We are truly **passionate** about our customers

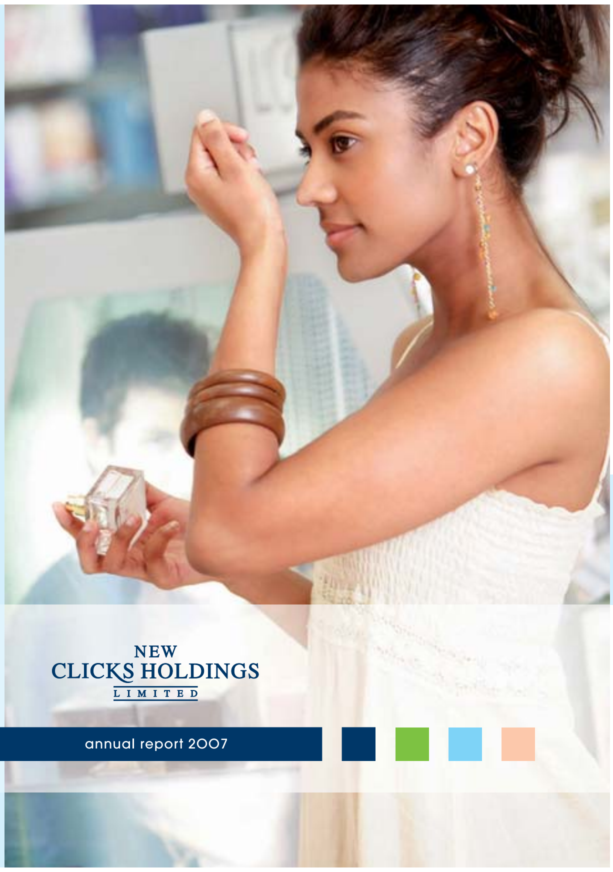
We believe in **integrity** honesty and openness

We cultivate understanding through **respect** and dialogue

We are **disciplined** in our approach

We **deliver** on our goals

our values



New Clicks Holdings Limited

annual report 2007

NEW CLICKS HOLDINGS LIMITED

annual report 2007

www.newclicks.co.za

group turnover up

12.0%

operating
profit grows

35.8%

shareholder value
increases by

R1.6 billion

diluted headline
EPS up

45.1%

employee wellness
programme launched

Clicks
pharmacy
network
grows to

125

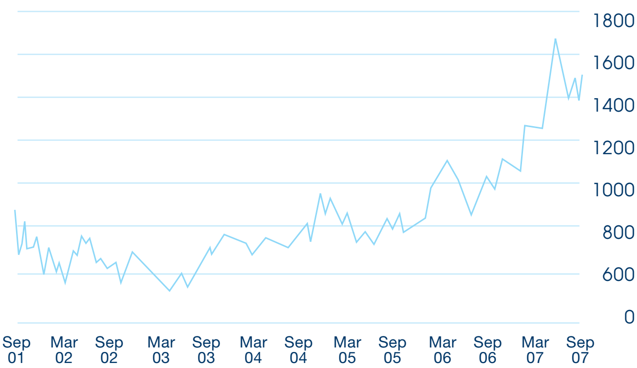
new automated
distribution
facility for UPD

financial highlights

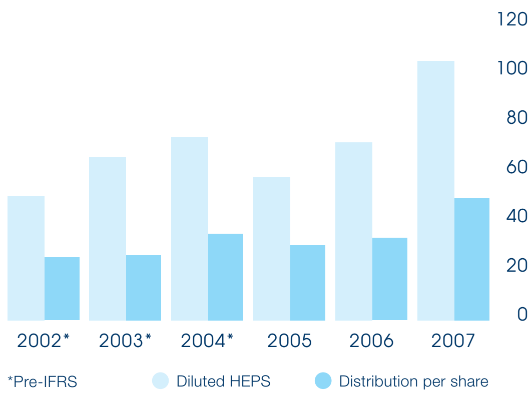
ROE increases
to 24.7%

		2007	2006	% change
Turnover	R'm	**11 204.9**	10 000.6	12.0
Comparable stores turnover growth	%	**13.2**	9.9	
Gross profit margin	%	**19.8**	19.5	
Operating profit	R'm	**533.8**	393.0	35.8
Operating profit margin	%	**4.8**	3.9	
Headline earnings	R'm	**356.9**	251.6	41.9
Diluted headline earnings per share	cents	**103.0**	71.0	45.1
Distribution per share	cents	**48.2**	33.2	45.2
Inventory days	days	**57**	66	
Return on total assets	%	**9.3**	7.2	
Return on shareholders' interest (ROE)	%	**24.7**	16.7	
Net asset value per share	cents	**410**	459	(10.7)
Cash inflow from operating activities before distributions to shareholders	R'm	**1 144.3**	220.0	420.2

