CLICKS GROUP LIMITED

REVIEWED PRELIMINARY GROUP RESULTS

for the year ended 31 August 2011

Retail turnover up	Diluted headline EPS up	Total distribution of	Return on equity increases to
10.9%	**18.1%**	**125.0** cents	**62.2%**

COMMENTARY

Overview

Trading conditions became increasingly challenging during the year and the group also encountered the high base set in 2010, which included the FIFA 2010 World Cup™. Selling price inflation continued to decline and averaged only 1.6% for the year, compared to 5.4% in the previous year, which impacted turnover growth by almost four percentage points.

In this environment, the Clicks chain reported strong growth in turnover and operating profit as the brand showed real sales volume growth and continued to gain market share. The performance of UPD, the group's pharmaceutical wholesaler, was negatively impacted by the absence of an increase in the single exit price (SEP) of medicines by the Department of Health for 2011.

The group continues to be highly cash generative and remains committed to returning excess capital to shareholders, repurchasing shares totalling R552 million during the year.

Return on shareholders' equity (ROE) increased from 50.8% to 62.2% for the year, boosted by share buy-backs of approximately R300 million in the last six weeks of the financial year. Management has increased the medium-term target for ROE to 55% – 65%.

Financial performance

Retail turnover growth of 10.9% was driven by the strong performance of the Clicks chain which reported sales growth of 13.0%. Selling price inflation for the retail businesses was 0.6% for the year compared to 5.4% in 2010. UPD increased turnover by 4.2% as price inflation in the wholesale business declined to 3.3%. Group turnover was 6.2% higher at R14.1 billion.

Total income, comprising gross profit and total income, increased by 10.9%.

Operating expenses increased by 9.9%. Expense growth was well contained in the second half of the year, with retail costs growing by 7.7%. UPD reduced expenses by 5.6% in the second six months through improved operating efficiencies, and expenses for the year were 0.1% lower than 2010.

Operating margin improved by 40 basis points to 6.6%, resulting in a 13.9% increase in operating profit for the period.

Headline earnings increased by 13.9% to R655 million. Diluted headline earnings rose by 18.1% to 249.7 cents, benefiting from the group's share buy-back programme. Diluted HEPS has grown at a compound rate of 28.6% over the past five years.

A final distribution of 88.0 cents per share has been declared, bringing the total distribution for the year to 125.0 cents, an increase of 17.7%.

Inventory days in stock moved from 55 to 60 days and inventory levels were 14.7% higher at year-end, mainly as a result of stock levels in UPD returning to normalised levels.

Cash inflow from operations increased by R244 million over 2010 to R677 million, with R226 million used for capital expenditure and R848 million returned to shareholders through share buy-backs and distributions.

Trading performance

Clicks posted real sales growth of 12.0% and continued to grow its share of the increasingly competitive healthcare market. Clicks opened its 400th store in August 2011 as 31 new outlets were added during the period, the highest number in a single year. The national pharmacy footprint was extended to 283 with the opening of a further 32 dispensaries. The Clicks operating margin improved from 6.9% to 7.7% owing to good buying and supply chain management, while Clicks maintained its aggressive pricing strategy. Operating profit increased by 25.8%.

Musica's performance slowed in the second half and turnover for the year was 5.9% lower as the decline in the CD and DVD markets accelerated. Musica maintained market shares and showed good growth in gaming, technology and accessories. The Body Shop's operating profit increased by 3.5% despite the brand experiencing price deflation of 6.6%.

UPD increased wholesale turnover by 4.2%, impacted by lower inflation, further decline in independent pharmacies and the changing product mix with faster growth in sales of lower value generic medicines. Operating profit was 19.4% lower than the prior year owing to the lack of a trading gain on SEP. Despite the challenging conditions UPD increased its share of the private pharmaceutical wholesale market from 22.7% to 23.1%.

Prospects

Consumer spending is expected to remain muted in the current uncertain economic climate. Inflation is anticipated to remain low and no SEP increase is expected for 2012. The group will face increasing cost pressures in employment, property, transport and utilities.

