CLICKS GROUP LIMITED

INTEGRATED ANNUAL REPORT 2014

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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

YEAR IN REVIEW

- Good trading performance in tough consumer environment
- Continued resilience of the health and beauty markets
- Strong cash generation
- Record investment for growth
- Over R700 million returned to shareholders

Group turnover
up 9.2% to
R19.1 billion

Operating margin
up from 6.3% to
6.4%

Diluted headline EPS up
12.9%
to 336.8 cents per share

Total dividend up
13.1%
to 190 cents per share

Cash generated
from operations
before dividends
R1.5 billion

Return on equity
at sector-leading
57%

"In this report the board and management aim to demonstrate the group's ability to create and sustain value for shareholders in the short, medium and long term."

INTRODUCING THE REPORT

Clicks Group has pleasure in presenting its Integrated Report for the 2014 financial year. In the report the board and management aim to demonstrate the group's ability to create and sustain value for shareholders in the short, medium and long term.

Throughout the report we show how the group's strategy of leadership in both health and beauty retailing, and healthcare supply management has generated and will continue to generate value for shareholders.

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

Integrated Reporting Framework

The International Integrated Reporting Council (IIRC) released its Integrated Reporting Framework (the Framework) in December 2013. The Framework provides guidelines for integrated reporting to be consistently applied globally. As South Africa is now into its fourth cycle of integrated reporting, several of the principles contained in the Framework have already been adopted by the Clicks Group in the past few years. We welcome the new Framework and are committed to applying the guiding principles to continue meeting best practice reporting standards.

Capitals of value creation

The Framework has introduced the concept of reporting in terms of the six forms of capital of value creation. These are classified as the financial, manufactured, intellectual, human, social and relationship, and natural capitals. These capitals are stocks of value that are either increased, decreased or transformed through the activities of the business.

While management has chosen not to apply the terminology of the capitals or to present the Integrated Report according to these capitals, the performance and activities relative to these capitals are covered throughout the report:

- **Financial capital** relates to the financial resources deployed by a company and is covered in the Chief Financial Officer's Report, Five-year Performance Review and the Summary of the Audited Financial Statements.
- The physical infrastructure used in the selling of merchandise is classified as **manufactured capital** and includes the retail stores and distribution facilities of the group which are dealt with in the Operational Reviews for Clicks and UPD.
- The **intellectual capital** harnessed in the group is covered mainly in the Business Model and Strategy, Investment Case, Material Issues, and Operational Reviews for Clicks and UPD.
- **Human capital** deals with the competency, capability and experience of the board, management and employees and this is featured in the Board of Directors, the Remuneration Report and in the Social and Ethics Committee Report.
- **Social and relationship capital** in terms of stakeholder engagement is covered in the Social and Ethics Committee Report.
- The group has a low environmental impact and its limited use of **natural capital** is outlined in the Social and Ethics Committee Report.

Further detail on the capitals can be viewed at www.theiirc.org.

Report scope and boundaries

Our Integrated Report is aimed at shareholders and the investment community locally and offshore. This is consistent with the philosophy of the Framework which recommends that integrated reporting should target the providers of financial capital. While the group interacts with a range of other stakeholders who influence the business, their needs are addressed through other forms of focused communications.

The report covers the integrated performance of the group and its subsidiaries for the period 1 September 2013 to 31 August 2014. 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. There have been no changes from last year in the scope and boundary of the report.

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.

Management has applied the guiding principles of the Framework and the King Code of Corporate Principles 2009 (King III). The Integrated 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.

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.

Materiality

Materiality has been applied in determining the content and disclosure in this report. Materiality is determined by the board based on matters that substantively affect the group's ability to create value over time and are likely to have a material impact on the current and projected revenue and profitability of the group. These material issues are covered on page 11. This does, however, exclude the disclosure of price-sensitive or competitor-sensitive information.

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

External assurance

The content of the Integrated Report has been reviewed by the directors and management but has not been externally assured. The group's external auditor, Ernst & Young Inc. (EY), has provided assurance on the annual financial statements and expressed an unqualified audit opinion. Accredited specialist agencies have verified selected sustainability indicators.

The report is independently reviewed each year to ensure we continue to meet the reporting and disclosure needs of local and offshore investors.

Application of Integrated Reporting Framework

The directors confirm the group has materially reported in accordance with the IIRC's Integrated Reporting Framework in the 2014 Integrated Report.

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 2014 Integrated Report for release to shareholders on 11 November 2014.

David Nurek
Independent
Non-executive Chairman

David Kneale
Chief Executive Officer

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.

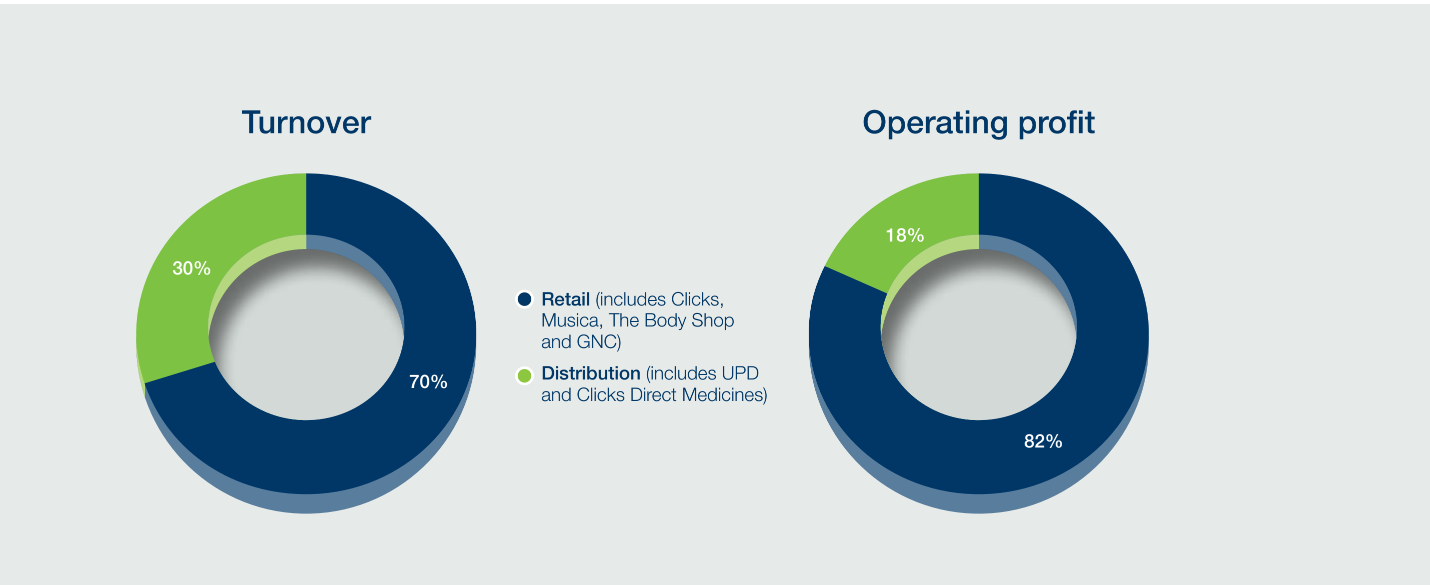
United Pharmaceutical Distributors (UPD) was acquired by the group in January 2003 to provide the distribution capability for the group's integrated healthcare strategy.

Over the past decade the group has grown into a leader in the healthcare market where Clicks has an 18.3% share of the retail pharmacy market and UPD a 25.2% share of the private pharmaceutical market.

Clicks has been independently rated as the country's leading health and beauty retailer for six consecutive years in the annual The Times/Sowetan Retail Awards.

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

Business contribution



Group brands

Clicks, Musica, The Body Shop and GNC are market-leading brands and have a combined footprint of 632 stores, including 26 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 339 in-store dispensaries.
- **The Body Shop** has been operated under a franchise agreement with The Body Shop International since 2001, and the contract extends until 2020.
- **GNC** is the largest global specialty health and wellness retailer, and the group concluded an exclusive franchise agreement for southern Africa in 2014.
- **Musica** is the country's leading entertainment retail brand and was acquired in 1992.
- **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 4.7 million active members. 76% of ClubCard customers are women and 61% are in the 25 to 49 age group.

UPD fulfils the pharmaceutical supply needs of Clicks, major private hospital groups and over 1 300 independent pharmacies. UPD also provides bulk distribution services to pharmaceutical manufacturers.

Store footprint

	2014	New/ (closed)	2013
Clicks	**464**	22	442
Musica	**118**	(2)	120
The Body Shop	**48**	3	45
GNC	**2**	2	–
Total	**632**	25	607

Market share

%	2014	2013*
Clicks		
Retail pharmacy	**18.3**	17.6
Front shop health	**29.2**	29.2
Baby	**9.7**	8.8
Skincare	**26.0**	26.5
Haircare	**25.1**	25.2
Small household appliances	**18.6**	18.1
UPD		
Private pharmaceutical market	**25.2**	24.5

* AC Nielsen and GfK universes restated.

BUSINESS MODEL AND STRATEGY

Clicks Group aims to create sustainable long-term shareholder value through a retail-led health, beauty and wellness business model

Clicks is pre-eminent in health and beauty retailing through:

Value
Consistently good value-for-money offering delivered through competitive prices and regular promotions

Product
Expertly curated ranges with differentiation from wide ranges of private label and exclusive brands

Customer care
Friendly and knowledgeable staff in well-presented stores

Convenience
Extensive store and pharmacy network allowing for easy access to customers

Rewards
Delivered through the ClubCard loyalty programme

Strategic objectives
- Developing a competitive and differentiated front shop product offer
- Creating a great customer experience in pharmacies
- Growing the retail footprint
- Driving customer loyalty through ClubCard
- Maintaining a motivated and skilled workforce

UPD is pre-eminent in healthcare supply management through:

Scale
National coverage

Range
Comprehensive range of medicines and pharmacy-orientated products

Service
Twice daily deliveries and emergency 24-hour service

Quality
Managed and verified international standards

Cost-efficient wholesale and distribution offer
Integrated wholesale and distributor proposition for pharmaceutical manufacturers

Strategic objectives
- Growing wholesale pharmaceutical market share to 30%
- Growing pharmaceutical distribution market share to 30%
- Ensuring effective pharmaceutical quality management
- Driving operational excellence and cost reduction
- Maintaining a motivated and skilled workforce

Business enablers

Supply chain
Centralised distribution to stores and integrated supply between UPD and Clicks

Information technology
Efficient and flexible integrated bespoke and proprietary systems

People
Motivated and skilled staff operating in a values-driven culture which rewards performance

Review of performance in 2014 and plans for 2015

Clicks

Plans and targets for 2014	Achieved in 2014	Plans and targets for 2015
Developing a competitive and differentiated front shop product offer		
Increase front shop private label and exclusive brand sales to 24.4%	Front shop private label sales 24.7% (2013: 24.2%)	Increase front shop private label and exclusive brand sales to 25%
Maintain price parity with food retailers	Achieved	Achieve price parity with national retailers
Creating a great customer experience in pharmacies		
Expand private label scheduled generic medicines range	66 private label medicines in 2014 (2013: 54)	Expand private label scheduled generic medicines range
Grow repeat prescription service to 20% of repeat scripts	27% of repeatable scripts now on this service	Grow repeat prescription service to 30% of repeat scripts
		Expand clinic services and open 19 new clinics
Growing the retail footprint		
Open 25 new Clicks stores 19 stores to be expanded/refurbished	Net 22 stores opened (2013: 22) 33 stores expanded/refurbished 464 stores at year-end (2013: 442)	Open 20 – 25 new Clicks stores 45 stores to be expanded/refurbished
Open 20 to 25 new pharmacies	Net eight pharmacies opened (2013: 25) 339 pharmacies at year-end (2013: 331)	Open 20 to 25 new pharmacies
Driving customer loyalty through ClubCard		
Increase membership to 4.3 million Grow Baby Club to 250 000 members Grow Seniors Club to 300 000 members	4.7 million members (2013: 4.1 million) Baby Club 200 000 members Seniors Club 217 000 members	Increase membership to 5 million Grow Baby Club to 250 000 members Grow Seniors Club to 300 000 members
Maintaining a motivated and skilled workforce		
60 managers to participate in operations management development programme	202 completed trainee store manager programme	
Further 250 pharmacist assistants to be trained	277 trainees on pharmacy assistant programme	200 pharmacy assistants to be enrolled
20 participants on merchant development programme	nine employees completed merchant development programme	
Attract pharmacy students (target 100 bursaries and 50 internships)	98 pharmacy bursary students (2013: 108)	100 pharmacy bursary students
	55 internships (2013: 43)	50 internships

UPD

Plans and targets for 2014	Achieved in 2014	Plans and targets for 2015
Growing private wholesale pharmaceutical market share to 30%		
Increase market share to 25.1% in 2014 (Note: market shares restated by IMS)	Market share increased to 25.2% (2013: 24.5%)	Increase market share to 26.0% in 2015
Grow volume of business with private hospital groups	Sales to hospital groups increased 10.6% and accounted for 25.6% of turnover	Maintain volume of business with private hospital groups
Increase Clicks' buying levels from UPD to 97%	Clicks' buying levels from UPD at 97%	Increase Clicks' buying levels from UPD to 97.5%
Growing pharmaceutical distribution market share to 30%		
Secure additional agency distribution contracts	19 contracts managed in 2014 (2013: 20)	Secure additional agency distribution contracts
Commission new warehouse extension	Warehouse extension completed, increasing distribution capacity by 50%	
Ensuring effective pharmaceutical quality management		
–	–	Ensure satisfactory annual audit by Medicines Control Council
Driving operational excellence and cost reduction		
Achieve on-time deliveries of 98%	Achieved 98% on-time deliveries (2013: 98%)	Maintain on-time deliveries of 98%
Reduce labour and transport costs	Costs reduced to 2.3% of sales (including notional turnover of agency contracts managed) on a comparable basis, an improvement of 0.1%	Reduce labour and transport costs
Maintaining a motivated and skilled workforce		
Reduce employee turnover to 10%	Employee turnover at 16% (2013: 18%)	Reduce employee turnover to 14%

Financial and operating targets

	Medium-term targets 2014 – 2016	Performance in 2014	**Medium-term targets 2015 – 2017**
Return on equity (%)	50 – 60	57.0	**50 – 60**
Shareholders' interest to total assets (%)	25 – 30	25.3	**25 – 30**
Return on total assets (%)	14 – 18	14.4	**14 – 18**
Inventory days	55 – 60	64	**55 – 60**
Operating margin (%)			
• Group	6.0 – 7.0	6.4	**6.0 – 7.0**
• Retail	7.0 – 8.0	7.5	**7.0 – 8.0**
• Distribution	2.2 – 2.7	2.6	**2.0 – 2.5***

* Target revised due to impact of ongoing genericisation.

An analysis of the group's performance relative to the medium-term targets is included in the Chief Financial Officer's Report on pages 18 to 21.