New Clicks closing share price 2001–2007 (cents)



headline earnings and distributions (cents)



group at a glance

Keith Warburton
Chief financial officer

Bertina Engelbrecht
Group HR director

NEW CLICKS HOLDINGS

David Kneale
Chief executive officer

Group turnover	R11 205 million
Group operating profit	R534 million
Group headline earnings	R357 million
Total employees	9 076
Total stores	500

Major fund managers

Sanlam Investment Managers	15.8%
Coronation Fund Managers	10.8%
Allan Gray Limited	10.6%
Investec Asset Management	9.5%
RMB Asset Management	8.6%
Old Mutual Investment Group	7.5%
Oasis Asset Management	5.4%
Stanlib Asset Management	5.3%

CLICKS

Michael Harvey
Managing director

Turnover	R5 562 m
Operating profit	R296 m
Employees	5 435
Stores	320

Clicks is a specialist health, beauty and lifestyle retailer focusing mainly on female consumers in the middle and upper income markets. Clicks has the largest retail pharmacy footprint in the country, with 125 in-store dispensaries.

UPD

Lynda van Niekerk
Managing director

Turnover	R4 295 m
Operating profit	R139 m
Employees	494

UPD is the country's leading national full-line pharmaceutical wholesaler. The business services retail and chain store pharmacy, hospital pharmacy, dispensing doctors, veterinarians, health shops and other wholesalers.

MUSICA

Ralph Lorenz
Managing director

Turnover	R873 m
Operating profit	R43 m
Employees	755
Stores	147

Musica is the largest retailer of music and entertainment related merchandise in the country. Targeting consumers in the middle and upper groups, the product range includes CDs, DVDs, gaming and lifestyle merchandise.

THE BODY SHOP

Carol Poolton
General manager

Turnover	R83 m
Operating profit	R14 m
Employees	98
Stores	33

The Body Shop is a global brand marketing luxury toiletries and cosmetics. The brand serves mainly female consumers in the upper and middle markets. New Clicks operates The Body Shop in southern Africa under an exclusive licence agreement.

profile

500
stores across
southern Africa

Our business

New Clicks Holdings is a specialist retail group which has been listed on the JSE Limited since 1996. Through market-leading retail brands Clicks, Musica and The Body Shop, the group has 500 stores across southern Africa. New Clicks has a growing presence in the healthcare market through wholesale pharmaceutical distributor, New United Pharmaceutical Distributors (UPD), and in retail pharmacy where Clicks operates the largest drugstore chain in the country with 125 in-store dispensaries.

Our heritage

Entrepreneur Jack Goldin opened the first Clicks store in central Cape Town in 1968. By the early 1980s Clicks had grown into a national store chain and the group began expanding into a specialist retailer with the acquisitions of Discom (1984), Musica (1992) and CD Wherehouse (1997).

In 1998 New Clicks moved into Australia, buying three retail chains in the region over the next four years. A licence agreement was concluded with The Body Shop International in 2001 for New Clicks to operate The Body Shop in southern Africa.

While Clicks was conceived as a drugstore, legislation prevented corporate ownership of retail pharmacies in South Africa. However, New Clicks anticipated widespread regulatory healthcare reforms and positioned the business to capitalise on the expected changes. New Clicks funded the 80-store pharmacy chain of Purchase Milton & Associates (PM&A), which was subsequently integrated into Clicks, and acquired UPD in 2002 to provide the distribution capacity for the group's integrated healthcare strategy.

Regulatory changes in 2003 enabled Clicks to finally fulfill its founding vision and the first Clicks pharmacy was opened in Cape Town in March 2004. This was also the catalyst for the group to sell New Clicks Australia to focus on its pharmacy implementation strategy locally. In just over three years Clicks has grown into the country's pre-eminent pharmacy chain.

During the 2007 financial year the group rationalised its portfolio of businesses to create increased focus. Discom, which provided ethnic hair care and beauty products to the lower and middle income market, was sold to enable the group to focus on its health, beauty, lifestyle and entertainment specialisation in the middle and upper income customer groups. CD Wherehouse was integrated into Musica to create a single brand for the group's entertainment interests.

