and public holidays).

The company intends to make provision for shareholders of the company to participate in the AGM by way of electronic communication. Should any shareholder wish to participate in the AGM by way of electronic communication, it is required to give written notice of such proposed participation to both the company at its registered office marked for the attention of the company secretary and the company's transfer secretaries, Computershare Investor Services Proprietary Limited at PO Box 61051, Marshalltown, 2107, by no later than 12:00 on 20 January 2014. Such notice must be accompanied by the following:

(a) if the shareholder is an individual, a certified copy of his/her identity document;

(b) if the shareholder is not an individual, a certified copy of the resolution adopted by the relevant entity authorising the representative to represent the shareholder at the AGM and a certified copy of the authorised representative's identity document; and

(c) a valid e-mail address and/or facsimile number for the purpose of receiving notice of the manner in which the electronic participation will be conducted.

If a shareholder provides the company with the aforesaid notice and documents, the company shall use its reasonable endeavours to notify the shareholder of the relevant details of the electronic communication through which it can participate in the AGM, and will also inform such shareholder of the voting procedures applicable to him/her. The cost of participating electronically will be for the expense of the shareholder.

Approvals required for resolutions

Ordinary resolutions numbers 1 to 5, contained in this Notice of AGM, require the approval of more than 50% of the total votes cast on the resolutions by shareholders present or represented by proxy at the AGM. Ordinary resolution number 6 is proposed for a non-binding advisory vote only and any failure to pass this resolution will not have any effect on the company's existing arrangements, but the outcome of the vote will be taken into consideration when considering the company's remuneration policy.

Special resolutions numbers 1 to 4 contained in this Notice of AGM require the approval by more than 75% of the total votes cast on the resolutions by shareholders present or represented by proxy at the AGM.

On a poll the holders of ordinary shares or "A" shares shall be entitled to one vote per share.

By order of the board

DW Janks
Company Secretary

12 November 2013

Brief curricula vitae of directors standing for re-election to the board

Nkaki Matlala (60)

Independent non-executive director
B Sc, M Sc, M D, M Med (Surgery), FCS
Member of the audit and risk, and social and ethics committees
Appointed in August 2010

Dr Matlala is an experienced teacher and surgeon and is currently executive director: government and stakeholder relations at Mediclinic 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 Mediclinic in 2005. Dr Matlala is a member of the Hospital Association of South Africa board and a founding member and chairman of Phodiso Holdings, a healthcare investment company.

Martin Rosen (63)

Independent non-executive director
Member of the remuneration and 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.

Brief curricula vitae of directors standing for election to the audit and risk committee

John Bester (67)

Independent non-executive director
B Com (Hons), CA (SA), CMS (Oxon)
Chairperson of the audit and risk committee
Member of the remuneration and nominations committee
Appointed to the audit and risk committee in October 2008

John spent 16 years in the accounting profession, including serving as a partner of Ernst & Young for 10 years. He has been involved in commerce and industry for a further 32 years, holding a number of financial directorships during this time. He is a non-executive director of Personal Trust International, HomeChoice Holdings, Sovereign Food Investments, Tower Property Fund and Western Province Rugby Proprietary Limited, as well as a trustee of the Children's Hospital Trust.

John currently chairs the audit and risk committees for HomeChoice Holdings, Tower Property Fund, Western Province Rugby and the Children's Hospital Trust, and is a member of the Sovereign Foods audit committee. In the past, he has chaired the audit committee of BJM and was a member of the audit committee of Paramount Properties. He also serves on the remuneration committees of these same companies. This involvement, together with John's position as a partner of a large audit firm, and his experience as financial director of a listed company and non-executive director of other listed companies, give him considerable working knowledge of the operations and responsibilities of an audit and risk committee.