INVESTMENT CASE

Clicks Group offers 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 occupy market-leading positions
Resilient business model	Over 80% of group turnover is in defensive categories
Value offering	Clicks is highly price competitive
Expanding store base	Clicks store base planned to reach 600 in the longer term
Expanding pharmacy base	Goal to operate a pharmacy in every Clicks store
Increasing private label sales	Private label offers differentiated products at higher margins
Growing customer loyalty	Targeting 5 million ClubCard loyalty programme members
UPD scale advantage	UPD is the country's only national full-range pharmaceutical wholesaler
Growing distribution business	Opportunity to grow third party agency distribution contracts in UPD
Highly cash-generative	Group generates strong free cash flow
Active capital management	Returns enhanced through active capital management programme
Sustained performance	Track record of sustained financial performance and returns to shareholders

MATERIAL ISSUES

Management has identified the material issues which impact on the delivery of the strategy, the performance and the sustainability of the group. These material issues were again reviewed by the board and management during the reporting period to ensure all relevant internal, industry and macroeconomic factors were considered.

To align with best practice outlined in the International Integrated Reporting Council's Framework, the group has, for the first time, identified the opportunities presented and the potential risks posed for each of these material issues.

1 Trading environment

Risk	Opportunity
• The current trading environment is characterised by constrained consumer spending, 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.	• Clicks will continue to pursue an aggressive promotions strategy to improve price competitiveness and grow sales volumes, and entrench Clicks as a value retailer. • Focus on differentiators including extensive and convenient store and pharmacy footprint, private label and exclusive ranges, and driving customer loyalty through Clicks ClubCard rewards and consistently high standards of customer care.

2 Competition

Risk	Opportunity
• 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 an extensive store network and plans to open 20 to 25 new stores each year, expanding to over 600 stores in the longer term. This includes stores outside South Africa, focused on the Southern African Development Community (SADC) region. • Continued expansion of the pharmacy network, with the long-term plan to open dispensaries in all stores (currently in 75% of South African stores). • Continued recruitment of new members to the Clicks ClubCard loyalty programme. • Ongoing improvement in pricing, product offer and customer service.

3 Attracting and retaining pharmacy professionals

Risk	Opportunity
• The shortage of healthcare professionals is an industry challenge. • The demand for professional staff has increased along with the expansion of corporate pharmacy and more competitive remuneration packages being paid by state health institutions. • The shortage of pharmacy professionals, as well as the increasing cost to attract and retain pharmacists, could limit the growth of Clicks, increase costs and impact on margins.	• Pharmacy salaries are 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 to increase capacity. • Extensive bursary and internship programme to attract trainees. • Dedicated in-house Pharmacy Healthcare Academy.

4 Regulation

Risk	Opportunity
• Healthcare markets are highly regulated across the world and South Africa is no exception. • Legislative and regulatory changes introduced by the Department of Health (DoH) could impact on Clicks and UPD. • These changes could reduce turnover, margins and profitability in Clicks and UPD.	• Continued management engagement with the DoH on any proposed changes to legislation and regulation. • 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. • As the market leaders in retail pharmacy and pharmaceutical wholesaling, position Clicks and UPD to benefit from market consolidation arising from changes in legislation and regulation.

"The group continued to generate strong returns to shareholders, with the return on equity at 57% remaining the highest in the retail sector."

CHAIRMAN'S REPORT

Weakening consumer economy

South Africa's economic landscape continued to be impacted by instability in the labour market, high levels of unemployment and low productivity, a weakening and volatile currency and rising inflation, with the outlook for domestic economic growth deteriorating as the year progressed.

The growth in the gross domestic product (GDP) for 2014 has been revised downwards to 1.4%. GDP is anticipated to increase to 2.5% in 2015.

The depreciating currency has created inflationary pressures. Inflation, as measured by the increase in the consumer price index, increased to 6.4% in August and is expected to average 6.3% for 2014 before returning to the SA Reserve Bank's (SARB) 3% – 6% target range in 2015.

After a stable interest rate environment with rates at their lowest levels in more than 40 years, the SARB increased its benchmark interest rate, the repurchase (repo) rate, during the year by a total of 75 basis points to 5.75%.

Increasing interest rates will place further pressure on consumers already facing higher utility, medical and education costs. Fortunately food and fuel price increases have moderated in recent months.

Against this background of a slowing economy, consumer sentiment understandably remained weak, although the Consumer Confidence Index of -1 for the third quarter of 2014 is higher than the same time last year. However, confidence levels are well below the long-term average of +5 for the past 20 years and are not supportive of strong growth in consumer spending.

With limited prospect of any significant improvement in domestic economic conditions to stimulate consumer disposable income, the retail trading environment is likely to remain constrained in the next 12 months.

Sustained financial returns

The focused delivery of the strategy of achieving pre-eminence in health and beauty retailing, and in healthcare supply management has ensured the group continued to generate strong returns to shareholders, with the return on equity at 57.0% remaining the highest in the retail sector.

The group's diluted headline earnings per share (HEPS) for the period increased by 12.9% to 336.8 cents. The total dividend was increased by 13.1% to 190 cents per share, based on a dividend cover ratio of 1.8 times HEPS.

Diluted HEPS has shown a five-year compound annual growth rate of 15.2%, with dividends per share increasing at a compound rate of 17.7% over the same period.

The group continues to be highly cash-generative. Over the past five years the group generated over R4.3 billion in cash and through its proven capital management strategy has invested R1.3 billion in organic growth and returned R3.2 billion to shareholders in dividends and share buy-backs.

Considering the continued strong cash generation, the board has shown its confidence in the group's prospects and has resolved to reduce the dividend cover from 1.8 to 1.7 times HEPS from the 2015 interim dividend, which will further enhance returns to our shareholders.

R3.2 bn
returned to shareholders over past five years

The excellent all-round performance was recognised when Clicks Group was ranked third in the Financial Mail Top Companies 2014 survey and the highest rated retailer. The ranking is based on a combination of long-term financial performance, return on equity, as well as an assessment of the company's corporate governance, commitment to empowerment, quality of management and prospects for the company and the sector.

The trading and financial performance for 2014 is covered in the Chief Executive's Report and in the Chief Financial Officer's Report.

Healthcare regulation

Healthcare markets are highly regulated across the world and it is critical that the South African regulatory regime advances the national healthcare agenda of making medicine more affordable and more accessible.

However, this is not always the case and management engages with the Department of Health on an ongoing basis to ensure satisfactory resolution of these regulatory issues. Further detail is provided by the chief executive on pages 16 and 17.

Board of directors

The group has a stable board that is well balanced in terms of skills and expertise, and is rich in diversity. Four of the ten directors (40%) are black and three (30%) are female. The independence of the non-executive directors is reviewed annually and all six non-executive directors, including the chairman, are classified as independent in terms of King III and the JSE Listings Requirements. The board elects the chairman after the annual general meeting (AGM) each year.

Keith Warburton, the chief operating officer of the Clicks chain, was appointed as an executive director in February 2014. He previously served as an executive director and chief financial officer of the group until 2011, and rejoined the group in 2013.

Executive remuneration

Long-term executive incentive schemes are aligned with shareholder interests by rewarding executives for the creation of shareholder value. These long-term incentive (LTI) schemes are regularly reviewed and enhanced, with performance hurdles being incorporated into the schemes last year.

Following further engagement with shareholders the LTI scheme for 2014 to 2017 has been revised to strengthen the alignment between executive and long-term investor interests by exposing executives to market volatility. Total shareholder return (TSR) over a three-year period has been introduced in addition to the earnings performance metric included in the other schemes.

The group's remuneration policy and practices, including the details of incentive schemes, are covered in the Remuneration Report on pages 40 to 45.

In line with the recommendations of King III, the group's remuneration policy is proposed to shareholders annually for a non-binding advisory vote. The policy was approved by 99.1% of the votes at the AGM in January 2014.

Acknowledgements

The group has delivered a pleasing performance in an increasingly competitive retail environment and on behalf of the board I thank David Kneale and his executive team for their outstanding leadership. My fellow non-executive directors provide valuable insight and guidance and I thank them for their ongoing support.

Thank you to our 8 600 employees across the country who have ensured that the group continues to strengthen its market position. Finally, to all our external stakeholders, including our customers, shareholders, suppliers, industry regulators and business partners, thank you for your continued support.

David Nurek
Independent Non-executive Chairman

CHIEF EXECUTIVE'S REPORT

Trading performance

Clicks Group delivered a good trading performance in 2014 in an environment of continued economic pressure and fragile consumer confidence. All the group's businesses strengthened their market positions, supported by the comparative resilience of the core health and beauty markets in which the group trades.

Group turnover increased by 9.2% to R19.1 billion in a continued low inflationary environment. The Clicks chain, which accounted for 64% of the group's turnover, increased sales by 9.3% following a stronger second half performance, with sales up 10.6%.

Growth in Clicks was driven mainly by volume gains through effective promotions and price competitiveness, focusing on the brand's heritage of "You Pay Less" in the current constrained spending climate. The Clicks ClubCard loyalty programme increased active membership by over 600 000 to 4.7 million, accounting for 76% of the brand's sales.

The Body Shop had a tougher year and encountered some customer resistance to higher pricing following the depreciation of the Rand as the brand's products are all imported. Strong promotional activity bolstered sales in the second half and turnover for the year grew by 8.5%. The Body Shop remains a popular specialist gifting brand with a loyal customer base. The store footprint was extended to 48, while top-selling ranges are also sold in 79 Clicks stores.

Musica continued to gain market share in all product categories and grew sales by 1.4%, benefiting from the demise of competitors. The brand commands over 50% of the CD market and more than one-third of the DVD market. The technology category continues to grow strongly in response to demand for headphones, speakers and record players. Musica has 118 stores and will continue to open new outlets in destination shopping centres where it will be the only specialist entertainment retailer.

While we acknowledge that Musica is non-core to the group's strategy, we believe the demand for the physical music format will remain for some years to come and Musica will continue to gain market share as the "last man standing".

UPD increased turnover by 11.1% and continued to gain market share. Total managed turnover, combining wholesale and notional turnover managed on behalf of distribution clients, increased by 10.2% to R12.5 billion. This is well ahead of the market growth of around 4%.

The Operational Review on pages 32 to 35 covers the trading performance of Clicks and UPD. The group's financial performance is analysed in the Chief Financial Officer's Report on pages 18 to 21.

Group strategy

Clicks Group aims to create sustainable long-term shareholder value through a retail-led health, beauty and wellness business model. The group's strategy is driven by two key objectives: to achieve pre-eminence in health and beauty retailing through Clicks, and in healthcare supply management through UPD. This integrated healthcare retail and supply model provides a unique competitive positioning for the Clicks Group in the southern African market, as outlined on pages 6 to 9.

An integral component of the group's strategic planning process is identifying material issues which impact on the delivery of the strategy, the performance and the sustainability of the group.

These material issues are the current trading environment, competition, attracting and retaining pharmacists, and industry regulation. The opportunities presented and the potential risks posed by each of these material issues are covered throughout the report and are detailed on page 11.

Clicks confirmed its pre-eminence in health and beauty retailing when the brand was independently rated as the country's leading health and beauty retailer for the sixth year in the annual The Times/Sowetan Retail Awards, conducted in partnership with TNS South Africa. Health and beauty collectively accounts for 81% of the chain's sales.

Clicks has the largest retail pharmacy chain in the country with 339 in-store dispensaries, with primary care clinics in 139 of the pharmacies. Retail pharmacy market share increased to 18.3% from 17.6% a year earlier. Clicks maintained its front shop health market share at 29.2%. In the highly competitive beauty category, skincare and haircare both showed marginal declines in market share owing to a lack of product innovation.

The Clicks chain extended its store footprint to 464 and plans to open 20 – 25 stores each year, with a longer-term target of reaching 600 stores. Expansion outside of South Africa is not a strategic imperative owing to the extensive opportunities in the local market. However, we will follow a cautious expansion strategy and plan to increase the Clicks non-South African store base of 17 by between five and seven outlets in the year ahead.

Private label and exclusive brands are core to the Clicks growth strategy and accounted for 19.0% of total Clicks sales and 24.7% of front shop sales.

Clicks is committed to offering world class products and brands to consumers. As part of this strategy the group secured an exclusive franchise agreement to launch US-based General Nutrition Corporation (GNC), the largest global specialty health and wellness retailer, into southern Africa.

GNC's international range of vitamins, supplements, sports nutrition and slimming products were available in 64 Clicks stores and two standalone outlets at year-end, and will be expanded in the forthcoming year. GNC has more than 8 400 outlets and franchise operations in 55 countries, and the relationship will support Clicks' organic growth strategy in the health and wellness markets.

In healthcare supply management UPD consolidated its leadership position in wholesale distribution and increased its share of the private pharmaceutical wholesale market from 24.5% to 25.2%. UPD remains the market leader and the country's only full-range national pharmaceutical wholesaler. The business is also a significant operator in the bulk distribution market and manages a portfolio of 19 clients comprising local and international, generic and originator pharma manufacturers.

Record levels of capital expenditure of R337 million have been invested in 2014 to support the group's strategies and growth ambitions. This includes R198 million for new retail stores and pharmacies, and refurbishments, and R89 million for information technology. In UPD R38 million was spent which includes the expansion of the bulk distribution capacity.

The directors believe the group's strategy remains appropriate 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.

Corporate pharmacy ten years on

A decade after legislation was amended to allow for corporate pharmacy ownership in the country, the sector is making an increasing contribution to the national healthcare agenda by making medicine more affordable and more accessible for all South Africans.

The widespread benefits of corporate pharmacy include broadening access to medicines through more extensive pharmacy networks, training of healthcare professionals, financial support to both students and pharmacy schools to build capacity, and a focus on providing affordable generic medicines. Corporate pharmacy currently dispenses a higher proportion of generics than any other sector of the pharmacy industry.

Clicks Group continues to support projects to improve access to medicine, including partnering with the public healthcare sector on several initiatives:

- Government's proposed national health insurance (NHI) scheme plans to provide affordable access to over 42 million South Africans not covered by private health insurance. From the outset of the NHI project we have stressed the critical need for retail pharmacy to be incorporated in public-private partnerships to broaden access. We are pleased to be partnering with the Department of Health in this project, with 65 Clicks pharmacies in nine NHI pilot districts identified as collection points for medicines for state patients.
- Clicks continues to partner with the Department of Health (DoH) in the Western Cape 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 is also one of the partners funding a project in conjunction with TrustaTAG Systems to address security across the drug supply chain. The project is ultimately aimed at allowing public patients to receive medicines at private facilities, as a precursor to the implementation of the NHI.
- Through the Clicks Helping Hands Trust, free clinic services are offered nationally to mothers whose babies were born in state hospitals and do not have medical cover. Free services include baby immunisation, feeding and nutritional advice, and family planning advice and medication.
- As the largest employer of pharmacy staff in the private sector, the group recognises its responsibility to build capacity by addressing the critical shortage of pharmacists. In the past three years Clicks has invested close to R11 million in a bursary scheme to train 260 university students. During this time Clicks has trained close on 700 learners through the in-house Healthcare Academy for pharmacy assistants.
- Clicks Group has also continued its support of the Public Health Enhancement Fund, donating R2.2 million over the past two years. Formed by role players in the broader healthcare industry, the fund aims to address skills shortages and improve access to affordable healthcare.