A detailed history of New Clicks is available on
www.newclicks.co.za

strategy, objectives and targets

Clicks operates the largest drugstore chain in the country with

125 in-store dispensaries

Our strategy

New Clicks is a specialist retail group
… and our customers will view us as expert. This means they regard us as best for value, best for range and they trust us.

Focused on health, beauty, entertainment and homeware
…. and these are the merchandise categories in which we aspire to be viewed as expert by our customers.

Operating through multiple formats
…. to better serve the needs of our customers in the middle and upper income groups.

Organised to be cost-effective and efficient
….with a particular focus on supply chain management, information technology, property and financial management.

Strategic objectives for 2008

- Continue transition of Clicks to a health and beauty specialist
- Build UPD and Clicks pre-eminence in healthcare and pharmacy management
- Continue Musica's transition to entertainment and widen access to the brand
- Build organisational capability to deliver sustained performance
- Efficient capital and cash management

Medium-term financial targets

	Target	2007
Return on shareholders' interest	30% – 35%	24.7%
Shareholders' funding to total assets	32% – 37%	36.0%
Return on total assets	9.0% –13.0%	9.3%
Inventory days	55 – 60 days	57 days
Operating margin	5.0% – 6.0%	4.8%
Distribution cover	2.2 – 2.0 times	2.2 times

six-year consolidated income statement

R'm	5-year compound annual growth (%)	**Post-IFRS 2007**	Post-IFRS 2006	Post-IFRS 2005
Revenue		**11 722**	10 462	9 108
Turnover	15.3	**11 205**	10 001	8 714
Cost of merchandise sold	18.0	**8 982**	8 047	6 936
Gross profit	7.4	**2 223**	1 954	1 778
Other income	3.3	**501**	450	386
Expenses	5.7	**2 190**	2 010	1 835
Depreciation and amortisation	0.2	**98**	103	99
Occupancy costs	(1.3)	**336**	317	295
Employment costs	6.6	**1 040**	942	815
Other costs	9.7	**716**	648	626
Impairment of property, plant and equipment		**–**	(3)	(6)
Profit/(loss) on disposal of property, plant and equipment		**27**	(1)	–
Profit on sale of Australian operations		**–**	–	–
Profit on sale of Intercare		**–**	–	–
Profit on sale of stores		**–**	–	–
Impairment of loan		**–**	–	–
Goodwill amortisation		**–**	–	–
Goodwill impairment		**–**	(1)	(17)
Operating profit before financing costs	15.3	**561**	389	306
Net financing costs	(10.3)	**(39)**	(58)	(49)
Financial income		**16**	11	8
Financial expense		**(55)**	(69)	(57)
Profit before tax	20.2	**522**	331	257
Income tax expense	18.2	**141**	84	77
Profit for the year	21.0	**381**	247	180
Adjustment for:				
Impairment of property, plant and equipment		**–**	3	4
Profit on sale of Australian operations		**–**	–	–
Profit on sale of Intercare		**–**	–	–
Profit on sale of stores		**–**	–	–
(Profit)/loss on disposal of property, plant and equipment		**(24)**	1	–
Goodwill amortisation		**–**	–	–
Goodwill impairment		**–**	1	17
Headline earnings	17.7	**357**	252	201
Headline earnings per share (cents)				
– undiluted	15.2	**106.1**	73.1	59.0
– diluted	15.7	**103.0**	71.0	57.4
Earnings per share (cents)				
– undiluted	18.5	**113.2**	71.4	52.7
– diluted	19.0	**109.9**	69.4	51.3
Number of shares in issue (million)		**336**	355	370
Weighted average number of shares (net of treasury shares) (million)		**316**	348	341
Weighted average diluted number of shares (net of treasury shares) (million)		**346**	354	349

Pre-IFRS 2004	Pre-IFRS 2003	Pre-IFRS 2002
8 582	7 896	5 913
8 024	7 368	5 488
6 277	5 612	3 932
1 747	1 756	1 556
540	528	425
1 854	1 902	1 662
109	104	97
308	399	359
831	869	756
606	530	450
(13)	–	–
(2)	(2)	–
2	–	–
1	–	–
–	26	–
–	–	(33)
(16)	(24)	(11)
(258)	–	–
147	382	275
(60)	(84)	(67)
18	–	–
(78)	(84)	(67)
87	298	208
105	84	61
(18)	214	147
9	–	–
(2)	–	–
(1)	–	–
–	(19)	–
2	2	–
16	24	11
258	–	–
264	221	158
74.9	65.6	52.2
72.9	64.5	49.7
(5.2)	63.5	48.4
(5.1)	62.5	46.1
361	354	305
345	354	305
363	343	317