Fatima Jakoet (53)

Independent non-executive director
B Sc, CTA, CA (SA), Higher certificate in financial markets
Member of the audit and risk committee
Appointed to the audit and risk committee in April 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 MMI Holdings, Tongaat Hulett, Rand Refinery, AfriSam and MTN West and Central Africa (WECA) region.

Fatima has been a member or chairperson of audit committees since 1994. She has previously chaired the audit committee of the SA Reserve Bank and other listed companies. She is currently the chairperson of several audit and risk committees. Fatima has extensive knowledge of governance and risk management, in addition to her core financial skills.

Nkaki Matlala (60)

Independent non-executive director
B Sc, M Sc, M D, M Med (Surgery), FCS
Member of the audit and risk, and social and ethics committees
Appointed to the audit and risk committee in February 2011

Dr Matlala is an experienced teacher and surgeon and is currently executive director: government and stakeholder relations at Mediclinic 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 Mediclinic in 2005. Dr Matlala is a member of the Hospital Association of South Africa board and a founding member and chairman of Phodiso Holdings, a healthcare investment company.

Dr Matlala has the experience of serving on several healthcare company boards and served on the audit committee of Umnotho weSizwe Group, a mining investment company of which he is non-executive chairman and co-founder.

Grant Thornton
An instinct for growth™

The Board of Directors
Clicks Group Limited
Cnr Searle and Pontac Street
Cape Town
8001

8 November 2013

Dear Sirs

Independent experts' report in terms of Section 114 of the Companies Act in respect of the specific repurchase by Clicks Group Limited ("Clicks Group" or "the Group") of 22 185 735 ordinary shares in its issued share capital from New Clicks South Africa Proprietary Limited ("New Clicks")

Introduction

We have been requested, as independent experts, to provide a report to the Clicks Group board of directors in terms of section 114(3) of the Companies Act, 71 of 2008 ("the Companies Act") in respect of the specific repurchase by Clicks Group of 22 185 735 ordinary shares of R0.01 each from New Clicks, a wholly-owned subsidiary of the Group.

New Clicks acquired various tranches of the Clicks Group's shares since January 2011 and currently holds approximately 8.27% (22 185 735 shares) of the issued share capital in the Group. In terms of section 48(2)(b) of the Companies Act, subsidiaries may only hold up to a maximum of 10% of the aggregate of the number of issued shares of its holding company.

The specific repurchase will be performed at a price determined to be an amount equal to the volume weighted average traded price measured over the 30 business days prior to the day approval is received from the JSE confirming cancellation of such shares and that such shares will be delisted from the main board of the JSE.

Scope

The purpose of our engagement was to perform the role of an independent expert as envisaged by the applicable provision of section 114 of the Companies Act in relation to the specific repurchase of the Clicks Group's shares held by New Clicks. Our work did not entail an independent valuation of Clicks Group, nor did it entail expressing any opinion on the fairness, reasonableness, or otherwise of the specific repurchase. We have compiled a report to the board detailing certain information, as contemplated by the applicable provisions of section 114(3) of the Companies Act.

Information utilised

In the course of our analysis, we relied upon financial and other information obtained from Clicks Group's management, together with information available in the public domain. Our findings are dependent on such information being complete and accurate in all material respects.

The principal sources of information used in performing our scope of work include:

- Draft Integrated Annual Report 2013
- Clicks Group 3 year plan 2014 to 2016
- Management accounts for the one month ended 30 September 2013
- Directors' resolutions signed on 22 October 2013
- Memorandum of Incorporation of the Clicks Group
- Review of various equity analysts' reports
- Computershare Investor Services Proprietary Limited
- Discussions with Investec Bank Limited in their capacity as Clicks Group's corporate advisor
- Discussions with management of Clicks Group

Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our findings, whether in writing or obtained through discussions with the management of Clicks Group.