We also engage with other stakeholders in healthcare to promote a wider role for the pharmacy profession in primary healthcare. Two focus areas for us are a more liberal medicine scheduling regime empowering consumers to care for their own health and an extension of the list of medicines which pharmacists are authorised to prescribe without a doctor's prescription.

Regulatory obstacles limiting access

Regulatory obstacles continue to inhibit access to affordable healthcare in South Africa.

In the 2013 integrated report we commented on the restrictive, and in our view anti-competitive, pharmacy licensing practice where the DoH will not grant a licence if another pharmacy is located within 500 metres. This proximity rule is now being applied to override other licensing criteria and is denying access and affordability, rather than promoting it.

Licensing criteria should be based on the guiding principles of promoting and facilitating access to medicines, the quality and efficacy of pharmacy services and enhancing choice for patients. Our view is that the licensing of premises should therefore consider only good pharmacy practice and population size. Successful international models do not apply the overly burdensome and highly regulated regimes contained in the proposed licensing criteria.

Contentious complementary medicines (CAMS) regulations published in late 2013 met with fierce resistance from the industry amid concerns that the definition of complementary medicines could force many products off the market. The DoH has recognised that the rules contained areas that were “ambiguous, not adequately addressed, had gaps and envisaged difficulties in implementation.” Draft amendments to the regulations have now been published for comment and the group will be engaging with the DoH.

While we support the need to regulate CAMS, this should be achieved without restricting consumer choice or product innovation.

CAMS regulations are also not the highest national healthcare priority given the protracted delays in the registration of generic medicines by the Medicines Control Council (MCC). We believe the MCC can reduce bottlenecks in its registration process by adopting medicine approvals and protocols recognised by other healthcare authorities such as the US Food and Drug Administration.

Investing in our future

Investing in our people and in the development of broader society is critical to support the group’s growth strategy.

Sustained improvement in the group’s empowerment and transformation programme contributed to the BBBEE score increasing to 80.54 (2013: 77.99) on the Department of Trade and Industry scorecard. The group maintained its level 3 BBBEE status, while recording pleasing improvements in the ownership and skills development categories of the scorecard.

Black ownership has been accelerated by the employee share ownership plan (ESOP) introduced in 2011. Through the 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. Over 8 200 employees are now shareholders, with black staff accounting for 86% and 63% women. Dividends totalling R10.2 million have been paid to ESOP participants over the past three years.

Developing our people is critical to our ongoing success. In the past year R53 million was invested in skills development with over 4 400 employees being trained. Further detail is contained in the Social and Ethics Committee Report on pages 46 to 49.

Attracting and retaining pharmacists is one of the material issues facing the group, while the shortage of healthcare professionals is an industry challenge the world over. Ongoing investment in competitive remuneration packages, training and development, working environment, and the recruitment of additional pharmacists’ assistants to support pharmacists has contributed to a reduction in the turnover of pharmacists to 24% from 28% in 2013 and 37% in 2012. Pharmacists also receive a 15% higher share allocation under the ESOP scheme.

Outlook

The current consumer environment is not expected to change significantly in the year ahead.

The businesses will continue to focus on the effective delivery of their strategies. Clicks plans to expand its retail presence by opening 20 – 25 stores and pharmacies. UPD aims to gain further market share in pharmaceutical wholesale.

Management remains confident in the group’s ability to continue to grow market share and generate cash. The board of directors has resolved to reduce the dividend cover to 1.7 times commencing with the 2015 interim dividend. Capital expenditure of R370 million has been committed for 2015, mainly for stores and pharmacies, and IT systems.

Appreciation

Thank you to our chairman, David Nurek, for his decisive leadership of the board, and to our non-executive directors for their support and guidance. To my colleagues on the group executive, management and all our people across the business, thank you for your energy, enthusiasm and commitment.

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

David Kneale
Chief Executive Officer

"In the past year the business remained highly cash-generative, invested record levels of capital expenditure and returned substantial funds to shareholders."

CHIEF FINANCIAL OFFICER'S REPORT

Introduction

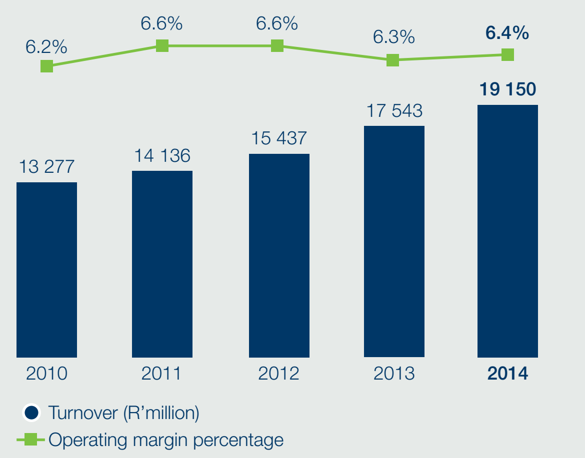
Clicks Group continued to deliver sustained growth in earnings and dividends in 2014 as the business remained highly cash-generative, invested record levels of capital expenditure and returned substantial funds to shareholders.

Diluted headline earnings per share (HEPS) grew by 12.9% to 336.8 cents. The total dividend was increased by 13.1% to 190 cents per share based on a dividend cover ratio of 1.8 times.

The group's sector-leading return on equity increased from 55.5% to 57.0%.

The business again demonstrated its strong cash-generating ability, with R1.5 billion cash inflow from operating activities before dividends paid.

Turnover and margin



Financial performance

The review of the group's financial performance for the year ended 31 August 2014 focuses on the key line items of the statements of comprehensive income and financial position which management consider to have a material impact on performance.

The review should be read in conjunction with the summarised financial statements on pages 23 to 31, and the annual financial statements on the group's website. The Segmental Analysis appears on pages 30 and 31 and the five-year analysis of financial performance is summarised on page 22.

Statement of comprehensive income

Turnover

Group turnover increased by 9.2% to R19.1 billion (2013: R17.5 billion), with selling price inflation being contained at 3.2% for the year.

Turnover in the second half accounted for 51.2% (2013: 51.4%) of total turnover. 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 the healthcare business.

Retail turnover, including Clicks, GNC, The Body Shop and Musica, increased by 8.8%, with comparable store growth of 6.3%. Retail selling price inflation averaged 3.4% for the year.

The Clicks chain increased sales by 9.3% following a stronger second half performance which saw sales grow by 10.6%. This was driven mainly by volume gains through an effective promotional strategy, price competitiveness and new stores. Comparable store sales grew by 6.5% and a net 22 Clicks stores were opened during the year.

The Body Shop posted an improved result in the second six months and increased turnover for the year by 8.5%. Musica grew sales by 1.4% as the brand continued to gain market share in a contracting market.

Dividend cover reduced to

1.7 times

UPD gained market share with turnover growth of 11.1% as well as benefiting from growth in its preferred supply chain partner contracts. Combining the wholesale turnover and notional turnover managed on behalf of distribution agency clients, UPD increased total managed turnover by 10.2% to R12.5 billion.

The Operational Review on pages 32 to 35 provides detail on the trading performance of Clicks and UPD.

Total income

Total income, comprising gross profit and other income, increased by 10.2% to R5.2 billion, with the total income margin up 20 basis points to 27.0%.

The retail total income margin improved by 50 basis points to 33.8%, driven by well-managed promotional campaigns in Clicks as well as continued growth in private label.

Despite pressure from the impact of genericisation, UPD managed to maintain the total income margin at 8.5% as a result of the single exit price (SEP) increase granted during the year.

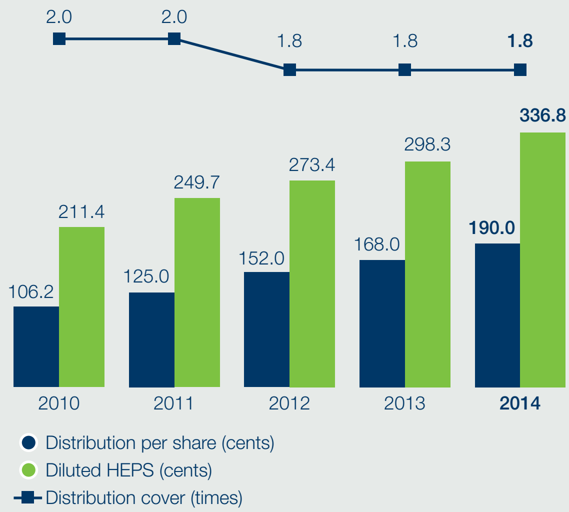
Operating expenditure

In the current low inflationary trading environment the group has continued to focus on cost management, with operating expenses increasing by 10.1%.

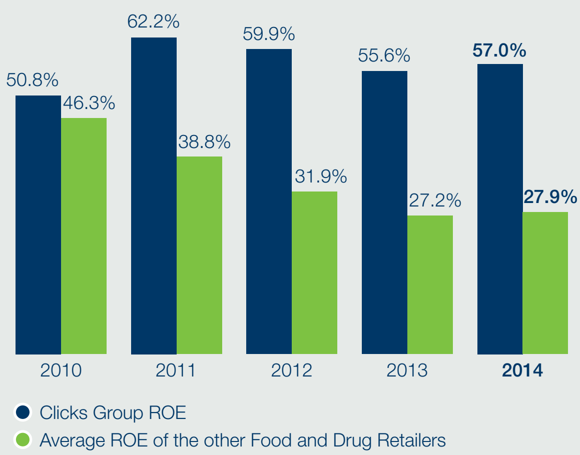
Retail expenses increased by 10.1%, with occupancy costs up 13.1%, showing the effect of the continuing investment in stores. The employment cost increase of 13.9% represents the investment in people, primarily pharmacy staff as well as variable store-based performance remuneration. The investment in pharmacy staff initiated last year is bearing fruit, with pharmacy sales up nearly 13% and the pharmacy staff turnover ratio down to 24%. The focus on tight cost control is evident in other operating costs increasing only 2.5%. Comparable retail cost growth was contained to 5%.

UPD's cost growth of 10.3% was held below turnover growth. Following the investment in the automation of the wholesale operation and the completion of the distribution warehouse extension at Lea Glen, cost growth moderated in the second half to 8.4% in line with management's expectations.

Sustained financial performance



Return on equity



Operating profit
Operating profit increased by 10.3% to R1.2 billion (2012: R1.1 billion), with retail operating profit reaching R1 billion for the first time.

The group operating margin increased by 10 basis points to 6.4%, reflecting the operating leverage achieved in the retail and distribution businesses which both saw double-digit profit growth and improvements in operating margin.

Statement of financial position
Inventory
Group inventory days increased from 59 to 64 days, outside of the medium-term targeted range of 55 to 60 days.

Inventory levels were 17.5% higher at year-end as Clicks focused on increasing product availability and UPD increased stock levels ahead of the anticipated growth in its preferred supply chain partner contract. The implementation of a new demand driven replenishment system for Clicks was completed in July 2014 which integrates both store and distribution centre replenishment. The project has been successfully managed and the quality of inventory is improving.

Cash and capital management
Cash inflow from operations before working capital changes increased by R144 million to R1.5 billion, again demonstrating the cash-generating ability of the group's brands. The group also had a cash inflow of R355 million from working capital changes, mostly related to the timing of the financial year-end.

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:

- A record R337 million in capital expenditure was invested for future growth. This included new stores and dispensaries, store refurbishments and IT systems, as well as an investment of R38 million in UPD which included the extension of the bulk distribution warehouse facility.
- The group returned R714 million to shareholders through dividend payments of R429 million and share buy-backs of R285 million.

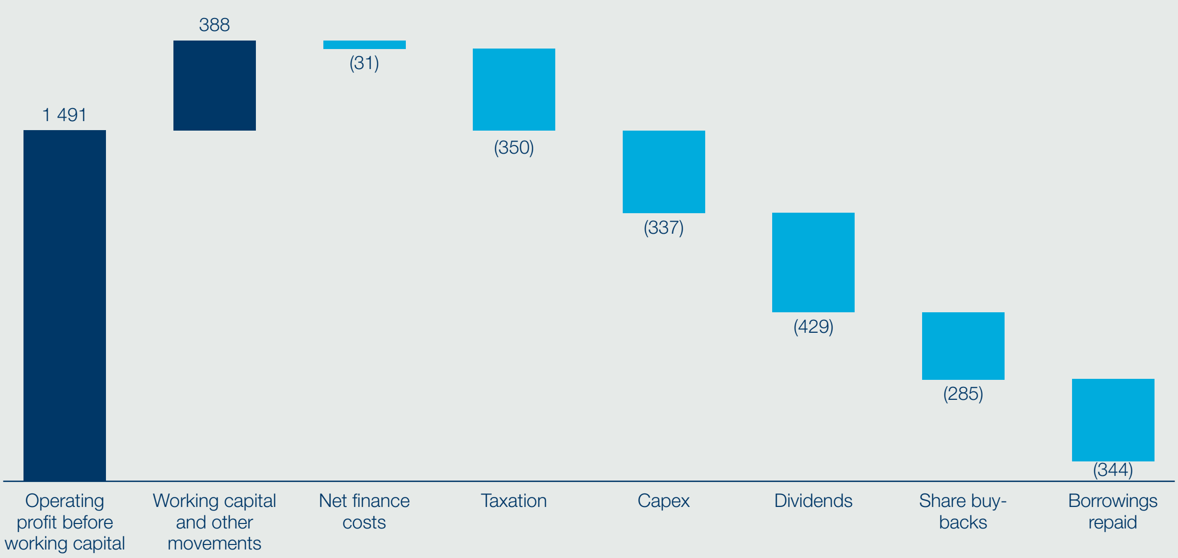
Since the inception of the share buy-back programme in May 2006, the group has acquired R3.0 billion in shares at an average price of R21.53, representing 40.5% of the issued shares at the start of the programme.

The ratio of shareholders' interest to total assets was 25.3% (2013: 25.3%) while the group's debt:equity ratio was 0% (2013: 25%) at year-end, as a result of the repayment of R344 million in borrowings at the end of the year. The average gearing level during the year was at 37%.

Dividends
The total dividend for the financial year was increased by 13.1% to 190 cents per share (2013: 168 cents), based on a dividend cover of 1.8 times HEPS. This comprises the interim dividend of 53.5 cents (2013: 48.5 cents) and a final dividend of 136.5 cents (2013: 119.5 cents). A dividend of 19.0 cents per "A" share (2013: 16.8 cents) was declared for participants in the employee share ownership programme.

The board has reduced the dividend cover to 1.7 times HEPS, or a payout ratio of 59%, commencing with the 2015 interim dividend.

Cash flow analysis
R'million



Integrated reporting

The group's 2013 integrated report was rated in the top 10 companies in the EY Excellence in Integrated Reporting Awards. The awards target the top 100 companies listed on the JSE and are judged by the University of Cape Town's College of Accounting. This is an independent endorsement of the quality of the group's integrated reporting and confirms our commitment to constantly improving disclosure to shareholders.