The focus for the year ahead will therefore be on driving volume and containing costs.

The group remains well positioned in the medium term through the market leadership and growth potential of its brands.

Capital expenditure of R257 million has been committed for 2012 and trading space is planned to increase by 4% to 5%.

As a result of the group's continued strong cash generation, the board has resolved to reduce the distribution cover from 2.0 to 1.8 times from the 2012 financial year, which will further enhance returns to shareholders.

Shareholder distribution

The board of directors has approved a final distribution of 88.0 cents per ordinary share (2010: 75.7 cents per share) subject to the approval being granted by shareholders at the general meeting to be held on 17 January 2012. The source of the ordinary distribution will be a capital reduction out of share premium.

In addition the board has approved a distribution of 12.5 cents per ordinary "A" share. The distribution is declared in terms of the rules of the employee share ownership programme implemented with effect 2 February 2011 that entitles the ordinary "A" shareholders to an annual distribution equal to 10% of the cumulative distribution declared in relation to an ordinary share in a financial year. The source of the ordinary "A" share distribution will be from distributable reserves.

Shareholders are advised of the following salient dates relating to the distributions:

Last day to trade "cum" the distribution	Friday, 20 January 2012
Shares trade "ex" the distribution	Monday, 23 January 2012
Record date	Friday, 27 January 2012
Payment to shareholders	Monday, 30 January 2012

Share certificates may not be dematerialised or rematerialised between Monday, 23 January 2012 and Friday, 27 January 2012, both days inclusive.

The directors of the company have determined that dividend cheques amounting to R50.00 or less due to any one ordinary shareholder will not be paid unless a written request to the contrary is delivered to the transfer secretaries, Computershare Investor Services (Proprietary) Limited, by no later than close of business on Friday, 20 January 2012, being the day that the shares trade "cum" the distribution. Unpaid dividend cheques will be aggregated with other such amounts and donated to a charity to be nominated by the directors.

By order of the board

David Janks
Company secretary

20 October 2011

Registered address: Cnr Searle and Pontac Streets, Cape Town 8001
PO Box 5142, Cape Town 8000

Directors: F Abrahams*, JA Bester*, BD Engelbrecht, M Fleming (Chief Financial Officer), MJ Harvey, F Jakoet*, DA Kneale# (Chief Executive Officer), N Matlala*, DM Nurek* (Chairman), M Rosen* * Independent non-executive # British

Transfer secretaries: Computershare Investor Services (Proprietary) Limited
70 Marshall Street, Johannesburg 2001. PO Box 61051, Marshalltown 2107

Sponsor: Investec Bank Limited

Registration number: 1996/000645/06 **Share code:** CLS **ISIN:** ZAE000134854

Consolidated statement of comprehensive income

R'000	Year to 31 August 2011 (reviewed)	Year to 31 August 2010 (audited)	% change
Revenue	14 800 089	13 912 673	6.4
Turnover	14 102 919	13 276 277	6.2
Cost of merchandise sold	(10 879 173)	(10 372 685)	4.9
Gross profit	3 223 746	2 903 592	11.0
Other income	688 935	626 092	10.0
Total income	3 912 681	3 529 684	10.9
Expenses	(2 975 091)	(2 706 412)	9.9
Depreciation and amortisation	(149 714)	(128 095)	16.9
Occupancy costs	(422 596)	(389 746)	8.4
Employment costs	(1 496 491)	(1 399 378)	6.9
Other costs	(906 290)	(789 193)	14.8
Operating profit	937 590	823 272	13.9
Loss on disposal of property, plant and equipment	(6 250)	(6 476)	
Impairment of intangible asset	–	(7 685)	
Profit before financing costs	931 340	809 111	15.1
Net financing costs	(33 626)	(38 751)	(13.2)
Financial income	8 235	10 304	
Financial expense	(41 861)	(49 055)	
Profit before taxation	897 714	770 360	16.5
Income tax expense	(246 749)	(206 550)	19.5
Profit for the year	650 965	563 810	15.5
Other comprehensive income/(loss):			
Exchange differences on translation of foreign subsidiaries	(220)	(1 368)	
Cash flow hedges	2 105	–	
Change in fair value of effective portion	2 924	–	
Deferred tax on movement of effective portion	(819)	–	
Other comprehensive income/(loss) for the year, net of tax	1 885	(1 368)	
Total comprehensive income for the year	652 850	562 442	
Profit attributable to:			
Equity holders of the parent	650 932	565 413	
Non-controlling interest	33	(1 603)	
	650 965	563 810	
Total comprehensive income attributable to:			
Equity holders of the parent	652 817	564 045	
Non-controlling interest	33	(1 603)	
	652 850	562 442	
Earnings per share (cents)	248.3	208.6	19.0
Diluted earnings per share (cents)	248.0	207.7	19.4