Requirements of section 114(3) of the Companies Act

In terms of section 114(3) of the Companies Act (read in conjunction with section 48), we are required to prepare a report to be issued to the Clicks Group board of directors, and cause it to be distributed to all holders of the Company's securities, concerning the proposed arrangement, which must, at a minimum:

(a) state all prescribed information relevant to the value of the securities affected by the proposed arrangement;

(b) identify every type and class of holder of the Company's securities affected by the proposed arrangement;

(c) describe the material effects that the proposed arrangement will have on the rights and interests of the persons mentioned in paragraph (b);

(d) evaluate any material adverse effects of the proposed arrangement against:

  (i) the compensation that any of those persons will receive in terms of that arrangement; and

  (ii) any reasonably probable beneficial and significant effect of that arrangement on the business and prospects of the Company;

(e) state any material interest of any director of the Company or trustee for security holders;

(f) state the effect of the proposed arrangement on the interest and person contemplated in paragraph (e); and

(g) include a copy of sections 115 and 164 of the Companies Act.

(a) State all prescribed information relevant to the value of the securities affected by the proposed arrangement

The specific repurchase will be performed at a price determined to be an amount equal to the volume weighted average traded price ("VWAP") measured over the 30 business days prior to the day approval is received from the JSE confirming the cancellation and delisting of the shares. Thus, the price cannot be determined at this point in time and only the proposed method used to determine the price can be reviewed.

The annual general meeting at which shareholder approval for the share buy-back will be sought is scheduled to take place on 30 January 2014. As soon as reasonably possible thereafter the JSE will be informed of the share buy-back and requested to delist the shares.

The following has been considered in assessing the above-mentioned price calculation:

- In the past four years repurchase transactions by JSE listed companies were made at a premium of 3% to the 30 day VWAP (on average, as per information provided by Investec Bank Limited).
- Clicks Group's free float prior to the specific repurchase amounts to approximately 91.8% per the Shareholder Analysis in this Integrated Annual Report.
- Analysis of the average total volume of shares traded per day reveals that the month of January 2013 was higher than the average of the 12 months to 6 November 2013.
- Analysis of the VWAP as at 7 November 2013 reveals that the closing price at 7 November 2013 is trading at a premium to the 30, 60 and 90 day VWAP.

Price	Cents
Close 7/11/2013	6 042
30 day VWAP	5 548
60 day VWAP	5 563
90 day VWAP	5 595

Source: Investec Bank Limited VWAP Pricing Report 7-11-2013

- The shares show a reasonable level of liquidity. The high annualised liquidity percentage in the past 60 and 90 days is attributable to large acquisitions made by the Public Investment Corporation and Coronation Fund Managers in September 2013.

Period	Volume traded	Issued shares	Annualised liquidity
Past 30 days	15 187 630	268 323 498	68.9%
Past 60 days	61 139 538	268 323 498	138.6%
Past 90 days	71 935 394	268 323 498	108.7%
Past 6 months	108 059 346	268 323 498	80.5%
Past year*	203 849 525	270 139 936	75.5%

Source: Investec Bank Limited VWAP Pricing Report 7-11-2013 (based on calendar days)
* A weighted average (based on days) has been used to calculate the total issued shares for the past year

(b) Identify every type and class of holder of the Company's securities affected by the proposed arrangement

Particulars of shares:

In terms of Schedule 1 of the Memorandum of Incorporation of Clicks Group, the share capital of the Company consists of:

- 600 million ordinary par value shares of R0.01 each
- 50 million "A" par value shares of R0.01 each

At the date of this report, Clicks Group has an issued share capital of R2.976 million divided into 268.323 million ordinary shares of R0.01 each and 29.153 million "A" shares of R0.01 each.

The major beneficial shareholders of Clicks Group are shown in the Shareholder Analysis in the Integrated Annual Report 2013.

Of the shares in issue the group holds the following treasury shares as at 31 August 2013:

- Shares held by New Clicks – 21.273 million ordinary shares of R0.01 each
- Shares held by the Share Trust – 0.17 million ordinary shares of R0.01 each
- Shares held by the Clicks Group Employee Share Ownership Trust – 29.153 million "A" ordinary shares of R0.01 each

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. In respect of the Company's shares held by entities within the Group, all voting rights are suspended until those shares are reissued.