Financial targets for 2015

The group's medium-term financial targets have been reviewed based on the performance for 2014 and the outlook for the next three years. The target for the distribution segment's operating margin has been lowered from 2.2% – 2.7% to 2.0% – 2.5% to take account of the long-term impact of increasing generic medicine penetration in the South African market.

Management remains confident that the group operating margin target of 6% – 7% is sustainable. The group's medium-term financial targets compare favourably with global health and beauty company benchmarks.

Medium-term financial targets	Performance in 2014	**2015 – 2017 target**
ROE (%)	57.0	**50 – 60**
Shareholders' interest to total assets (%)	25.3	**25 – 30**
Return on total assets (%)	14.4	**14 – 18**
Inventory days	64	**55 – 60**
Operating margin (%)		
Group	6.4	**6.0 – 7.0**
Retail	7.5	**7.0 – 8.0**
Distribution	2.6	**2.0 – 2.5**

Capital expenditure of R370 million is planned for the 2015 financial year. This investment includes R215 million for new stores and dispensaries, refurbishments and relocations; R85 million for IT systems; and R29 million for UPD.

Total trading space is expected to increase by around 5% with the planned opening of between 33 and 38 new stores across all the retail brands. A further five Musica stores will be closed.

The retail business' direct exposure to foreign exchange rate fluctuations impacts 7% to 8% of the cost of sales in retail. Further detail on forward exchange risk management appears on page 46 of the annual financial statements on the group's website.

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 are 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

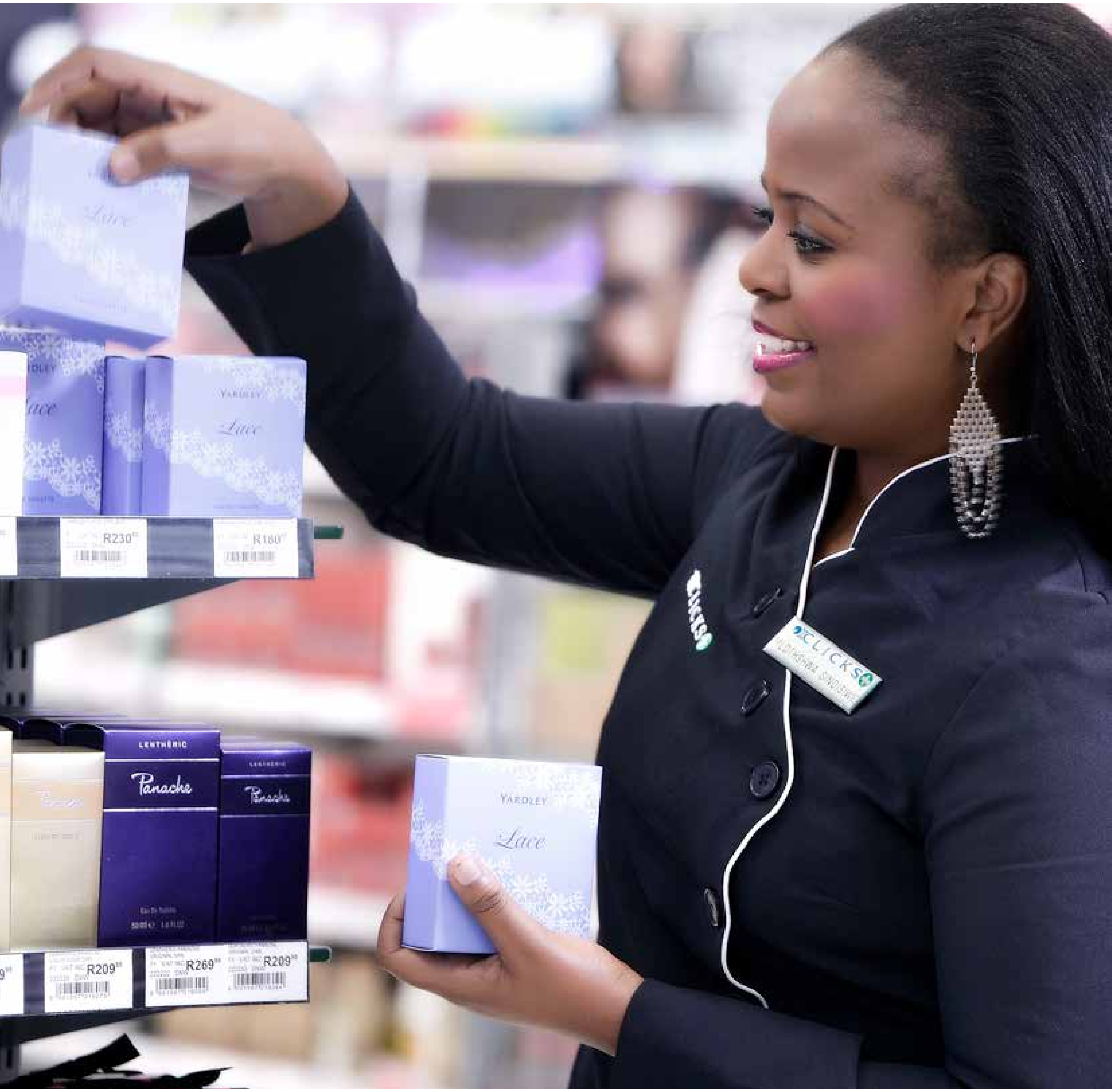
for the year ended 31 August

		5-year compound growth (%)	2014	2013 Restated*	2012 Restated*	2011	2010
Statements of comprehensive income							
Turnover	(Rm)	9.5%	**19 150**	17 543	15 437	14 136	13 277
Operating expenses	(Rm)	10.8%	**(3 954)**	(3 590)	(3 262)	(3 008)	(2 706)
Operating profit	(Rm)	11.4%	**1 218**	1 104	1 012	938	824
Profit before tax	(Rm)	13.3%	**1 207**	1 050	958	898	771
Headline earnings	(Rm)	11.9%	**838**	756	693	655	576
Statements of financial position							
Non-current assets	(Rm)	5.4%	**1 772**	1 602	1 505	1 415	1 384
Trade and other receivables	(Rm)	12.1%	**1 608**	1 508	1 172	999	869
Inventories	(Rm)	12.9%	**2 614**	2 225	2 080	1 802	1 571
Other current assets	(Rm)	(48.0%)	**3**	18	9	21	135
Cash and cash equivalents	(Rm)	(13.8%)	**195**	92	7	18	152
Total assets	(Rm)	8.2%	**6 192**	5 445	4 773	4 255	4 111
Total equity	(Rm)	6.8%	**1 567**	1 377	1 349	965	1 142
Non-current liabilities	(Rm)	0.4%	**286**	252	286	265	280
Current liabilities	(Rm)	9.9%	**4 339**	3 472	2 923	2 650	2 555
Call borrowings	(Rm)	(100.0%)	**–**	344	215	375	134
Total equity and liabilities	(Rm)	8.2%	**6 192**	5 445	4 773	4 255	4 111
Statements of cash flows							
Cash inflow from operating activities before dividends paid	(Rm)	6.7%	**1 464**	1 008	759	677	433
Dividends/distributions paid	(Rm)	17.6%	**429**	394	337	296	245
Capital expenditure	(Rm)	8.5%	**337**	310	256	216	206
Returns and margin performance		5-year average					
Total income margin	(%)	27.2	**27.0**	26.8	27.7	27.9	26.6
Operating margin	(%)	6.4	**6.4**	6.3	6.6	6.6	6.2
Return on assets	(%)	14.8	**14.4**	14.8	15.3	15.7	13.9
Return on shareholders' interest	(%)	57.1	**57.0**	55.5	59.9	62.2	50.8
Inventory days		60	**64**	59	63	60	55
Asset turnover	(times)	3.2	**3.1**	3.2	3.2	3.3	3.2
Return on net assets	(%)	76.9	**85.2**	69.7	69.7	75.0	85.1
Shareholders' interest to total assets	(%)	25.9	**25.3**	25.3	28.2	22.7	27.8
Net debt to equity	(%)	11.3	**(12.5)**	18.3	15.4	37.1	(1.7)
Share performance		5-year compound growth (%)					
Headline earnings per share – basic	(cents per share)	15.3%	**341.7**	302.0	273.5	250.1	212.3
Headline earnings per share – diluted	(cents per share)	15.2%	**336.8**	298.3	273.4	249.7	211.4
Cash equivalent earnings	(cents per share)	16.2%	**433.7**	386.2	362.9	294.3	224.5
Net asset value	(cents per share)	9.7%	**647**	558	533	382	429
Dividends/distributions declared	(cents per share)	17.7%	**190.0**	168.0	152.0	125.0	106.2
Dividend/distribution cover	(times)		**1.8**	1.8	1.8	2.0	2.0
Weighted average number of shares (net of treasury shares)	(000's)		**245 364**	250 297	253 154	262 118	271 073
Weighted average diluted number of shares in issue (net of treasury shares)	(000's)		**248 892**	253 434	253 258	262 515	272 277
Shares repurchased	(Rm)		**285**	354	12	552	322
Shares repurchased	(000's)		**4 620**	6 187	217	13 664	10 674

* 2013 and 2012 results have been restated due to the adoption of IAS 19 (Revised) – Employee Benefits and IFRS 10 – Consolidated Financial Statements.

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

SUMMARY OF THE AUDITED FINANCIAL STATEMENTS



Summary of the audited financial statements for the year ended 31 August 2014

These summarised audited financial statements are a summary of the audited annual financial statements of the group for the year ended 31 August 2014. 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 2014

	Note	2014 R'000	Restated 2013 R'000
Revenue	3	**20 203 300**	18 460 571
Turnover	3	**19 149 524**	17 543 301
Cost of merchandise sold		**(15 026 159)**	(13 760 770)
Gross profit		**4 123 365**	3 782 531
Other income	3	**1 048 279**	911 735
Total income		**5 171 644**	4 694 266
Expenses		**(3 953 943)**	(3 590 481)
Depreciation and amortisation		**(219 871)**	(200 398)
Occupancy costs		**(564 469)**	(500 992)
Employment costs		**(2 033 605)**	(1 790 649)
Other costs		**(1 135 998)**	(1 098 442)
Operating profit		**1 217 701**	1 103 785
Profit/(loss) on disposal of property, plant and equipment		**29 687**	(7 854)
Profit before financing costs		**1 247 388**	1 095 931
Net financing costs		**(40 660)**	(46 369)
Financial income	3	**5 497**	5 535
Financial expense		**(46 157)**	(51 904)
Profit before taxation		**1 206 728**	1 049 562
Income tax expense		**(341 883)**	(298 873)
Total profit for the year		**864 845**	750 689
Other comprehensive (loss)/income:			
Items that will not be subsequently reclassified to profit or loss		**–**	879
Remeasurement of post-employment benefit obligations		**–**	1 221
Deferred tax on remeasurement		**–**	(342)
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign subsidiaries		**(236)**	2 009
Cash flow hedges		**(11 584)**	9 952
Change in fair value of effective portion		**(16 087)**	13 822
Deferred tax on movement of effective portion		**4 503**	(3 870)
Other comprehensive (loss)/income for the year, net of tax		**(11 820)**	12 840
Total comprehensive income for the year		**853 025**	763 529
Profit attributable to:			
Equity holders of the parent		**864 612**	750 292
Non-controlling interest		**233**	397
		864 845	750 689
Total comprehensive income attributable to:			
Equity holders of the parent		**852 792**	763 132
Non-controlling interest		**233**	397
		853 025	763 529
Reconciliation of headline earnings			
Total profit for the period attributable to equity holders of the parent		**864 612**	750 292
Adjusted for:			
(Profit)/loss on disposal of property, plant and equipment		**(26 250)**	5 655
Headline earnings		**838 362**	755 947
Headline earnings per share (cents)			
– basic		**341.7**	302.0
– diluted		**336.8**	298.3
Earnings per share (cents)			
– basic		**352.4**	299.8
– diluted		**347.4**	296.1
Weighted average number of shares in issue (net of treasury shares) ('000)		**245 364**	250 297
Weighted average diluted number of shares in issue (net of treasury shares) ('000)		**248 892**	253 434

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 August 2014

	Note	2014 R'000	Restated 2013 R'000
ASSETS			
Non-current assets		**1 771 636**	1 601 461
Property, plant and equipment		**1 135 007**	1 058 967
Intangible assets		**371 623**	349 018
Goodwill		**103 510**	103 510
Deferred tax assets		**126 335**	59 098
Loans receivable		**12 540**	12 105
Financial assets at fair value through profit or loss		**22 621**	18 763
Current assets		**4 420 621**	3 843 317
Inventories		**2 614 196**	2 225 372
Trade and other receivables		**1 607 659**	1 507 766
Cash and cash equivalents		**195 631**	92 166
Derivative financial assets		**3 135**	18 013
Total assets		**6 192 257**	5 444 778
EQUITY AND LIABILITIES			
Equity		**1 566 973**	1 376 838
Share capital	4	**2 754**	2 976
Share premium		**3 497**	3 497
Treasury shares	4	**(237 863)**	(954 553)
Share option reserve		**135 091**	79 549
Cash flow hedge reserve		**1 958**	13 542
Non-distributable reserves		**1 554**	1 790
Distributable reserve		**1 659 982**	2 229 232
Equity attributable to equity holders of the parent		**1 566 973**	1 376 033
Non-controlling interest		**–**	805
Non-current liabilities		**286 465**	252 305
Employee benefits		**115 336**	91 489
Deferred tax liabilities		**2 782**	9 208
Operating lease liability		**168 347**	151 608
Current liabilities		**4 338 819**	3 815 635
Trade and other payables		**4 041 261**	3 255 567
Employee benefits		**190 494**	148 402
Provisions		**9 882**	6 596
Interest-bearing borrowings		**–**	344 355
Income tax payable		**94 342**	58 605
Derivative financial liabilities		**2 840**	2 110
Total equity and liabilities		**6 192 257**	5 444 778

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2014

	2014 R'000	Restated 2013 R'000
Balance at 1 September	**1 376 838**	1 348 904
Purchase of treasury shares	**(285 146)**	(354 158)
Treasury share cancellation costs	**(3 244)**	–
Disposal of treasury shares	**–**	158
Dividends to shareholders	**(429 277)**	(394 005)
Withholding tax on dividends	**–**	(11 234)
Total comprehensive income for the year	**853 025**	763 529
Share-based payment reserve movement	**55 542**	23 644
Acquisition of non-controlling interest	**(765)**	–
Balance at 31 August	**1 566 973**	1 376 838
Dividend per share (cents)		
Interim paid	**53.5**	48.5
Final declared/paid	**136.5**	119.5
	190.0	168.0

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 August 2014

	2014 R'000	Restated 2013 R'000
Cash effects from operating activities		
Profit before working capital changes	1 490 840	1 346 850
Working capital changes	354 925	25 824
Cash generated by operations	1 845 765	1 372 674
Interest received	5 497	5 124
Interest paid	(36 475)	(41 418)
Taxation paid	(350 204)	(328 647)
Cash inflow from operating activities before dividends paid	1 464 583	1 007 733
Dividends paid to shareholders	(429 277)	(394 005)
Net cash effects from operating activities	1 035 306	613 728
Cash effects from investing activities		
Investment in property, plant and equipment and intangible assets to maintain operations	(81 354)	(103 400)
Investment in property, plant and equipment and intangible assets to expand operations	(255 500)	(206 486)
Proceeds from disposal of property, plant and equipment	38 193	885
(Increase)/decrease in loan receivables	(435)	4 510
Net cash effects from investing activities	(299 096)	(304 491)
Cash effects from financing activities		
Purchase of treasury shares	(285 146)	(354 158)
Share cancellation expenses	(3 244)	–
Proceeds from disposal of treasury shares	–	158
Interest-bearing borrowings (repaid)/raised	(344 355)	129 789
Net cash effects from financing activities	(632 745)	(224 211)
Net increase in cash and cash equivalents	103 465	85 026
Cash and cash equivalents at the beginning of the year	92 166	7 140
Cash and cash equivalents at the end of the year	**195 631**	**92 166**

for the year ended 31 August 2014

1 Basis of preparation

1.1 The information in these summarised audited group consolidated financial statements has been extracted from the group's 2014 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 2013 except for as disclosed below. In terms of IAS 1 – Presentation of Financial Statements, the relevant comparative information has been restated and the effect on the financial statements is as follows:

1.2 The adoption of IAS 19 (Revised) – Employee Benefits has resulted in comparative figures being restated to recognise actuarial gains and losses through other comprehensive income. The impact of this has been to increase employment costs in the year to 31 August 2013 by R1.2 million with a consequent increase in other comprehensive income. The related tax charge of R0.3 million has also been reclassified.