Headline earnings reconciliation

R'000	Year to 31 August 2011 (reviewed)	Year to 31 August 2010 (audited)	% change
Total profit for the year attributable to equity holders of the parent	650 932	565 413	
Adjusted for:			
Loss on disposal of property, plant and equipment	4 500	4 663	
Impairment of intangible asset	–	5 533	
Headline earnings	655 432	575 609	13.9
Headline earnings per share (cents)	250.1	212.3	17.8
Diluted headline earnings per share (cents)	249.7	211.4	18.1

Condensed consolidated statement of financial position

R'000	As at 31 August 2011 (reviewed)	As at 31 August 2010 (audited)
Non-current assets	1 414 484	1 383 175
Property, plant and equipment	949 906	888 053
Intangible assets	301 579	314 473
Goodwill	103 510	105 335
Deferred tax assets	53 756	51 907
Loans receivable	5 733	23 407
Current assets	2 840 299	2 726 963
Inventories	1 802 557	1 571 248
Trade and other receivables	998 944	869 279
Loans receivable	17 901	15 149
Cash and cash equivalents	17 790	152 052
Derivative financial assets	3 107	119 235
Total assets	4 254 783	4 110 138
Equity and liabilities		
Total equity	965 187	1 141 328
Non-current liabilities	264 829	296 723
Interest-bearing borrowings	19	16 579
Employee benefits	92 473	96 274
Deferred tax liabilities	46 695	68 559
Operating lease liability	125 642	115 311
Current liabilities	3 024 767	2 672 087
Trade and other payables	2 431 756	2 290 883
Employee benefits	164 669	202 569
Provisions	5 217	6 244
Interest-bearing borrowings	375 217	116 592
Income tax payable	44 489	46 808
Derivative financial liabilities	3 419	8 991
Total equity and liabilities	4 254 783	4 110 138

Condensed consolidated statement of cash flows

R'000	Year to 31 August 2011 (reviewed)	Year to 31 August 2010 (audited)
Operating profit before working capital changes	1 075 227	836 994
Working capital changes	(105 055)	(203 492)
Net interest paid	(21 113)	(25 475)
Taxation paid	(271 988)	(174 930)
Cash inflow from operating activities before distributions	677 071	433 097
Distributions paid to shareholders	(295 507)	(244 711)
Net cash effects of operating activities	381 564	188 386
Net cash effects of investing activities	(209 353)	(210 715)
Capital expenditure	(215 701)	(206 478)
Acquisition of businesses	(10 225)	(25 189)
Other investing activities	16 573	20 952
Net cash effects of financing activities	(306 473)	(235 373)
Purchase of treasury shares	(552 406)	(321 862)
Other financing activities	245 933	86 489
Net decrease in cash and cash equivalents	(134 262)	(257 702)

Condensed consolidated statement of changes in equity

R'000	Year to 31 August 2011 (reviewed)	Year to 31 August 2010 (audited)
Opening balance	1 141 328	1 125 263
Acquisition of additional interest in subsidiary	–	4 987
Net cost of own shares purchased	(549 827)	(306 704)
Total comprehensive income for the year	652 850	562 442
Share-based payment reserve movement	16 343	51
Distributions to shareholders	(295 507)	(244 711)
Total	965 187	1 141 328
Distribution per share (cents)		
Interim declared/paid	37.0	30.5
Final proposed/paid	88.0	75.7
	125.0	106.2