The unlisted "A" ordinary shares have the same rights and rank *pari passu* with the ordinary shares in all respects except for distribution rights. The holders of "A" ordinary shares are entitled to an annual distribution equal to 10% of the cumulative distribution declared in relation to an ordinary share in a financial year.

(c) Describe the material effects that the proposed arrangement will have on the rights and interests of the persons mentioned in paragraph (b)

Article 4.2.2 of the Memorandum of Incorporation ("MOI") of Clicks Group deals with votes of members. Article 8 of the MOI sets out the rights attaching to the "A" Class Shares and also deals with the voting rights. The relevant sections of both articles are set out below:

"4.2 Preferences, rights, limitations and other share terms

4.2.2 Every shareholder of an ordinary share shall have one vote in respect of each share that he holds …

8. Rights attaching to the "A" Class Shares

8.3 … for the sake of clarity, the "A" Class Shares shall entitle the holder(s) thereof to attend and vote at general meetings of the Company and to vote on all resolutions the ordinary shareholders are entitled to vote on together with the ordinary shareholders, and the voting rights attaching to the "A" Class Shares shall be that proportion of the total votes of the Company which the aggregate amount of the nominal value of the shares held by each member bears to the aggregate amount of the nominal value of all the shares issued by the Company, and accordingly, … each "A" Class Share shall entitle the holder to one vote on a poll on par with the ordinary shares."

After the specific repurchase, the voting power of each Clicks Group shareholder will be as per the Articles as set out above of the Memorandum of Incorporation.

However, as the voting rights attached to shares held within the Group were suspended from the time they were acquired there will be no effect on the voting rights of the remaining issued shares.

In view of the Memorandum of Incorporation, the specific repurchase will have no material effect on the rights and interests of the shareholders.

Other material impacts:
Subsequent to the specific repurchase the revised shareholdings are likely to be as follows:

Shareholder	Percentage of shares held before repurchase	Percentage of shares held after repurchase	% change
Government Employees Pension Fund	13.5%	14.7%	9.0%
GIC Private Limited	3.4%	3.7%	9.0%
Total beneficial shareholdings over 5%	16.9%	18.4%	
Shares held by directors	0.2%	0.2%	9.0%
Treasury shares held by New Clicks	7.9%	0.0%	(100.0%)
The New Clicks Holdings Share Trust	0.1%	0.1%	9.0%
Total non-public shareholding	8.2%	0.3%	
Total shares in issue	268 323 498	246 137 763	n/a

Source: Integrated Annual Report 2013 & GT workings

A directors' resolution was passed in favour of the specific repurchase on 22 October 2013.

The free float would not change as shares affected by the specific repurchase did not form part of the free float before the proposed transaction.

We are not aware of any other impacts on rights and interests of Clicks Group shareholders (other than the amended shareholding structure noted above).

(d) Evaluate any material adverse effects of the proposed arrangement against:

(i) the compensation that any of those persons will receive in terms of that arrangement
The specific repurchase will be performed at a price determined to be an amount equal to the volume weighted average traded price measured over the 30 business days prior to the day approval is received from the JSE confirming such cancellation and that such shares will be delisted from the main board of the JSE.

(ii) any reasonably probable beneficial and significant effect of that arrangement on the business and prospects of the Company
The specific repurchase will have no financial effect on the company or its shareholders other than in respect of transaction costs that are normally incurred in transactions of this nature, namely securities transfer tax, brokers' fees, JSE inspection fees and STRATE settlement fees.

As this repurchase is intergroup there will be no cash outflow from the group for the specific repurchase.