1.3 The adoption of IFRS 10 – Consolidated Financial Statements has resulted in comparative figures being restated in terms of the new definition of control where a structured entity is no longer deemed to be in the group's control.

Previously the group consolidated its insurance cell investment. As a result of the implementation of IFRS 10 the net investment in the insurance cell is treated as a financial asset at fair value through profit or loss.

The impact of the restatement on the statement of comprehensive income for the year ended 31 August 2013 has been to reduce other income by R1.7 million (2012: R1.5 million), to increase net financing costs by R1.2 million (2012: R1.0 million) and to reduce other costs by R2.8 million (2012: R2.5 million). The impact on the statement of financial position as at 31 August 2013 has been to recognise a financial asset at fair value through profit or loss of R18.8 million (2012: R14.8 million), to reduce cash and cash equivalents by R23.4 million (2012: R18.3 million) and to reduce trade and other payables by R4.6 million (2012: R3.5 million).

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.

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 2014.

	2014 R'000	Restated 2013 R'000
3 Revenue		
Turnover	**19 149 524**	17 543 301
Financial income	**5 497**	5 535
Other income	**1 048 279**	911 735
Distribution and logistics fees	**532 800**	526 015
Rental income	**505**	271
Advertising income, cost recoveries and other	**514 974**	385 449
	20 203 300	18 460 571
4 Share capital		
Authorised – group		
600 million (2013: 600 million) ordinary shares of one cent each	**6 000**	6 000
50 million (2013: 50 million) "A" ordinary shares of one cent each	**500**	500
Issued ordinary shares – group		
2014: 246.138 million (2013: 268.323 million) ordinary shares of one cent each and 29.153 million (2013: 29.153 million) "A" ordinary shares of one cent each	**2 754**	2 976

4 Share capital (continued)

	Ordinary shares '000	"A" ordinary shares '000	**2014 '000**	2013 '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	246 138	29 153	**275 291**	297 476
Treasury shares held at the end of the year	(3 878)	(29 153)	**(33 031)**	(50 596)
Net number of shares in issue at the end of the year	242 260	–	**242 260**	246 880

Of the shares in issue, the group holds the following treasury shares:	**2014 R'000**	2013 R'000
Shares held by a subsidiary – 3.708 million (2013: 21.273 million) ordinary shares of one cent each – cost	**236 121**	952 811
Shares held by the New Clicks Holdings Share Trust – 0.170 million (2013: 0.170 million) ordinary shares of one cent each – cost	**1 450**	1 450
Shares held by the Clicks Group Employee Share Ownership Trust – 29.153 million (2013: 29.153 million) "A" ordinary shares of one cent each – cost	**292**	292
	237 863	954 553

22.2 million ordinary shares were cancelled during the current financial year (2013: 7.8 million).

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

	2014	2013
Business unit segmental operating profit	**1 217 701**	1 103 785
Profit/(loss) on disposal of property, plant and equipment	**29 687**	(7 854)
Financial income	**5 497**	5 535
Financial expense	**(46 157)**	(51 904)
Profit before taxation	**1 206 728**	1 049 562

SEGMENTAL ANALYSIS

For the year ended 31 August 2014 R'000		Retail 31 Aug 2014	 31 Aug 2013
Statement of financial position			
Property, plant and equipment		**916 616**	862 958
Intangible assets		**359 985**	337 008
Goodwill		**6 529**	6 529
Inventories		**1 799 242**	1 613 406
Trade and other receivables		**228 074**	249 379
Cash and cash equivalents		**172 117**	120 597
Other assets		**565 371**	502 051
Total assets		**4 047 934**	3 691 928
Employee benefits – non-current		**106 929**	86 638
Operating lease liability		**168 347**	151 608
Trade and other payables		**2 177 223**	1 714 827
Employee benefits – current		**171 598**	128 664
Other liabilities		**671 355**	846 325
Total liabilities		**3 295 452**	2 928 062
Net assets		**752 482**	763 866
Statement of comprehensive income			
Turnover*		**13 369 083**	12 292 106
Gross profit		**3 961 682**	3 623 003
Other income		**551 302**	472 714
Total income		**4 512 984**	4 095 717
Expenses		**(3 512 865)**	(3 189 186)
Operating profit		**1 000 119**	906 531
Ratios			
Increase in turnover	(%)	**8.8**	7.9
Selling price inflation	(%)	**3.4**	3.1
Comparable stores turnover growth	(%)	**6.3**	5.8
Gross profit margin	(%)	**29.6**	29.5
Total income margin	(%)	**33.8**	33.3
Operating expenses as a percentage of turnover	(%)	**26.3**	25.9
Increase in operating expenses	(%)	**10.1**	9.6
Increase in operating profit	(%)	**10.3**	6.3
Operating profit margin	(%)	**7.5**	7.4
Inventory days		**70**	68
Trade debtor days		**7**	9
Trade creditor days		**51**	51
Number of stores		**632**	607
as at 31 August 2013/2012		**607**	595
opened		**35**	30
closed		**(10)**	(18)
Number of pharmacies		**339**	331
as at 31 August 2013/2012		**331**	306
new/converted		**18**	26
closed		**(10)**	(1)
Total leased area	(m^2)	**327 582**	313 193
Weighted retail trading area	(m^2)	**251 730**	242 070
Weighted annual sales per m^2	(R)	**53 038**	50 760
Number of permanent employees		**8 089**	7 868

* The intragroup turnover elimination for the year comprises R2 765.0 million (2013: R2 454.5 million) of sales from Distribution to Retail and R17.7 million (2013: R4.6 million) of sales from Retail to Distribution.

Distribution		Intragroup elimination		Total operations	
31 Aug 2014	31 Aug 2013	**31 Aug 2014**	31 Aug 2013	**31 Aug 2014**	31 Aug 2013
218 391	196 009	**–**	–	**1 135 007**	1 058 967
11 638	12 010	**–**	–	**371 623**	349 018
96 981	96 981	**–**	–	**103 510**	103 510
825 163	618 797	**(10 209)**	(6 831)	**2 614 196**	2 225 372
1 752 422	1 587 825	**(372 837)**	(329 438)	**1 607 659**	1 507 766
23 514	44 214	**–**	(72 645)	**195 631**	92 166
564 138	358 942	**(964 878)**	(753 014)	**164 631**	107 979
3 492 247	2 914 778	**(1 347 924)**	(1 161 928)	**6 192 257**	5 444 778
8 407	4 851	**–**	–	**115 336**	91 489
–	–	**–**	–	**168 347**	151 608
2 236 853	1 872 366	**(372 815)**	(331 626)	**4 041 261**	3 255 567
18 896	19 738	**–**	–	**190 494**	148 402
403 391	398 020	**(964 900)**	(823 471)	**109 846**	420 874
2 667 547	2 294 975	**(1 337 715)**	(1 155 097)	**4 625 284**	4 067 940
824 700	619 803	**(10 209)**	(6 831)	**1 566 973**	1 376 838
8 563 104	7 710 270	**(2 782 663)**	(2 459 075)	**19 149 524**	17 543 301
165 061	157 221	**(3 378)**	2 307	**4 123 365**	3 782 531
563 582	497 921	**(66 605)**	(58 900)	**1 048 279**	911 735
728 643	655 142	**(69 983)**	(56 593)	**5 171 644**	4 694 266
(507 683)	(460 195)	**66 605**	58 900	**(3 953 943)**	(3 590 481)
220 960	194 947	**(3 378)**	2 307	**1 217 701**	1 103 785
11.1	22.8	**13.2**	10.0	**9.2**	13.6
3.0	1.8	**–**	–	**3.2**	2.6
–	–	**–**	–	**6.3**	5.8
1.9	2.0	**–**	–	**21.5**	21.6
8.5	8.5	**–**	–	**27.0**	26.8
5.9	6.0	**–**	–	**20.6**	20.5
10.3	14.3	**–**	–	**10.1**	10.1
13.3	24.2	**–**	–	**10.3**	9.1
2.6	2.5	**–**	–	**6.4**	6.3
36	30	**–**	–	**64**	59
60	62	**–**	–	**44**	48
79	72	**–**	–	**68**	64
–	–	**–**	–	**632**	607
–	–	**–**	–	**607**	595
–	–	**–**	–	**35**	30
–	–	**–**	–	**(10)**	(18)
–	–	**–**	–	**339**	331
–	–	**–**	–	**331**	306
–	–	**–**	–	**18**	26
–	–	**–**	–	**(10)**	(1)
–	–	**–**	–	**327 582**	313 193
–	–	**–**	–	**251 730**	242 070
–	–	**–**	–	**53 038**	50 760
536	517	**–**	–	**8 625**	8 385

"Clicks ClubCard is aimed at driving customer loyalty and increasing frequency of shopping. Active members increased by 15% to 4.7 million."

OPERATIONAL REVIEW

Sales performance

Clicks continued to pursue its strategy of pre-eminence in health and beauty retailing as the focus on value, range, customer care, convenience and rewards led to the brand again being rated as the country's number one health and beauty retailer.

Sales increased by 9.3% to R12.3 billion following a stronger second half performance in which sales grew by 10.6%. Growth has been driven mainly by volume gains through a focus on fewer, bigger and more effective promotions, and price competitiveness in the current constrained consumer spending environment. Comparable store sales for the year increased by 6.5% with real volume growth of 3.4% as selling price inflation was contained at 3.1%. The financial performance of Clicks is covered in the Chief Financial Officer's Report on pages 18 to 21.

Pharmacy delivered strong growth and increased sales by 12.9%, contributing to the Clicks retail pharmacy market share growing to 18.3% (2013: 17.6%). The increasing use of lower-cost generic medicines and the growing trend to self-medication have continued. Sales of generic medicines increased by 18.9% and accounted for 43% of pharmacy sales, while over-the-counter medicines, which do not require a prescription, grew by 17.3%. These trends are expected to continue as both medical aids and customers seek to contain rising healthcare costs.

Sales performance	% change	% contribution
Pharmacy	**12.9**	**26.8**
Front shop health	**12.8**	**22.5**
Beauty and personal care	**8.5**	**32.1**
General merchandise	**2.2**	**18.6**
Total turnover	**9.3**	**100.0**

Front shop health sales rose by 12.8%. Within this category front shop medicines and chemist goods increased by 12.1% and benefited from broader ranges and the additional store space allocated to these categories. Vitamins and supplements, which are more discretionary healthcare products, grew by a slower 7.8%. Baby products continue to be the fastest growing category in Clicks and lifted sales by 20.1%. Market share increased by 90 basis points to 9.7%. Baby merchandise is a major focus as Clicks expands its dispensary and clinic services offering.

Market share (%)	2014	2013
Health		
Retail pharmacy*	**18.3**	17.6
Front shop health**	**29.2**	29.2
Baby**	**9.7**	8.8
Beauty and personal care		
Skincare**	**26.0**	26.5
Haircare**	**25.1**	25.2
General merchandise		
Small household appliances***	**18.6**	18.1

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

Beauty and personal care remain highly competitive markets where consumers are most responsive to promotions and product innovation. A focused promotional strategy and new product launches have benefited the key sub-categories of colour cosmetics and fragrance which both grew by double digits in the second half of the year. Growth in skincare at 8.8% and haircare at 4.1% were slower owing to a lack of product innovation.

General merchandise, with the most discretionary product offering, grew sales by 2.2%. Certain product categories no longer have a natural fit with the Clicks brand's health, beauty and wellness positioning. Sales in these long-term non-core categories declined by 9.5% as store space was reduced. The core categories of kitchenware (up 13.0%), confectionery (up 5.2%) and electrical (up 8.1%) performed well, with Clicks increasing its leading market share of small household appliances to 18.6%.

24.7%
of front shop sales from private label

75.7%
of sales from Clicks ClubCard members

Competitive and differentiated offer

Private label products and exclusive brands enhance margin and loyalty, and ensure that customers are offered differentiated ranges at competitive prices. Sales of private label increased to 19.0% (2013: 18.5%) of total sales in Clicks, and 24.7% of front shop sales. Clicks stocks the best selling ranges of The Body Shop and GNC's ranges of vitamins, supplements, sports nutrition and slimming products. Private label and exclusive brand sales are targeted to reach 25% of front shop sales in 2015.

Driving customer loyalty

Clicks ClubCard is aimed at driving customer loyalty and increasing frequency of shopping. Active membership increased by 15% or over 600 000 to reach 4.7 million at year-end. The loyalty programme accounted for 75.7% of sales in Clicks, with 56.7 million transactions. The average basket value of ClubCard members remains double that of non-ClubCard members.

During the year R240 million was returned to customers in cash-back vouchers, bringing the total paid back over the past five years to R1.1 billion.

ClubCard membership is planned to increase to 5 million in the new financial year.

Clicks was again independently rated as the leading health and beauty retailer in The Times/Sowetan Retail Awards for 2014, conducted in partnership with TNS South Africa. Clicks was ranked third in the retail grand prix category among all retail chains in the country.