Segmental analysis

The group's reportable segments under IFRS 8 are as follows:

Clicks (including Clicks Direct Medicines), Musica, The Body Shop and United Pharmaceutical Distributors (UPD)

R'000	Turnover	Profit before taxation	Total assets	Capital expenditure	Total liabilities
Year to 31 August 2011 (reviewed)					
Clicks	9 789 459	750 836	2 234 077	173 278	1 385 885
Musica	895 600	31 418	202 074	10 520	98 843
The Body Shop	107 786	20 575	24 090	1 797	13 139
United Pharmaceutical Distributors	5 518 974	130 808	1 951 839	10 701	1 651 787
Inter-segmental	(2 208 900)	3 953	(835 282)	–	(824 381)
Total reportable segmental balance	14 102 919	937 590	3 576 798	196 296	2 325 273
Non-reportable segmental balance	–	(39 876)	677 985	19 405	964 323
Total group balance	14 102 919	897 714	4 254 783	215 701	3 289 596
Year to 31 August 2010 (audited)					
Clicks	8 664 788	596 719	2 062 360	148 034	1 465 247
Musica	952 133	52 495	223 701	17 180	137 613
The Body Shop	110 948	19 871	20 718	3 146	11 228
United Pharmaceutical Distributors	5 298 670	162 200	1 541 676	18 200	1 366 090
Inter-segmental	(1 750 262)	(8 013)	(669 925)	–	(655 071)
Total reportable segmental balance	13 276 277	823 272	3 178 530	186 560	2 325 107
Non-reportable segmental balance	–	(52 912)	931 608	19 918	643 703
Total group balance	13 276 277	770 360	4 110 138	206 478	2 968 810

R'000	Year to 31 August 2011 (reviewed)	Year to 31 August 2010 (audited)
Non-reportable segmental profit before taxation consists of:		
Loss on disposal of property, plant and equipment	(6 250)	(6 476)
Impairment of intangible asset	–	(7 685)
Financial income	8 235	10 304
Financial expense	(41 861)	(49 055)
	(39 876)	(52 912)

Supplementary information

	Year to 31 August 2011 (reviewed)	Year to 31 August 2010 (audited)
Number of ordinary shares in issue (gross) ('000)	270 652	284 007
Number of ordinary shares in issue including "A" shares issued in terms of employee share ownership programme (gross) ('000)	299 805	284 007
Number of ordinary shares in issue (net of treasury shares) ('000)	252 959	266 283
Weighted average number of ordinary shares in issue (net of treasury shares) ('000)	262 118	271 073
Weighted average diluted number of shares in issue (net of treasury shares) ('000)	262 515	272 277
Net asset value per share (cents)	382	429
Net tangible asset value per share (cents)	221	271
Depreciation and amortisation (R'000)	158 285	136 775
Capital expenditure (including acquisition of businesses) (R'000)	225 926	231 667
Capital commitments (R'000)	257 100	249 833

Notes

1 **Auditor's preliminary report**

KPMG Inc., the group's independent auditor, has reviewed the preliminary financial statements contained in this preliminary report, and has expressed an unmodified conclusion on the preliminary financial statements. Their review report is available for inspection at the company's registered office. These preliminary financial statements for the year ended 31 August 2011 have been prepared in accordance with accounting policies that comply with International Financial Reporting Standards ("IFRS") and the disclosure requirements of IAS 34, and have been consistently applied with those adopted for the year ended 31 August 2010 with the following exception:

During the year, the group adopted the following new and amended IFRS to the extent that they are applicable to its activities:

- IAS 24 "Related Party Disclosures"
- IAS 32, Amendment to IAS 32 "Financial Instruments: Presentation on Classification of Rights Issues"
- IFRS 2, Amendment to IFRS 2 "Share-based Payment: Group Cash-settled Share-based Payment Arrangement"
- IFRIC 19 "Extinguishing financial liabilities with equity instruments"
- Annual improvements to IFRS 2009 and 2010