In addition, the directors of Clicks Group have asserted through their directors' declaration and directors' resolution passed regarding this specific repurchase that the share capital and working capital will be adequate for ordinary business purposes for a period of 12 months after the approval of the special resolution. Further, paragraph (v) of the directors' declaration provides the directors assurance in terms of the solvency and liquidity test.

It is understood that Clicks Group is unlikely to be affected adversely as a result of New Clicks no longer holding shares in Clicks Group.

(e) State any material interest of any director of the Company or trustee for security holders
We refer to the Remuneration Report of the Integrated Annual Report 2013 regarding directors' interests in Clicks Group shares.

(f) State the effect of the proposed arrangement on the interest and person contemplated in paragraph (e)
The directors' shareholdings will increase by 9% (from 0.22% to 0.24%) as a result of the specific repurchase:

Director	Number of shares held before repurchase	%	Number of shares held after repurchase	%	% change
D Nurek – indirect	240 000	0.09%	240 000	0.10%	9.0%
J Bester – direct and indirect	22 000	0.01%	22 000	0.01%	9.0%
B Engelbrecht – direct	76 522	0.03%	76 522	0.03%	9.0%
D Kneale – direct	248 122	0.09%	248 122	0.10%	9.0%
M Rosen – indirect	2 000	0.00%	2 000	0.00%	9.0%
Total shares held by directors	588 644	0.22%	588 644	0.24%	9.0%
Total shares in issue	268 323 498	100%	246 137 763	100%	n/a

Source: Integrated Annual Report 2013 & GT workings

(g) Include a copy of sections 115 and 164 of the Companies Act.

115. Required approval for transactions contemplated in Part

(1) Despite section 65, and any provision of a company's memorandum of incorporation, or any resolution adopted by its board or holders of its securities, to the contrary, a company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a scheme of arrangement, unless —

(a) the disposal, amalgamation or merger, or scheme of arrangement —

(i) has been approved in terms of this section; or

(ii) is pursuant to or contemplated in an approved business rescue plan for that company, in terms of Chapter 6; and

(b) to the extent that Parts B and C of this Chapter, and the Takeover Regulations, apply to a company that proposes to —

(i) dispose of all or the greater part of its assets or undertaking;

(ii) amalgamate or merge with another company; or

(iii) implement a scheme of arrangement,

the Panel has issued a compliance certificate in respect of the transaction, in terms of section 119(4)(b), or exempted the transaction in terms of section 119(6)

[Paragraph (b) substituted by section 71(a) of Act No. 3 of 2011.]

(2) A proposed transaction contemplated in sub-section (1) must be approved —

(a) by a special resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter, or any higher percentage as may be required by the company's memorandum of incorporation, as contemplated in section 64(2); and

[Paragraph (a) substituted by section 71(b) of Act No. 3 of 2011.]

(b) by a special resolution, also adopted in the manner required by paragraph (a), by the shareholders of the company's holding company if any, if —

(i) the holding company is a company or an external company;

(ii) the proposed transaction concerns a disposal of all or the greater part of the assets or undertaking of the subsidiary; and

(iii) having regard to the consolidated financial statements of the holding company, the disposal by the subsidiary constitutes a disposal of all or the greater part of the assets or undertaking of the holding company; and

[Sub-paragraph (iii) substituted by section 71(c) of Act No. 3 of 2011.]

(c) by the court, to the extent required in the circumstances and manner contemplated in sub-sections (3) to (6).

(3) Despite a resolution having been adopted as contemplated in sub-sections (2)(a) and (b), a company may not proceed to implement that resolution without the approval of a court if —

(a) the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution and, within five business days after the vote, any person who voted against the resolution requires the company to seek court approval; or

[Paragraph (a) substituted by section 71(d) of Act No. 3 of 2011.]

(b) the court, on an application within 10 business days after the vote by any person who voted against the resolution, grants that person leave, in terms of sub-section (6), to apply to a court for a review of the transaction in accordance with sub-section (7).