Growing the retail footprint

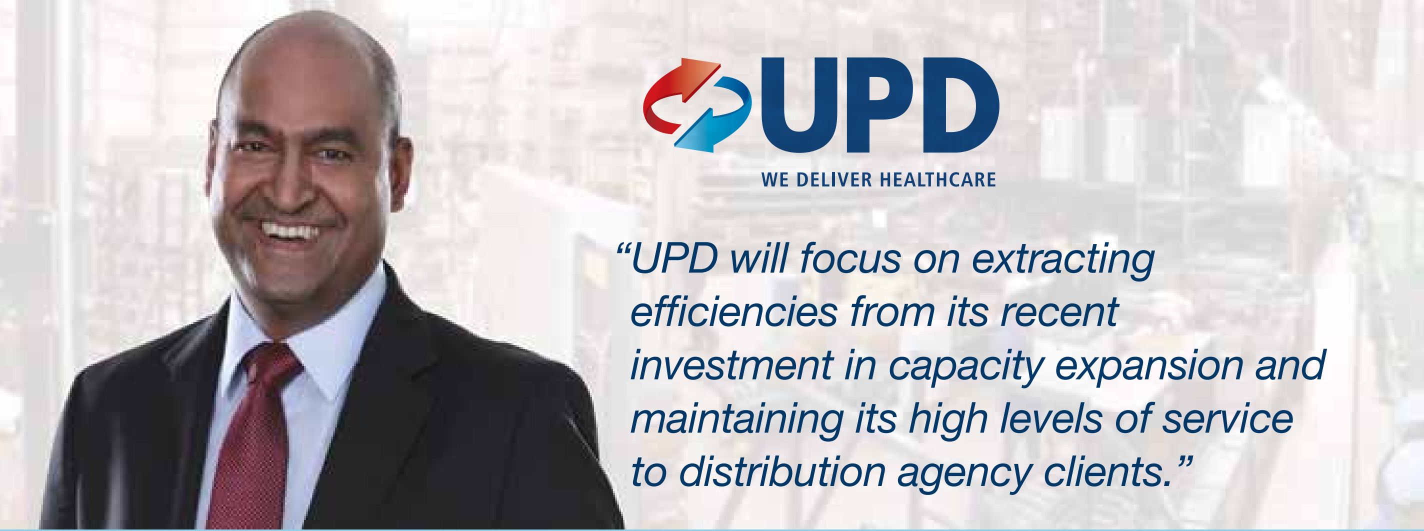
Convenience is a key pillar of the Clicks brand and the store footprint was expanded to 464 following the opening of a net 22 stores. This includes 17 stores in the neighbouring countries of Namibia, Swaziland, Botswana and Lesotho. A further 33 stores across the chain were extended or revamped.

As the largest retail pharmacy chain in the country, Clicks has grown its network of in-store dispensaries to 339 since entering the corporate pharmacy arena in 2004. A net eight new pharmacies were opened during the year. Primary care clinics in pharmacies are an integral part of the healthcare offering to customers and a driver of pharmacy foot traffic. The number of clinics was increased by 17 to 139 and a further 19 clinics are expected to be opened in the new financial year.

Clicks aims to open 20 to 25 new stores and pharmacies in 2015. The vision remains to incorporate a pharmacy into every Clicks store, highlighting the continued organic growth opportunity as only 75% of the stores in South Africa currently include a pharmacy.

Management's objectives are to expand the Clicks store base to 600 over the next five to seven years and to grow retail pharmacy market share to 30%.

Keith Warburton
Chief Operating Officer



"UPD will focus on extracting efficiencies from its recent investment in capacity expansion and maintaining its high levels of service to distribution agency clients."

OPERATIONAL REVIEW

Sales performance	% change	% contri-bution
Clicks	12.8	32.3
Hospitals	10.6	25.6
Independent pharmacy	(0.6)	16.0
Other channels	17.7	26.1
Total turnover	11.1	100.0

UPD continued to gain momentum during the year with double-digit turnover growth in a market growing in low single digits. Turnover for the year grew by 11.1% while volumes increased by 9.0%, driven by the faster growth of lower-value generic medicines at 19.6%. Originator products grew by 6.7%, with overall scheduled medicines up 12.0%.

Total managed turnover, combining the wholesale turnover with the notional turnover managed on behalf of distribution agency clients, increased by 10.2% to R12.5 billion.

Inflation averaged only 3.0% despite an increase of a maximum of 5.8% being allowed in the regulated single exit price (SEP) of medicines for the year. UPD's financial performance is covered in the Chief Financial Officer's Report on pages 18 to 21.

Growth ahead of the market resulted in UPD increasing its wholesale market share by 70 basis points to 25.2%.

The business continued to face margin pressure from the growth in generics, which now account for 42% (2013: 37%) of medicines. The increasing penetration in generics is expected to continue and UPD is therefore focused on constantly creating efficiencies which included completing the automation of the wholesale warehouse at Lea Glen during the year.

Clicks remains UPD's largest single customer, with sales to Clicks in-store dispensaries increasing by 12.8%. Sales to the private hospital groups, including Life Healthcare, Mediclinic and Netcare, grew by 10.6%.

Sales to independent pharmacies declined by 0.6%. Despite the contraction in this sector in recent years, UPD still services over 1 300 independent pharmacies.

UPD's growth of 17.7% in its other channels was driven by preferred supply chain partner contracts.

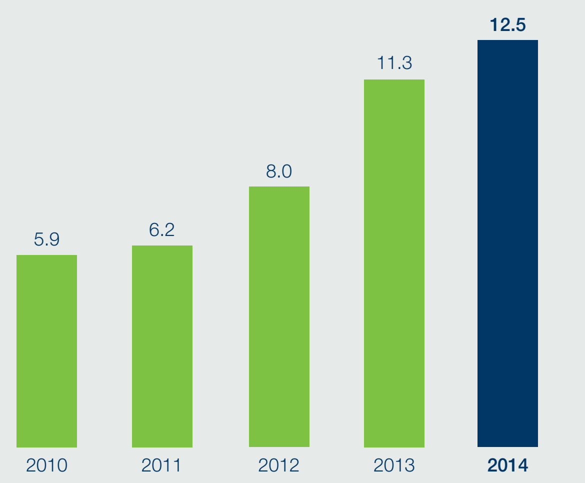
Product availability, which is core to UPD offering superior range and service to customers, was consistent with the previous year at 93%.

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

The business manages a portfolio of 19 distribution clients comprising local and international, generic and originator pharma manufacturers. Growth in notional turnover of the bulk distribution business was limited by capacity constraints and consequently only showed marginal growth to R3.9 billion in 2014.

UPD total managed turnover

R'billion



UPD market share increased to

25.2%

The expansion of the Lea Glen distribution facility was completed in the second half of the year, increasing distribution capacity by 50%.

UPD faced significant operational changes during the year related to the expansion of the distribution facility. This included the closure of a temporary warehouse facility and the relocation of Clicks Direct Medicines to the newly expanded Lea Glen facility. This will allow the business to extract efficiencies and reduce operating costs in the year ahead.

UPD has secured land in Port Elizabeth for the building of a new distribution centre during 2015. On the completion of this facility the five distribution centres in South Africa will be owned by UPD.

In the year ahead UPD aims to grow business with Clicks and maintain volumes with the private hospital groups. Good growth is expected from the preferred supply partner contracts.

The medium-term operating margin target for UPD has been revised to a range of 2.0% – 2.5% for 2015 – 2017 to take account of the increasing generic penetration in the local market.

UPD will focus on extracting efficiencies from its recent investment in capacity expansion and maintaining its 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

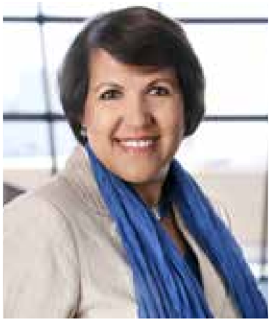
BOARD OF DIRECTORS

David Nurek (64)
Independent non-executive chairman
Dip Law, Grad Dip Company Law

Chairman of the social and ethics committee and 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 (52)
Independent non-executive director
B Econ (Hons) (cum laude), M Com and D Com

Chairperson of the remuneration and nominations committee and 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, The Foschini Group and Marsh.

John Bester (68)
Independent non-executive director
B Com (Hons), CA (SA), CMS (Oxon)

Chairman 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 33 years, holding a number of financial directorships during this time. He is non-executive chairman of Ascendis Health and a non-executive director of Personal Trust International, Business Connexion Group, 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 (51)
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 (47)
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, 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 (54)

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 (60)

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 (61)

Independent non-executive director

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

Member of the audit and risk committee and the social and ethics committee

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, a trustee of the University of Limpopo Trust and a founding member and chairman of Phodiso Holdings, a healthcare investment company.

Martin Rosen (64)

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.

Keith Warburton (56)

Chief operating officer: Clicks

B Com, CTA, CA (SA)

Appointed as a director in February 2014

Keith previously served as an executive director and chief financial officer of the Clicks Group for over five years. He resigned from the group in March 2011 to take a break from the corporate environment and rejoined in May 2013 as the chief operating officer of the Clicks chain. He has extensive experience in the retail sector. He was previously financial director of Metro Cash and Carry, deputy managing director of Score Supermarkets, financial director of Truworths and chief operating officer of HomeChoice Holdings.

CORPORATE GOVERNANCE REPORT

Clicks Group aims to achieve high standards of corporate governance and adopts stringent compliance with legislation, regulation and voluntary codes to ensure the sustainability of the business.

Governance processes are regularly reviewed to align with legislative and regulatory changes and to reflect best practice.

The group has applied the principles of the King Code of Governance Principles 2009 (King III) throughout the financial year and elected to explain the principles that are not applied. The directors confirm that the group has in all material respects applied the recommendations of King III and elected to explain Principle 9.3 which was not fully applied during 2014. Details of the group's application of each King III principle is available on the website.

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

Board of directors

Board composition

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

Keith Warburton, the chief operating officer of Clicks, was appointed as an executive director with effect from 18 February 2014.

The board elected the chairman after the annual general meeting (AGM) in January 2014 and will continue to follow this practice after the AGM each year.

Biographical details of the directors appear on pages 36 and 37.

Board appointment

Directors do not have a fixed term of appointment. In accordance with the company's memorandum of incorporation 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.

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

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

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 17 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.

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 four executive directors and the managing executive of UPD. The board is apprised of progress through reporting at board meetings and regular communications with management.

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 and is satisfied that he 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 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.

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

Following engagement with the JSE the board resolved that, with effect from February 2014, the remuneration and nominations committee will continue to operate as a combined committee, with the chairman of the board chairing the nominations agenda items, and the appointed committee chairperson chairing remuneration agenda items. This rotation in roles meets the requirements of both King III and the JSE Listings Requirements.

Board and committee meetings	Board	Audit and risk	Remuneration and nominations	Social and ethics
Number of meetings	**4**	**4**	**3**	**2**
David Nurek	**4+**		**3^**	**2+**
Fatima Abrahams	**4**		**3^^+**	**2**
John Bester	**4**	**4+**	**3**	
Bertina Engelbrecht	**4**			**2**
Michael Fleming	**4**			
Fatima Jakoet	**3**	**4**		
David Kneale	**4**			**2**
Nkaki Matlala	**4**	**4**		**2**
Martin Rosen	**4**		**3**	
Keith Warburton*	**3/3**			
Meeting attendance (%) 2014	**97**	**100**	**100**	**100**
Meeting attendance (%) 2013	100	100	100	80

\+ Chair.
^ Chairs nominations agenda items.
^^ Chairs remuneration agenda items.
* Appointed as an executive director 18 February 2014.

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 pages 51 and 52. The expanded Corporate Governance Report on the website includes commentary on risk management, information technology governance, legislative and regulatory compliance, ethics and values, and the group's approach to anti-competitive conduct.

REMUNERATION REPORT

Remuneration policy

The group's remuneration philosophy is premised on the total rewards strategy which integrates the five key elements of compensation, benefits, performance and recognition, talent development and work-life integration that attract, motivate and retain the human capital necessary to deliver the group's long-term interests.

This philosophy is aimed at driving a high-performance culture that delivers sustainable returns to shareholders, through employees who are motivated and committed, underpinned by equitable reward and recognition mechanisms.

The remuneration policy supports the attraction, development and retention of employees who contribute to sustained business growth. The policy is transparent with a pay framework that clearly differentiates between occupational levels of work and pay grades that facilitate remuneration benchmarking for each job within a skill pool. The reward principles of market competitiveness, internal equity and pay for performance are entrenched in the policy.

The remuneration mix includes a combination of monetary and non-monetary rewards provided to employees in exchange for their time, efforts, talent and performance at an individual, team and company level. Monetary rewards include annual guaranteed pay, variable pay such as short and long-term incentives that are contingent upon performance to agreed targets, as well as other benefits. Non-monetary rewards are less tangible and range from formal and informal recognition programmes, training and job rotation opportunities and exposure to stimulating work assignments, all of which are designed to motivate, affiliate and retain employees.

Pay levels are set with reference to benchmarked national and retail market data; premiums are paid for scarce and critical skills such as pharmacy, buying and planning, and IT skills based on such market data; 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 range of increase percentages per performance rating is applied consistently across the group, including to the executive directors. The annual increase for an employee in the bargaining unit is based on a collective bargaining process (refer to the section on Management and staff on page 42).

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 of the job based on the Hay job evaluation methodology;
- the nature of the job 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 talent positioning.

Benchmarking

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

External compensation and benefit consultants conduct an independent review of the group's pay policy outcomes and practices, and advise the group, including the remuneration and nominations committee, on best pay practices, competitive positioning and benchmarking.

The group's benchmarking and market information is based on independent surveys, including the PricewaterhouseCoopers Remchannel, Hay Group, Deloitte Execeval and 21st Century surveys. The group also participates in an annual benchmarking exercise aimed at ensuring the maintenance of a competitive remuneration position in respect of pharmacists and pharmacy managers.

Remuneration governance

The remuneration and nominations committee, operating under the authority delegated to it by the board, is responsible for overseeing the establishment and maintenance of the group's remuneration policy, policy outcomes and pay practices. The committee assists the board in ensuring the group has a competitive remuneration policy and governance framework which is aligned with the group's strategic and organisational performance objectives. As recommended by King III, the committee comprises independent non-executive directors, chaired by Professor Fatima Abrahams and also includes John Bester, David Nurek and Martin Rosen. The chief executive officer and the group human resources director attend committee meetings by invitation to provide input 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.

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 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 appropriately 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 2014 and was approved by 99.1% (2013: 99.3%) of the votes cast. The policy is proposed to shareholders annually.

The remuneration paid to directors is disclosed on pages 43 to 45. The group's four prescribed officers in terms of the Companies Act are all executive directors and their remuneration is, in accordance with the King III requirements, fully disclosed in this report.

Executive directors' remuneration

The remuneration of executive directors consists of three components:

- 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 schemes.

The remuneration of executive directors is aligned to the achievement of the group's published medium-term financial and operating targets (refer to page 9). A significant portion of remuneration is variable and designed to incentivise executive directors' performance and ensure alignment of their interests with those of shareholders. 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 the 11 listed retail 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 sustainability of the group's business is critical in determining remuneration and the board is satisfied that the performance targets do not encourage increased risk-taking by the executives.

The 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 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 and applied consistently across the group.

Short-term incentive 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 published medium-term financial targets. The incentive scheme is designed to encourage all employees to focus on both financial and non-financial levers across financial, customer, learning and growth as well as internal business process improvement metrics.

The achievement of targets is reviewed by the 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 committee.

Executive directors participate in the cash-settled long-term incentive schemes which are detailed on pages 42 and 43.