Notes:

1. These are group results which include the results of the Australian operations from 2002 to 28 December 2003 and Intercare Managed Healthcare (Proprietary) Limited from 2002 to 1 March 2004.
2. The results of the Purchase Milton & Associates group of pharmacies have been consolidated since 1 March 2004.
3. New United Pharmaceutical Distributors was acquired with effect from 1 January 2003.
4. The operating lease accrual was applicable from the 2004 financial year. The results for the 2004 financial year have been adjusted in accordance with this interpretation.
5. As the group applied IFRS for the first time in financial year 2005, the six-year review information incorporates IFRS adjusted financial information for the 2005, 2006 and 2007 financial years only. Information in respect of earlier financial periods remains that reported in accordance with SA GAAP.
6. The 2006 and 2007 income statements include the results of the Discom business unit as if part of continuing operations and not as discontinued operations.
7. For an explanation of terms used, please refer to the Definitions section on pages 117 and 118 of this report.

six-year consolidated balance sheet

R'm	5-year compound annual growth (%)	Post-IFRS 2007	Post-IFRS 2006	Post-IFRS 2005
Assets				
Non-current assets		**1 334**	1 284	1 299
Property, plant and equipment	4.0	**745**	697	669
Investment property		**–**	7	7
Intangible assets		**391**	397	397
Goodwill		**84**	84	84
Deferred tax assets		**45**	24	74
Loans receivable		**69**	75	68
Current assets		**2 676**	2 399	2 033
Inventories	5.9	**1 403**	1 443	1 440
Trade and other receivables	32.1	**793**	793	480
Income tax receivable		**3**	86	38
Loans receivable		**5**	1	–
Cash and cash equivalents		**413**	40	60
Derivative financial assets		**59**	36	15
Total assets	10.2	**4 010**	3 683	3 332
Equity and liabilities				
Equity	1.2	**1 296**	1 593	1 417
Share capital		**3**	4	4
Share premium		**436**	816	964
Share option reserve		**24**	20	14
Treasury shares		**(259)**	(70)	(250)
Foreign currency translation reserve		**–**	–	1
Distributable reserve		**1 092**	823	684
Non-current liabilities		**338**	326	309
Interest-bearing loans and borrowings		**78**	151	168
Employee benefits		**65**	28	17
Deferred tax liabilities		**92**	46	38
Operating lease liability		**103**	101	86
Current liabilities		**2 376**	1 764	1 606
Bank overdraft		**–**	47	14
Trade and other payables	17.8	**1 902**	1 490	1 370
Employee benefits		**136**	105	71
Provisions		**48**	41	42
Interest-bearing loans and borrowings		**203**	63	93
Derivative financial liability		**–**	–	3
Income tax payable		**87**	18	13
Total equity and liabilities	10.2	**4 010**	3 683	3 332

Pre-IFRS 2004	Pre-IFRS 2003	Pre-IFRS 2002
884	1 453	1 202
659	747	613
–	–	–
4	5	5
98	235	182
96	82	70
27	384	332
2 273	2 001	1 267
1 411	1 401	1 055
444	417	197
8	4	15
–	–	–
410	179	–
–	–	–
3 157	3 454	2 469
1 319	1 609	1 221
4	4	3
907	874	534
–	–	–
(123)	–	–
29	74	169
502	657	515
356	428	238
260	413	231
–	–	–
20	15	7
76	–	–
1 482	1 417	1 010
9	4	109
1 309	1 317	840
51	56	48
29	–	–
81	29	–
–	–	–
3	11	13
3 157	3 454	2 469

1. These are group results which include the results of the Australian operations from 2002 to 28 December 2003 and Intercare Managed Healthcare (Proprietary) Limited from 2002 to 1 March 2004.
2. The results of the Purchase Milton & Associates group of pharmacies have been consolidated since 1 March 2004.
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5. As the group applied IFRS for the first time in financial year 2005, the six-year review information incorporates IFRS adjusted financial information for the 2005, 2006 and 2007 financial years only. Information in respect of earlier financial periods remains that reported in accordance with SA GAAP.
6. The 2007 balance sheet presents the group balance sheet including the Discom assets and liabilities within the relevant balance sheet categories.
7. For an explanation of terms used, please refer to the Definitions section on pages 117 and 118 of this report.