[Paragraph (b) substituted by section 71(d) of Act No. 3 of 2011.]

(4) For the purposes of sub-sections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights —

(a) required to be present, or actually present, in determining whether the applicable quorum requirements are satisfied; or

(b) required to be voted in support of a resolution, or actually voted in support of the resolution.

[Sub-section (4) substituted by section 71(e) of Act No. 3 of 2011.]

(4A) In sub-section (4), "act in concert" has the meaning set out in section 117 (1) (b).

[Sub-section (4A) inserted by section 71(f) of Act No. 3 of 2011.]

(5) If a resolution requires approval by a court as contemplated in terms of sub-section (3)(a), the company must either —

(a) within 10 business days after the vote, apply to the court for approval, and bear the costs of that application; or

[Paragraph (a) substituted by section 71(g) of Act No. 3 of 2011.]

(b) treat the resolution as a nullity.

(6) On an application contemplated in sub-section (3)(b), the court may grant leave only if it is satisfied that the applicant —

(a) is acting in good faith;

(b) appears prepared and able to sustain the proceedings; and

(c) has alleged facts which, if proved, would support an order in terms of sub-section (7).

(7) On reviewing a resolution that is the subject of an application in terms of sub-section (5)(a), or after granting leave in terms of sub-section (6), the court may set aside the resolution only if —

(a) the resolution is manifestly unfair to any class of holders of the company's securities; or

(b) the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Act, the memorandum of incorporation or any applicable rules of the company, or other significant and material procedural irregularity.

(8) The holder of any voting rights in a company is entitled to seek relief in terms of section 164 if that person —

(a) notified the company in advance of the intention to oppose a special resolution contemplated in this section; and

(b) was present at the meeting and voted against that special resolution.

(9) If a transaction contemplated in this Part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a court for an order to effect —

(a) the transfer of the whole or any part of the undertaking, assets and liabilities of a company contemplated in that transaction;

(b) the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the transaction;

(c) the transfer of shares from one person to another;

(d) the dissolution, without winding up, of a company, as contemplated in the transaction;

(e) incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the transaction; or

(f) any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger.

164. Dissenting shareholders' appraisal rights.

(1) This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.

(2) If a company has given notice to shareholders of a meeting to consider adopting a resolution to —

(a) amend its memorandum of incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or

(b) enter into a transaction contemplated in section 112, 113, or 114, that notice must include a statement informing shareholders of their rights under this section.

(3) At any time before a resolution referred to in sub-section (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.

(4) Within 10 business days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who —

(a) gave the company a written notice of objection in terms of sub-section (3); and

(b) has neither —

(i) withdrawn that notice; nor

(ii) voted in support of the resolution.

(5) A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if —

(a) the shareholder —

(i) sent the company a notice of objection, subject to sub-section (6); and

(ii) in the case of an amendment to the company's memorandum of incorporation, holds shares of a class that is materially and adversely affected by the amendment;

(b) the company has adopted the resolution contemplated in sub-section (2); and

(c) the shareholder —

(i) voted against that resolution; and

(ii) has complied with all of the procedural requirements of this section.

(6) The requirement of sub-section (5)(a)(i) does not apply if the company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholder's rights under this section.

(7) A shareholder who satisfies the requirements of sub-section (5) may make a demand contemplated in that sub-section by delivering a written notice to the company within —

(a) 20 business days after receiving a notice under sub-section (4); or

(b) if the shareholder does not receive a notice under sub-section (4), within 20 business days after learning that the resolution has been adopted.

(8) A demand delivered in terms of sub-sections (5) to (7) must also be delivered to the Panel, and must state —

(a) the shareholder's name and address;

(b) the number and class of shares in respect of which the shareholder seeks payment; and

(c) a demand for payment of the fair value of those shares.

[Sub-section (8) amended by section 103(a) of Act No. 3 of 2011.]