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 5.6% (2013: 5.9%) 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 two-year wage agreement was concluded in terms of which an annual salary increase of 8.04% for 2014 and 8.1% for 2015 was granted to all staff in the bargaining unit. Trade union membership comprises 30% of the total group employees (2013: 29%). The employees in the bargaining unit also participate in the group's short-term incentive schemes.

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. Executive directors and senior employees who participate in the group's long-term incentive schemes do not also participate in the ESOP.

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 8 536 employees, with black staff receiving 86% and women 63% of the shares. Pharmacists comprise 5% of the ESOP beneficiaries. A dividend of R4.3 million (2013: R3.1 million) was paid to 7 161 (2013: 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.

Group retention scheme

The group retention scheme is aimed at retaining 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 the scheme's participants.

The scheme targets high-potential employees, black staff and employees with scarce and critical skills. There are currently 45 employees participating in the scheme, of which 31% are black and 44% are women. The candidates recommended for inclusion in the retention scheme are reviewed and approved by the committee, which also approves all payments made under the scheme. During the financial year R5.9 million (2013: R2.7 million) was paid out to participants in the retention 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 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.

The group, Clicks, UPD and Musica achieved the short-term targets for their business units and R60.9 million will be paid in accordance with the scheme rules (2013: R19.2 million).

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. As a result of the impact of the scheme in driving the delivery of the operational targets, it was extended to the Clicks stores in 2014 to positive effect. The scheme paid out R9.5 million to Clicks stores staff, R1.2 million to Musica staff and R87 000 to The Body Shop staff.

Long-term incentive schemes

Long-term incentive (LTI) schemes are aimed at aligning executive remuneration with shareholder interests by rewarding executives for the creation of shareholder value over the medium term. Participation in the long-term incentive schemes is limited to senior executives.

The LTI schemes are regularly reviewed and enhanced to align with evolving best practice, based on consultation with major shareholders.

Three LTI schemes are currently operating concurrently:

2012 to 2015 LTI scheme

Appreciation units are allocated to participants in the scheme based on a multiple of the annual guaranteed pay. The base value for each appreciation unit is calculated 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 published 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.

Participants 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 period.

2013 to 2016 LTI scheme

This scheme operates in the same way as the 2012 to 2015 scheme described above and was enhanced following engagement with shareholders to further align executive and shareholder interests by implementing performance hurdles. These performance hurdles are as follows:

Diluted headline earnings per share

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%

2014 to 2017 LTI scheme

Based on further feedback from shareholders the LTI scheme was amended to strengthen the alignment between executive and long-term investor interests by exposing participants to market volatility, in addition to the earnings performance metric applied in the other LTI schemes.

Appreciation units are now apportioned equally between two performance components: (1) diluted HEPS, as applied in the 2013 to 2016 scheme above; and (2) total shareholder return (TSR) over a three-year period. The TSR units are also subject to the following performance hurdles:

Total shareholder return

Performance hurdle (based on three-year CAGR in TSR)	Percentage of LTI payout
Below 10%	Unit allocation forfeited
Above 15%	Unit allocation increased by 50%
Above 20%	Unit allocation increased by 100%

TSR is defined as "the overall return to shareholders which is equal to the 20-day volume weighted average price (VWAP) appreciation of a Clicks Group Limited share plus dividend payments reinvested over the three-year performance period divided by the VWAP of a Clicks Group Limited share at the commencement of the three-year performance period, expressed as a percentage".

The remuneration multiple used to determine the number of appreciation units granted is unchanged from previous schemes.

A cap has been introduced to limit the value payable at the end of the three-year performance period to no more than five times the annual guaranteed pay of participants in the scheme.

The requirement for scheme participants to purchase shares with the proceeds does not apply to this scheme.

Currently 16 (2013: 17) executives participate in the schemes. The appreciation units allocated to executive directors under the three schemes is detailed in the table below. The relevant amounts have been expensed through the statement of comprehensive income.

	2012 – 2015 scheme	2013 – 2016 scheme	2014 – 2017 scheme	
	HEPS units allocated at R32.81 per unit	HEPS units allocated at R35.83 per unit	HEPS units allocated at R40.42 per unit	TSR units allocated at R66.34 per unit
Bertina Engelbrecht	304 785	307 005	145 967	88 936
Michael Fleming	475 465	466 090	221 178	134 760
David Kneale	1 257 239	1 243 371	597 476	364 034
Keith Warburton*		418 644	198 664	121 043

* Appointed as an executive director on 18 February 2014.

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 across the funds, including pensioners, was 8 893 (2013: 8 351) at year-end.

Medical aid

At year-end 1 054 (2013: 842) employees were principal members with Horizon and 662 (2013: 708) employees were principal members of a Discovery Health medical aid scheme. In response to the need for pharmacists to retain membership of their professional medical aid scheme, Profmed was added and at year-end the number of principal members totalled 43. Medical aid membership is encouraged in the group's non-South African operations and membership of other medical aids at year-end totalled 59. This equates to 21.1% (2013: 19%) of permanent full-time employees being members of a medical aid scheme.

Directors' remuneration

Executive directors' remuneration

Director (R'000)	Salary	RONA short-term incentive	Performance-based long-term incentive**	Pension fund	Other benefits	Total
2014						
Bertina Engelbrecht	**2 405**	**1 100**	**3 185**	**345**	**–**	**7 035**
Michael Fleming	**3 593**	**1 670**	**5 181**	**524**	**57**	**11 025**
David Kneale	**6 491**	**4 455**	**13 461**	**933**	**2**	**25 342**
Keith Warburton*	**1 827**	**1 500**	**n/a**	**157**	**32**	**3 516**
Total	**14 316**	**8 725**	**21 827**	**1 959**	**91**	**46 918**
2013						
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

* Appointed as an executive director on 18 February 2014, with remuneration disclosed from this date.

** 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)	2014 Directors' fees	2013 Directors' fees
David Nurek	**798**	740
Fatima Abrahams[1]	**337**	310
John Bester	**437**	407
Fatima Jakoet	**297**	275
Nkaki Matlala	**344**	319
Martin Rosen	**236**	213
Total	**2 449**	2 264

[1] The fees paid to Professor Abrahams include an amount of R18 082 (2013: R16 464) for performing the role of chairperson of The Clicks Group Employee Share Ownership Trust.

Total directors' remuneration

R'000	2014	2013
Executive directors (including the long-term incentive scheme)	**46 918**	37 281
Non-executive directors	**2 449**	2 264
Total directors' remuneration	**49 367**	39 545

Directors' shareholdings at 31 August

	2014 Beneficial shares			2013 Beneficial shares		
Director	**Direct**	**Indirect**	**Total**	Direct	Indirect	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	**85 560**	**–**	**85 560**	76 522	–	76 522
Michael Fleming	**14 844**	**–**	**14 844**	–	–	–
David Kneale	**285 974**	**–**	**285 974**	248 122	–	248 122
Martin Rosen	**–**	**2 000**	**2 000**	–	2 000	2 000
Total	**398 378**	**252 000**	**650 378**	336 644	252 000	588 644

The total number of ordinary shares in issue is 246 137 763 (2013: 268 323 498). The percentage of issued share capital held by directors is 0.26% (2013: 0.22%). 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. The non-executive fee structure is benchmarked annually with reference to a retail comparator group of 11 listed retail companies; the PricewaterhouseCoopers non-executive directors' 2014 practice and fees trends report; and the Institute of Directors' non-executive directors' fees guide.

Fees are paid for a calendar year. The fees have been adjusted for the 2015 calendar year and are subject to approval by shareholders at the AGM in January 2015. The proposed total fees for non-executive directors for the 2015 calendar year represents an increase of 9.5% 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.

	2015*			
Board position	Proposed total fees R	Proposed base fee R	Proposed meeting fee R	2014* Total fee R
Board chairman**	905 000	678 750	226 250	820 000
Board member	210 000	157 500	52 500	190 000
Chair: Audit and risk committee	220 000	165 000	55 000	205 000
Member: Audit and risk committee	125 000	93 750	31 250	116 000
Chair: Remuneration and nominations committee	96 000	72 000	24 000	90 000
Member: Remuneration and nominations committee	57 750	43 312	14 438	54 000
Chair: Social and ethics committee	n/a	n/a	n/a	n/a
Member: Social and ethics committee	51 200	38 400	12 800	48 000

* Fees relate to the calendar year.
** The total 2014 fee and proposed 2015 fee for the board chairman is inclusive of all committee memberships.

Maintained
level 3
BBBEE status

SOCIAL AND ETHICS COMMITTEE REPORT

The Clicks Group's social and ethics committee is constituted as a formal committee of the board 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.

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, 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. David Nurek is a highly experienced company director and former legal professional; Professor Fatima Abrahams is an accomplished academic in the field of industrial psychology and consults widely on human resources and transformation; and Dr Nkaki Matlala is a senior executive within the private healthcare sector and a representative on the Public Health Enhancement Fund.

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

Biographical details of the committee members appear on pages 36 and 37. Fees paid to the committee members for 2014 and the proposed fees for 2015 are disclosed in the Remuneration Report on page 45.

Activities of the committee

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

- monitored progress against transformation targets across all areas of strategic empowerment;
- monitored progress against its socio-economic development aspirations 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 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 did not qualify for inclusion in the JSE SRI Index as some elements in the area of environmental management systems were not disclosed publicly.

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 is committed to the spirit of 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.

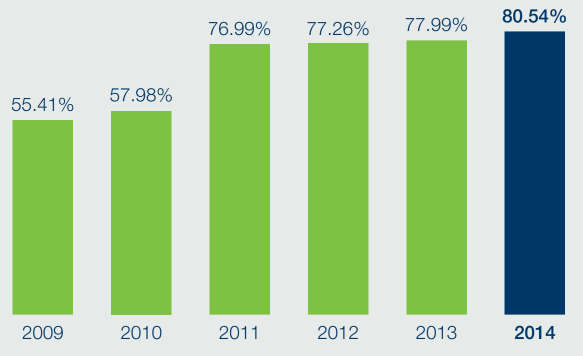
The group maintained its level 3 BBBEE rating in the 2014 financial year and achieved 80.54 overall points (2013: 77.99) on the DTI generic scorecard.

BBBEE element	Maxi-mum points	2014	2014 target	2013
Ownership	20	**15.64**	12.00	12.58
Management control	10	**8.83**	7.97	8.88
Employment equity	15	**10.46**	10.00	10.38
Skills development	15	**11.43**	15.00	10.74
Preferential procurement	20	**14.19**	14.00	15.41
Enterprise development	15	**15.00**	15.00	15.00
Socio-economic development	5	**5.00**	5.00	5.00
Total	100	**80.54**	78.97	77.99
BBBEE level		**3**	3	3

Ownership

The group achieved 15.64 (2013: 12.58) 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.

BBBEE scorecard



At the end of the reporting period, 8 536 employees were shareholders, with black employees accounting for 86% and women 63%. A dividend of R4.3 million (2013: R3.1 million) was paid to scheme participants this year.

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 40% black directors with females making up 30%. The group executive committee has 40% black representation and 20% female.

Employment equity

The group is committed to creating a diverse workforce through the attraction and development of previously disadvantaged people, women and employees with disabilities. The group achieved overall 10.46 points for employment equity and 1.78 for employees with disabilities.

Black staff account for 86% of total staff (2013: 85%). Female employees comprise 63% (2013: 63%) of the total permanent workforce.

Employee profile

	Female				Male				
Occupational level	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Top management	0	1	0	2	0	0	4	10	17
Senior management	3	4	7	21	3	4	3	44	89
Middle management	56	49	38	167	56	55	41	178	640
Junior management	371	419	118	403	322	172	52	129	1 986
Semi-skilled	2 161	1 150	110	161	1 448	381	56	73	5 540
Unskilled	34	13	0	0	28	6	0	1	82
Total	**2 625**	**1 636**	**273**	**754**	**1 857**	**618**	**156**	**435**	**8 354**
Non-SA based employees	117	32	0	2	102	17	0	1	271
Employees with disabilities	53	78	11	10	36	15	3	9	215

The group supports the national agenda aimed at the employment of youth in sustainable positions. This has resulted in the group benefiting through the youth employment tax incentive to the value of R1.2 million.

The group has been included in the Department of Labour Director-General's review process since 2012. The group has continued with the work required to achieve alignment between people development and the group's employment equity targets across different geographic locations based on the national economically active population statistics.

The staff turnover of 20.9% (2013: 21.5%) exceeded the targeted range for employee turnover of 18% – 20%. This is partially due to the decrease in the labour turnover for pharmacists. Clicks Group was ranked first in the retail sector and in the top ten employers nationally by the Top Employers Institute. The group was also rated as the top gender empowered company in the retail sector in the annual Standard Bank Top Women Awards.

Skills development

The group remains committed to investing in the development of the skills, knowledge and capability of its employees. A total of R52.5 million (2013: R45 million) was invested in learning and skills development which equates to 3.3% of basic payroll (2013: 2.8%). A total of 4 483 employees (2013: 3 735) participated in learning and development interventions of which 82% were black employees and 61% females.

Learning and development statistics	2014	2013
Learning and development spend as a % of payroll	**3.3**	2.8
Learning and development spend (R'million)	**52.5**	45
Employees trained	**4 483**	3 735
Black employees as a % of all employees trained	**82**	81
Female employees as a % of all employees trained	**61**	50
Delegates on the leadership development programme	**38**	20
Delegates on management development programmes	**252**	223
Delegates on retail learnership and skills programmes	**106**	137
Delegates on pharmacy learnership and skills programmes	**277**	397
Delegates on health and safety training	**234**	–
Interns or graduates on workplace experience programmes	**48**	43
Pharmacy bursary spend (R'million)	**3.8**	5.1

Learning and skills development interventions focused on enhancing management and leadership competencies, developing scarce and critical skills, and facilitating organisational transformation. 85% of employees completed their individual development plans which formed the basis for participation in learning and development interventions.

The group invested R3.8 million (2013: R5.1 million) in bursaries to 98 students completing the Bachelor of Pharmacy degree at registered South African universities. 51% of bursary recipients were black and 47% female. The group further provided opportunities to 48 students to complete internship programmes.

The group's Pharmacy Healthcare Academy is registered with the South African Pharmacy Council and continues to be instrumental in developing pharmacists' assistants. Currently 277 learners are registered on 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 55% (2013: 58%) of procurement was from level 4 and higher-rated BBBEE suppliers, 5% (2013:10%) from qualifying small and exempt enterprises and 7% (2013: 4%) directed at black-owned enterprises.

Enterprise development

The group invested over R46 million (2013: 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 R38 million (2013: R32 million) to the owner-drivers, with an additional R1 million (2013: R0.8 million) to the management company supporting the owner-drivers.

Clicks spent R53 million with Bakers Transport (2013: R52 million), a 100% black-owned independent transport and logistics services company and also provided an interest-free loan to Triton, a 50% black-owned manufacturing enterprise.

Socio-economic development

The group continues to demonstrate its commitment to making a sustainable contribution to the communities within which it operates by investing 1% of profit after tax in social development programmes. A total of R9.5 million (2013: R13.8 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 has made a three-year financial commitment to the Public Health Enhancement Fund, with R2.2 million donated to date. The fund aims to address skills shortages and improve access to affordable healthcare.