six-year salient features

			5-year compound annual growth (%)	**Post-IFRS 2007**	Post-IFRS 2006
Cash flow					
Net cash effects of operating activities		R'm	36.7	**1 023**	118
Capital expenditure		R'm	(0.4)	**155**	162
Depreciation and amortisation		R'm	1.4	**104**	109
Performance					
Turnover growth		%		**12.0**	14.8
Comparable stores turnover growth		%		**13.2**	9.9
Gross profit growth		%		**13.8**	9.8
Gross profit margin		%		**19.8**	19.5
Operating margin		%		**4.8**	3.9
Inventory days				**57**	66
Current ratio		times		**1.1**	1.4
Return on total assets		%		**9.3**	7.2
Return on shareholders' interest (ROE)		%		**24.7**	16.7
Interest-bearing debt, including cash, to shareholders' interest		%		**(10.2)**	13.8
Effective tax rate		%		**27.0**	25.5
Statistics					
Number of permanent employees				**9 076**	9 058
Number of stores	– company-owned			**665**	664
	– franchised			**17**	15
Weighted retail trading area	– company-owned	m^2		**245 679**	237 575
Share statistics					
Number of shares in issue (gross)		million		**336**	355
Number of shares in issue (net of treasury shares)		million		**316**	348
Weighted average number of shares (net of treasury shares)		million		**336**	344
Weighted average diluted number of shares (net of treasury shares)		million		**346**	354
Headline earnings per share	– undiluted	cents		**106.1**	73.1
	– diluted	cents		**103.0**	71.0
Distribution per share		cents	15.0	**48.2**	33.2
Distribution cover		times		**2.2**	2.2
Share price	– closing	cents	18.6	**1 525**	1 035
	– high	cents		**1 689**	1 121
	– low	cents		**984**	780
Net asset value per share		cents	0.5	**410**	459
Net tangible asset value per share		cents	(5.3)	**260**	320
Market capitalisation (gross)		R'm	20.9	**5 123**	3 679
Market capitalisation (net of treasury shares)		R'm	19.4	**4 821**	3 598
Price earnings ratio		times	2.3	**14.0**	14.2
Volume of shares traded		R'm	11.8	**316.1**	226.9
Percentage of shares traded		%		**94.1**	65.9
Free float (including treasury shares)		%		**96.7**	97.1
Shareholders' return		cents		**538**	258
Increase/(decrease) in share price		cents		**490**	225
Distribution per share		cents		**48**	33
Other information					
Inflation rate (CPI)		%		**6.7**	5.4
Interest rates					
Prime overdraft rate	– closing	%		**13.5**	11.5
	– average	%		**12.5**	10.7
R153	– closing	%		**9.3**	8.7
	– average	%		**8.4**	7.7
FTSE/JSE Africa share indices					
All Share Index				**28 660**	21 954
General Retailers Index				**31 715**	23 521
Exchange rates					
Rand/US Dollar	– average rate	R/US$		**7.20**	6.48
	– closing rate	R/US$		**7.16**	7.19

Post-IFRS 2005	Pre-IFRS 2004	Pre-IFRS 2003	Pre-IFRS 2002
(13)	219	337	214
170	160	203	158
105	109	104	97
8.6	8.9	34.3	25.7
8.9	8.1	8.0	9.2
*	(0.5)	12.9	27.6
20.4	21.8	23.8	28.3
3.8	5.3	5.2	5.8
76	82	91	98
1.3	1.5	1.3	1.3
6.0	8.0	7.5	7.1
14.2	18.4	15.6	14.1
15.1	(4.6)	16.6	27.8
30.1	121.3	28.1	29.6
8 947	9 011	7 973	6 364
663	681	729	699
15	15	213	192
249 417	231 037	273 636	261 539
370	361	354	305
341	345	354	305
340	354	338	302
349	363	343	317
59.0	74.9	65.6	52.2
57.4	72.9	64.5	49.7
29.7	35.0	26.0	24.0
2.0	2.1	2.5	2.1
810	770	665	650
990	799	715	930
690	660	501	555
416	382	454	400
275	352	388	341
2 999	2 781	2 355	1 984
2 758	2 660	2 355	1 984
13.7	10.3	10.1	12.5
131.9	163.0	156.3	180.6
38.8	46.1	46.3	59.8
98.3	98.8	92.7	95.4
70	140	41	(235)
40	105	15	(259)
30	35	26	24
3.9	1.0	5.1	10.3
10.5	11.0	14.5	16.0
10.8	11.9	16.6	14.3
7.7	8.9	9.5	11.6
8.0	9.4	10.4	11.5
15 414	11 160	9 226	9 677
22 163	13 344	9 584	6 439
6.23	6.65	8.55	10.49
6.48	6.68	7.36	10.64