(9) A shareholder who has sent a demand in terms of sub-sections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless —

(a) the shareholder withdraws that demand before the company makes an offer under sub-section (11), or allows an offer made by the company to lapse, as contemplated in sub-section (12)(b);

(b) the company fails to make an offer in accordance with sub-section (11) and the shareholder withdraws the demand; or

(c) the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.

[Paragraph (c) substituted by section 103(b) of Act No. 3 of 2011.]

(10) If any of the events contemplated in sub-section (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.

(11) Within five business days after the later of —

(a) the day on which the action approved by the resolution is effective;

(b) the last day for the receipt of demands in terms of sub-section (7)(a); or

(c) the day the company received a demand as contemplated in sub-section (7)(b), if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to sub-section (16), accompanied by a statement showing how that value was determined.

(12) Every offer made under sub-section (11) —

(a) in respect of shares of the same class or series must be on the same terms; and

(b) lapses if it has not been accepted within 30 business days after it was made.

(13) If a shareholder accepts an offer made under sub-section (12) —

(a) the shareholder must either in the case of —

(i) shares evidenced by certificates, tender the relevant share certificates to the company or the company's transfer agent; or

(ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the company or the company's transfer agent; and

(b) the company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and —

(i) tendered the share certificates; or

(ii) directed the transfer to the company of uncertificated shares.

(14) A shareholder who has made a demand in terms of sub-sections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has—

(a) failed to make an offer under sub-section (11); or

(b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.

(15) On an application to the court under sub-section (14)—

(a) all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;

(b) the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and

(c) the court —

(i) may determine whether any other person is a dissenting shareholder who should be joined as a party;

(ii) must determine a fair value in respect of the shares of all dissenting shareholders, subject to sub-section (16);

(iii) in its discretion may —

(aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or

(bb) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;

(iv) may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and

(v) must make an order requiring —

(aa) the dissenting shareholders to either withdraw their respective demands or to comply with sub-section (13)(a); and

[Item (aa) substituted by section 103(c) of Act No. 3 of 2011.]

(bb) the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with sub-section (13)(a), subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.

(15A) At any time before the court has made an order contemplated in sub-section (15)(c)(v), a dissenting shareholder may accept the offer made by the company in terms of sub-section (11), in which case —

(a) that shareholder must comply with the requirements of sub-section 13(a); and

(b) the company must comply with the requirements of sub-section 13(b).

[Sub-section (15A) inserted by section 103(d) of Act No. 3 of 2011.]

(16) The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder's rights under this section.

(17) If there are reasonable grounds to believe that compliance by a company with sub-section (13)(b), or with a court order in terms of sub-section (15)(c)(v)(bb), would result in the company being unable to pays its debts as they fall due and payable for the ensuing 12 months —

(a) the company may apply to a court for an order varying the company's obligations in terms of the relevant sub-section; and

(b) the court may make an order that —

(i) is just and equitable, having regard to the financial circumstances of the company; and

(ii) ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.

(18) If the resolution that gave rise to a shareholder's rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.

(19) For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to —

(a) the provisions of that section; or

(b) the application by the company of the solvency and liquidity test set out in section 4.

(20) Except to the extent —

(a) expressly provided in this section; or

(b) that the Panel rules otherwise in a particular case, a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person.

[Sub-section (20) inserted by section 103(e) of Act No. 3 of 2011.]

Limiting conditions

We have relied upon the accuracy of the information used by us in deriving our findings albeit that, where practicable, we have corroborated the reasonableness of such information through, amongst other things, reference to work performed by independent third parties, historic precedent or our own knowledge and understanding. While our work has involved an analysis of the annual financial statements and other information provided to us, our engagement does not constitute, nor does it include, an audit conducted in accordance with International Standards on Auditing. Accordingly, we assume no responsibility and make no representations with respect to the accuracy of any information provided to us in respect of Clicks Group.