The Clicks Helping Hands Trust 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.

Clicks donated R1.1 million in surplus stock and 30 computers to the Clothing Bank to support and empower previously disadvantaged women.

Other beneficiaries of the group's social investment included organisations such as Carel du Toit Trust for hearing impaired children, South African Medical Education Foundation, Topsy Foundation, Villa of Hope and Samaritan Feet.

Employees are encouraged to support social development projects, schools and charities in local areas. In 2014 employees contributed financial and non-financial donations to a number of beneficiaries including Chapel Street Primary School, Saartjie Baartman Centre and the Woodstock Trauma Centre. Employees also supported the Blow the Whistle campaign as part of the 16 days of activism against women and child abuse.

Employee Wellness Programme

The Clicks Group Employee Wellness Programme (EWP) provides independent, confidential, professional counselling and advisory services to permanent employees and their direct household dependents. The programme continues to be highly valued by employees and line managers as evidenced by the high rate achieved during the 2014 employee satisfaction survey. The programme utilisation rate of 21% remains highest compared to the consumer services sector.

In 2014 over 1 400 employees completed wellness screenings which included blood pressure, glucose, cholesterol, body mass index and HIV tests during the wellness days which are held nationally across head office, distribution centres and stores.

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 the 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 is 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 were externally verified by Global Carbon Exchange, a strategic environmental sustainability consultancy and training provider and a member of the Carbon Protocol South Africa.

The group achieved a score of 95 (2013: 94) in the annual Carbon Disclosure Project which identifies risks, opportunities and targets relating to environmental practices.

Scope 1 emissions (CO_2e) metric tons	**2014***	2013**	2012
Company-owned vehicles	**1 707**	1 983	1 711
Fugitive emissions (Kyoto gases)	**87**	136	121
Stationary and mobile equipment	**111**	98	67
Scope 2 emissions (CO_2e) metric tons	**2014**	2013	2012
Purchased electricity	**110 072**	98 645	91 446
Scope 3 emissions (CO_2e) metric tons	**2014**	2013	2012
Product distribution	**6 952**	6 638	4 944
Employee commute	**12 168**	18 214	19 195
Business travel (flights and car hire)	**1 523**	871	888
Other direct fugitive emissions (non-Kyoto gases)	**723**	943	1 108
Total	**133 343**	127 528	119 480

* Figures are in the process of being externally verified.
** Restated.

The increase in total emissions is largely driven by increased electricity usage due to the expansions in stores, head office and the UPD distribution.

Water management

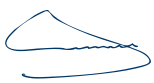
Waste water from the head office building's air-conditioning cooling towers is recycled to flush toilets. This has resulted in a saving of approximately 80 000 litres of water per annum.

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, 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

11 November 2014

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 in 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 36 and 37, with supplementary information contained in Annexure 2 to the Notice of Annual General Meeting on page 60.

Fees paid to the committee members for 2014 and the proposed fees for 2015 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 lll.

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, which also determines and recommends remuneration for the position. 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 2014 year. The committee has also assessed information and explanations given by management and discussions with the external auditor on the results of the audit. Through this process no material matter has come to the attention of the audit and risk committee or the board that has caused the directors to believe that the company's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

External audit

The committee appraised the independence, expertise and objectivity of 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 auditors' remuneration. These services should exclude any work which may be subject to external audit and which could compromise the auditor's independence. All non-audit services undertaken during the year were approved in accordance with this policy.

During the year EY received fees of R381 500 (2013: R375 000) for non-audit services, equating to 11.7% (2013: 12.0%) 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 2014 financial year and that its report to shareholders has been approved by the board.

John Bester
Chairman: Audit and risk committee

11 November 2014

The directors have pleasure in presenting their report for the year ended 31 August 2014.

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 632 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 24. The profit attributable to ordinary shareholders for the year is R865 million (2013: R751 million).

Share capital

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

22 185 735 cancelled on 7 February 2014

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

21 443 163	shares held by subsidiaries of the company as treasury shares at 1 September 2013
4 620 482	shares in terms of a general repurchase between 1 September 2013 and 31 August 2014 by a subsidiary of the company
(22 185 735)	shares bought back into the company and cancelled on 7 February 2014
3 877 910	shares held by subsidiaries of the company as treasury shares at 31 August 2014

Dividends to shareholders

Interim

The directors approved an interim ordinary dividend of 53.5 cents per ordinary share (2013: 48.5 cents per ordinary share) from distributable reserves. The dividend was paid on 7 July 2014 to shareholders registered on 4 July 2014.

Final

The directors have approved a final ordinary dividend of 136.5 cents per ordinary share (2013: 119.5 cents per ordinary share) and a dividend of 19.0 cents per "A" share (2013: 16.8 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 26 January 2015 to shareholders registered on 23 January 2015.

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 36 and 37, 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") Fatima Abrahams, John Bester, Bertina Engelbrecht, and Michael Fleming retire by rotation at the forthcoming annual general meeting. The retiring directors, being eligible, offer themselves for re-election. Keith Warburton, having been appointed as a director subsequent to the 2014 AGM, retires as a director in accordance with the company's board charter and, being eligible, offers himself 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 22 January 2014 at a price of R58.33 per share: David Kneale purchased 37 852 shares, Michael Fleming purchased 14 844 shares, Bertina Engelbrecht purchased 9 038 shares and David Janks purchased 2 227 shares.

Incentive schemes

Information relating to the incentive schemes is set out on pages 41 to 43.

Special resolutions

Special resolutions passed at the annual general meeting held on 30 January 2014:

Special Resolution No. 1: General authority to repurchase shares

Special Resolution No. 2: Specific authority to repurchase shares from New Clicks South Africa Proprietary Limited

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 58 of the annual financial statements.

SHAREHOLDER ANALYSIS at 31 August 2014

Public and non-public shareholders	Number of holders	Percentage of holders	Number of shares	Percentage of shares
Public shareholders	649	98.7%	241 609 475	98.2%
Non-public shareholders				
Shares held by directors	6	0.9%	650 378	0.3%
Treasury stock held by New Clicks South Africa Proprietary Limited	1	0.2%	3 707 460	1.4%
The New Clicks Holdings Share Trust	1	0.2%	170 450	0.1%
Total non-public shareholders	8	1.3%	4 528 288	1.8%
Total shareholders	657	100.0%	246 137 763	100.0%

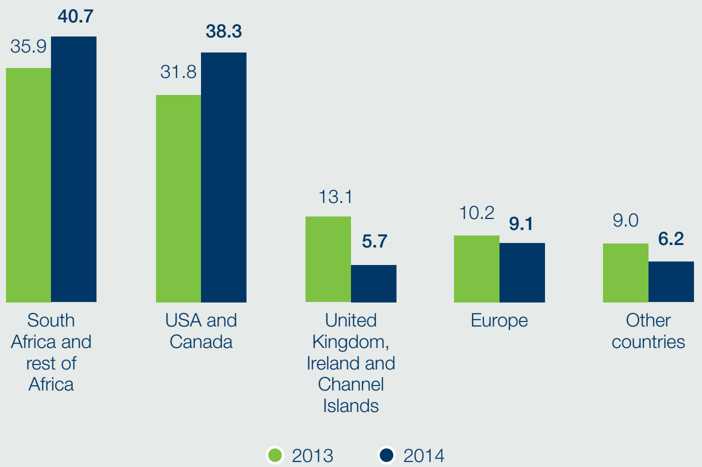
According to the company's register of shareholders, read in conjunction with the company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following shareholders held 3% or more of the issued share capital at 31 August 2014:

Major beneficial shareholders holding 3% or more	2014 Percentage of shares	2013 Percentage of shares
Government Employees Pension Fund	15.8%	13.5%
GIC Private Limited	4.1%	3.4%
Fidelity International Growth Fund	4.0%	3.0%

Major fund managers managing 3% or more	2014 Percentage of shares	2013 Percentage of shares
Coronation Fund Managers (SA)	19.1%	7.7%
Public Investment Corporation (SA)	13.4%	11.9%
Fidelity Management & Research (US)/International (UK)	9.1%	6.1%
Aberdeen Asset Management (UK)	6.6%	7.0%
GIC (Singapore)	4.1%	4.2%
Mondrian Investment Partners (UK)	3.9%	2.9%
Fund managers no longer managing over 3%:		
Baillie Gifford & Co (UK)	2.7%	10.4%
JPMorgan Asset Management (US, UK and Asia)	2.2%	5.3%

Geographic distribution of shareholders

Percentage of ordinary shares in issue



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 19th 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 28 January 2015 at 09:00. 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 16 January 2015. The last date to trade in order to be eligible to vote is 9 January 2015. 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 2014. 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 2014 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 2014 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 Fatima Abrahams who retires in accordance with the company's memorandum of incorporation ("MOI") and being eligible, offers herself 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 on page 59.

"Resolved that Fatima Abrahams 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 John Bester 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 John Bester be and is hereby elected as a director."

8 **Ordinary resolution number 5** – re-election of director
To consider the re-election as a director of the company of Bertina Engelbrecht who retires in accordance with the MOI and being eligible, offers herself 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 Bertina Engelbrecht be and is hereby elected as a director."

9 **Ordinary resolution number 6** – re-election of director
To consider the re-election as a director of the company of Michael Fleming 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 Michael Fleming be and is hereby elected as a director."

10 **Ordinary resolution number 7** – re-election of director
To consider the re-election as a director of the company of Keith Warburton who retires in accordance with the company's board charter 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 Keith Warburton be and is hereby elected as a director."

11 **Ordinary resolution number 8** – 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 2 to this notice on page 60.

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

11.1 "Resolved that John Bester 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."

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

11.2 "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

11.3 "Resolved that Nkaki Matlala be and is hereby elected as a member of the audit and risk committee."

12 **Ordinary resolution number 9 (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 40 to 45, by way of a non-binding advisory vote.

"Resolved that the company's remuneration policy contained in the Clicks Group Limited 2014 Integrated Annual Report be accepted and approved."

13 **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;
- 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 will have been submitted to the JSE 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 2014;
- 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:

Major beneficial shareholders – page 54

Share capital of the company – page 25

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.

14 **Special resolution number 2** – 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 2015 until the AGM to be held in January 2016.

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 2015 until the AGM to be held in January 2016."

15 **Special resolution number 3** – 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 3. 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."

16 **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 2 (two) business days (being 17:00 on Friday, 23 January 2015) prior to the time appointed for the holding of the meeting. 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 2 (two) business days (being 17:00 on Friday, 23 January 2015) prior to the time appointed for the holding of the meeting.

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 19 January 2015. 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 8, 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 9 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 3 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

11 November 2014

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

Prof. Fatima Abrahams (52)

Independent non-executive director
B Econ (Hons) (cum laude), M Com and D Com
Chairperson of the remuneration and nominations committee and 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, The Foschini Group and Marsh.

John Bester (68)

Independent non-executive director
B Com (Hons), CA (SA), CMS (Oxon)
Chairperson of the audit and risk committee and 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 33 years, holding a number of financial directorships during this time. He is non-executive chairman of Ascendis Health and a non-executive director of Personal Trust International, Business Connexion Group, 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 (51)

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 (47)

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, 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.

Keith Warburton (56)

Chief operating officer: Clicks
B Com, CTA, CA (SA)
Appointed as a director in February 2014

Keith previously served as an executive director and chief financial officer of the Clicks Group for over five years. He resigned from the group in March 2011 to take a break from the corporate environment, and rejoined in May 2013 as the chief operating officer of the Clicks chain. He has extensive experience in the retail sector. He was previously financial director of Metro Cash and Carry, deputy managing director of Score Supermarkets, financial director of Truworths and chief operating officer of HomeChoice Holdings.

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

John Bester (68)

Independent non-executive director
B Com (Hons), CA (SA), CMS (Oxon)
Chairperson of the audit and risk committee and 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 33 years, holding a number of financial directorships during this time. He is non-executive chairman of Ascendis Health and a non-executive director of Personal Trust International, Business Connexion Group, 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 Ascendis Health, Business Connexion Group and Sovereign Foods audit committees. In the past he has chaired the audit committees of listed companies BJM and 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 (54)

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 (61)

Independent non-executive director
B Sc, M Sc, M D, M Med (Surgery), FCS
Member of the audit and risk committee and the social and ethics committee
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, a trustee of the University of Limpopo Trust 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.

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 to note 6), at the annual general meeting of shareholders of the company to be held on Wednesday, 28 January 2015 at 09:00 at the registered office of Clicks Group Limited, corner Searle and Pontac Streets, Cape Town.

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

of (address) ____

____

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

hereby appoint:

1 ____ or failing him/her

2 ____ or failing him/her

3 the chairman of the meeting, as my/our proxy to attend, speak and vote either for or against a resolution or to abstain from voting on my/our behalf, as indicated below, at the annual general meeting to be held on Wednesday, 28 January 2015 at 09:00 and at any adjournment thereof.

		Number of votes (one vote per ordinary share)		
		Vote for	Vote against	Abstain from voting
1	Ordinary resolution No. 1: adoption of financial statements			
2	Ordinary resolution No. 2: reappointment of auditors			
3	Ordinary resolution No. 3: re-election of Fatima Abrahams as a director			
4	Ordinary resolution No. 4: re-election of John Bester as a director			
5	Ordinary resolution No. 5: re-election of Bertina Engelbrecht as a director			
6	Ordinary resolution No. 6: re-election of Michael Fleming as a director			
7	Ordinary resolution No. 7: re-election of Keith Warburton as a director			
8	Ordinary resolution No. 8: election of members of the audit and risk committee (separate voting)			
	8.1 John Bester			
	8.2 Fatima Jakoet			
	8.3 Nkaki Matlala			
9	Ordinary resolution No. 9 (non-binding advisory vote): approval of the company's remuneration policy			
10	Special resolution No. 1: general authority to repurchase shares			
11	Special resolution No. 2: approval of directors' fees			
12	Special resolution No. 3: 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, Cnr Searle and Pontac Streets, Cape Town, no later than two business days (being 17:00, Friday, 23 January 2015) before the commencement of the meeting or posted to the company secretary at PO Box 5142, Cape Town, 8000, to arrive no later than two business days (being 17:00, Friday, 23 January 2015) before the commencement of the meeting.

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 should 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	28 January 2015
Preliminary results announcements	
Interim results to February 2015	on or about 23 April 2015
Final results to August 2015	on or about 22 October 2015
Publication of 2015 Integrated Annual Report	November 2015
Ordinary share dividend	
2014 final dividend	
Last day to trade with dividend included	16 January 2015
Date of dividend payment	26 January 2015
2015 interim dividend	
Last day to trade with dividend included	July 2015
Date of dividend payment	July 2015
2015 final dividend	
Last day to trade with dividend included	January 2016
Date of dividend payment	January 2016

CORPORATE INFORMATION

Clicks Group Limited

Incorporated in the Republic of South Africa
Registration number 1996/000645/06
Income tax 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

www.clicksgroup.co.za