Notes:

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6. The 2006 and 2007 income statements include the results of the Discom business unit as if part of continuing operations.
7. For an explanation of terms used, please refer to the Definitions section on pages 117 and 118 of this report.

* Not available as 2004 income statement has not been restated in accordance with IFRS

board of directors

David Kneale

Michael Harvey

Keith Warburton

Executive directors

David Kneale (53)

Chief executive officer
BA

Appointed as a director in April 2006

David was appointed chief executive officer of New Clicks 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.

Michael Harvey (38)

Managing director, Clicks

Appointed as a director in April 2006

Michael joined Clicks as a management trainee in 1989. After gaining experience in store management he assumed responsibility for regional operations in the Gauteng area and later in the Eastern and Western Cape. He was appointed marketing director of Clicks in 2000 and the following year moved to Discom where he was appointed managing director in 2002. Michael was appointed head of retail for the New Clicks group in June 2004 and managing director of Clicks in February 2005.

Keith Warburton (49)

Chief financial officer
B Com, CA (SA)

Appointed as a director in April 2006

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

David Nurek

Peter Eagles

Robert Lumb

Martin Rosen

Roy Smither

Lucia Swartz

Non-executive directors

David Nurek (57)

Independent non-executive chairman
Dip Law, Grad Dip Company Law

Chairman of the Governance, Nominations, Remuneration and Transformation committees

Appointed June 1997

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

Peter Eagles (59)

Non-executive director
B Sc (Pharm), M Sc, Ph D

Appointed April 2006

An experienced academic and registered pharmacist, Professor Eagles has been a member of the South African Pharmacy Council for 13 years and was appointed president in 1998. He was appointed chairperson of the Medicines Control Council of South Africa in 2003. He has served as professor of pharmaceutical chemistry at the University of the Western Cape since 1992.

Robert Lumb (64)

Independent non-executive director
Chairman of the Audit and Risk committees
Adv Dip Tax Law, CA (SA)

Appointed April 2004

Rob is a former partner of Ernst & Young. He served as managing partner of the firm's Western Cape practice from 1989 to 2002 and was a member of the national executive committee for 18 years. He is a non-executive director of Distell Group and HomeChoice Holdings and non-executive chairman of Metje & Ziegler.

Martin Rosen (57)

Independent non-executive director

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.

Roy Smither (62)

Independent non-executive director
B Com, CA (SA)

Appointed September 2006

Roy has extensive corporate experience. He served as an executive director of Tiger Brands for eight years until his retirement in 2006 and was chief executive officer of Imperial Cold Storage between 1993 and 1998. Prior to this he held senior positions in the Barloworld and Hunt Leuchars & Hepburn groups. Roy is a non-executive director of Nampak and Hans Merensky Holdings.

Lucia Swartz (50)

Independent non-executive director
BA

Appointed January 2004

An experienced human resources practitioner, Lucia is group head of human resources at Sappi. She was previously human resources director of Seagrams Spirits and Wine Group. Lucia served as a non-executive director of New Clicks Holdings between 1997 and 2000 before relocating to New York for three years.

chairman's statement

David Nurek
Independent non-executive chairman

Delivering on strategy

The group's intense focus on the delivery of its strategy over the past year has reaped handsome rewards for all stakeholders.

On the trading front, the strong growth in turnover has ensured that all the businesses increased market share, while the 35.8% increase in operating profit reflects the improved turnover, margin and operating efficiencies.

Headline earnings increased by 41.9% to R356.9 million with diluted headline earnings per share growing 45.1% to 103.0 cents per share.

The improving performance has attracted increasing interest from the investment community which saw the share price move 47% for the year compared to the 35% growth in the General Retailers Index and a 31% rise in the All Share Index.

Shareholder wealth has been enhanced by R1.6 billion, including the growth in the market capitalisation and distributions to shareholders which were 45.2% higher than 2006.