The above findings are based upon the information available to us, the financial, regulatory, securities market and other conditions and circumstances existing and disclosed to us as at the date hereof. We have assumed that all conditions precedent in the transaction agreements, including any material regulatory and other approvals, will be properly fulfilled/obtained. Subsequent developments may affect our findings, however, we are under no obligation to update, revise or reaffirm such.

Independence and consent to publication

We have been retained by the board as an independent expert to the board and the Clicks Group shareholders in connection with the specific repurchase and we will receive a fixed fee for the services provided in connection herewith, which fee is payable upon delivery of this opinion. We confirm that, other than the aforementioned, we have no interest, direct or indirect, beneficial or non-beneficial, in Clicks Group or in the success or failure of the specific repurchase which forms the subject-matter hereof.

We hereby consent to this letter and the references thereto being made public to Clicks Group shareholders in the form and context in which they are to be published in this Integrated Annual Report to Clicks Group shareholders on or about 25 November 2013. We confirm that we have given and have not withdrawn our consent prior to the issue of this Integrated Annual Report to Clicks Group shareholders.

Yours faithfully

Grant Thornton Advisory Services Cape

Grant Thornton Advisory Services Cape (Pty) Ltd
Imtiaaz Hashim
Director

FORM OF PROXY

CLICKS GROUP LIMITED

Registration number 1996/000645/06
JSE share code: CLS • ISIN: ZAE000134854

For use by certificated Clicks Group shareholders and "own name" dematerialised Clicks Group shareholders only (refer note 6), at the annual general meeting of shareholders of the company to be held on Thursday, 30 January 2014 at 09:30 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 Thursday, 30 January 2014 at 09:30 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 Nkaki Matlala as a director			
4	Ordinary resolution No. 4: re-election of Martin Rosen as a director			
5	Ordinary resolution No. 5: election of members of the audit and risk committee (separate voting)			
	5.1 John Bester			
	5.2 Fatima Jakoet			
	5.3 Nkaki Matlala			
6	Ordinary resolution No. 6 (non-binding advisory vote): approval of the company's remuneration policy			
7	Special resolution No. 1: general authority to repurchase shares			
8	Special resolution No. 2: specific authority to repurchase shares from New Clicks South Africa Proprietary Limited			
9	Special resolution No. 3: approval of directors' fees			
10	Special resolution No. 4: general approval to provide financial assistance			

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, corner Searle and Pontac Streets, Cape Town, no later than 48 hours (09:30, Tuesday, 28 January 2014) before the commencement of the meeting or posted to the company secretary at PO Box 5142, Cape Town, 8000, to arrive no later than 48 hours (09:30, Tuesday, 28 January 2014) 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 power/s of attorney, 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.

SHAREHOLDERS' DIARY

Annual general meeting	30 January 2014
Preliminary results announcements	
Interim results to February 2014	on or about 24 April 2014
Final results to August 2014	on or about 23 October 2014
Publication of 2014 Integrated Annual Report	November 2014
Ordinary share dividend	
2013 final dividend	
Last day to trade with dividend included	24 January 2014
Date of dividend payment	27 January 2014
2014 interim dividend	
Last day to trade with dividend included	July 2014
Date of dividend payment	July 2014
2014 final dividend	
Last day to trade with dividend included	January 2015
Date of dividend payment	January 2015

CORPORATE INFORMATION

Clicks Group Limited
Incorporated in the Republic of South Africa
Registration number 1996/000645/06
Income tax reference number 9061/745/71/8

JSE share code: CLS
ISIN: ZAE000134854
ADR ticker symbol: CLCGY
ADR CUSIP code: 18682W205

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

Auditors
Ernst & Young Inc. (EY)

Principal bankers
The Standard Bank of South Africa

JSE sponsor
Investec Bank Limited

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

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

For more information, please visit our website on www.clicksgroup.co.za

GROUNDPEPPER

www.clicksgroup.co.za