Strategic priorities

The board is confident that the group's strategy is appropriate for the ongoing creation of shareholder value and believes that the strategy is working effectively, based on the performance in the past two years. Management has identified five strategic priorities and business plans are focused on the delivery of these priorities:

- **Continue transition of Clicks to a health and beauty specialist**
  The benefits of a focused strategy are becoming evident in the Clicks performance and these two specialist merchandise categories now account for 70% of sales. The new store Blueprint programme is re-energising the look and layout of Clicks to better reflect the brand's positioning as a health and beauty specialist.

- **Build UPD and Clicks pre-eminence in healthcare and pharmacy management**
  UPD and Clicks collectively account for 91% of the group's turnover and 88% of operating profit from continuing operations. Both businesses are market leaders, with UPD being the country's foremost pharmaceutical wholesaler and Clicks the largest retail pharmacy chain. UPD is the preferred supplier to two of the country's major private hospital groups.

  We believe the business is well-positioned to benefit from the inevitable consolidation in the wholesale pharmaceutical market.

  Clicks pioneered the drugstore model in South Africa when it entered retail pharmacy less than four years ago. The success of this model is reflected in the turnover of stores with dispensaries which are growing at more than double the rate of stores without a pharmacy offering. Already 98% of dispensary customers also make purchases in the front shop. Corporate pharmacy in South Africa has some way to go to reach the levels of market penetration of the United States and the United Kingdom. This highlights the organic growth opportunity as Clicks has scope to open at least a further 200 dispensaries in its existing stores.

- **Continue Musica's transition to entertainment and widen access to the brand**
  Musica has successfully transitioned to an entertainment brand and 41% of turnover is now generated by non-music categories of DVD, gaming and lifestyle. This broader offering and the increasing affordability of DVD and gaming has created the scope to expand the trading footprint from around 150 stores to 200 in the medium-term.

- **Build organisational capability to deliver sustained performance**
  In order to deliver the strategy, management ensures that the business has the necessary people, systems and processes. As is evident from the Operational Reviews and the Sustainability Report, there is a strong focus on training and developing our people, investment in systems and discipline around processes.

- **Efficient capital and cash management**
  The heightened focus on working capital management has enabled the group to invest in the long-term growth of its businesses, undertake further balance sheet restructuring, increase cash holdings and end the period with no gearing. Through the share repurchase programme which commenced in May 2006 the group has acquired

"The board is confident that the group's strategy is appropriate for the ongoing creation of shareholder value."

47 %
increase in share price for the year

R879 million in shares, which has further enhanced the group's earnings per share.

Legislative environment

After embracing the Department of Health's announcement of a new dispensing fee structure in late 2006 we were disappointed when these regulations were challenged in court by independent pharmacists and the planned implementation date postponed.

A year later there is still no clarity on dispensing fees for retail pharmacy and this has only added costs for consumers, while negatively impacting the pharmacy profession.

Despite the legislative uncertainty Clicks continues to build a sustainable pharmacy business at its current low pricing levels.

The regulatory landscape for pharmaceutical wholesalers is also in a state of flux. We anticipate draft regulations on international benchmark pricing being released in the coming months. The capping of logistics fees in the single exit pricing environment is expected to be introduced once benchmark pricing has been promulgated.

We have also urged the health authorities to address the registration criteria for wholesalers operating in the pharmaceutical market. The proliferation of quasi-wholesalers continues unabated and there are now over 100 registered wholesalers. We firmly believe that more exacting standards need to be adopted in this registration process.

New Clicks continues to support the government's endeavours to make medicine more affordable and accessible to consumers and improve the quality of healthcare delivery. We remain committed to open and constructive engagement with the healthcare regulator.

Board of directors

Our longest serving director, Eliot Osrin, retired from the board at this year's annual general meeting. While we paid tribute to Eliot in last year's report, we thank him once again for his contribution as a director over more than a decade and wish him good health in his well-deserved retirement.

Independent non-executive director Lucia Swartz will not be making herself available for re-election at the forthcoming annual general meeting owing to increased work pressure. Lucia has served on the board for a combined seven years and we extend our appreciation for her contribution.

Enhanced reporting

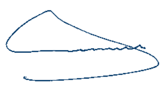
Management is committed to expanding both financial and non-financial reporting beyond the prescribed statutory requirements to enable shareholders to gain better insight into the business and make more informed decisions on share ownership. We have introduced Remuneration, Risk and Sustainability reports into the annual report for the first time this year while financial disclosure has been improved in several areas.

Thanks

On behalf of the directors I would like to thank our key stakeholders for their support over the past year. This includes our shareholders and the broader investment community, our customers who have supported us in increasing numbers, suppliers, business partners, industry regulators and the media.

Thank you to my fellow directors and the management team of New Clicks, so ably led by David Kneale and his executive team of Keith Warburton, Michael Harvey and Bertina Engelbrecht.

In closing, congratulations to the more than 9 000 New Clicks employees in the stores across the country, the distribution facilities and at head office on a most creditable performance.



David Nurek
Independent non-executive chairman

chief executive's report

David Kneale
Chief executive officer

A year of strong growth

It is pleasing to report to shareholders on a year which was characterised by strong organic growth, considerably improved working capital management and cash generation, and resultant value enhancement for our shareholders.

- Turnover for the year grew by 12.0%, with retail turnover up 13.1%. As inflation for the period was only 2.5% and store numbers remained static, this indicates real volume growth.
- The group generated cash of over R1.3 billion from operations, an increase of R1 billion over the previous year, and deployed R558 million in repurchasing shares.
- Shareholder value has been enhanced with a 45.2% increase in total distributions for the year to 48.2 cents per share.

Drivers of performance

At the time of the appointment of the new executive team in 2006 we identified four short-term priorities to address the barriers to success. These were setting clear targets, outlining clear accountabilities, making the business simpler and getting the basics right.

These short-term priorities have been the drivers of our improved trading, operational and financial performance in the past year. Over time these priorities need to be entrenched within the values by which we manage our business.

By getting the basics right we reduced inventory levels over the past year by 2.8%, despite the 12.0% growth in turnover, while inventory measured by days in stock improved from 66 to 57 days.

Discom, the ethnic beauty and hair care retailer, was sold to the Edcon Group and this has brought increased focus and simplicity to the group.

We recognise that our core expertise is in meeting the needs of middle and upper income customers in health, beauty, home and entertainment retailing. Discom serves a different customer profile to Clicks, Musica and The Body Shop and its customer base will be better served by a company which has a stronger focus on Discom's target market.

The sale will enable the group to extract further operational efficiencies and create additional capacity in our distribution centres where we were facing the likelihood of further investment to manage increasing volumes.

Our retail brands are all now focused on middle and upper income customers.

Performance management systems have been introduced to drive accountability and measure delivery against clearly defined targets.

The management talent in the group has also been enhanced through several mainly external senior appointments in Clicks, UPD, Musica and our central Group Services departments, including the appointment of Ralph Lorenz as managing director of Musica.

Progress towards our goals

In last year's annual report we outlined our three medium-term goals which would enable the group to deliver on its strategy. The group has made significant progress towards achieving these goals:

- **Delighting our customers:** Our focus has been on better service, better products and better availability. We have spent time listening to our customers and undertaken more intensive customer research. Our product offering has been greatly enhanced with private label merchandise and we have improved product availability to our target level of 93% in Clicks and over 95% in our dispensaries. The in-store experience for customers is being continually upgraded in all three retail businesses and we have also introduced the Blueprint store renewal programme in Clicks. While notable successes have been achieved in each area, we have some way to go in our quest to deliver to world-class standards.

"We are confident of achieving our medium-term ROE target of 30% in the 2008 financial year."

38–40 new stores will be opened next year

- **Motivated and competent people:** Our people focus over the past year has been on the training and development of store staff, buyers and healthcare staff, particularly pharmacists and pharmacists' assistants. Our employee wellness programme introduced during the year already has the highest utilisation rate in the retail sector. The group has also invested in improving labour relations and Clicks secured a two-year wage settlement with its representative trade union.
- **Improving return on equity (ROE):** The group's ROE improved from 14.2% in 2005 to 16.7% last year and reached 24.7% in 2007. We are confident of achieving our medium-term ROE target of 30% in the 2008 financial year, ahead of our original expectations.

More challenging environment

The trading environment is expected to become increasingly challenging in 2008, driven primarily by consumer sentiment as the effects of several interest rate increases take their toll on disposable income levels. While Clicks is a more defensive retailer than its credit-based peers and our products are mainly needs-based, we are by no means immune to a downturn in consumer spending and lower foot traffic through shopping malls.

Inflation is likely to remain at modest levels in 2008, mainly due to competitive pressure and pricing regulation within the group's healthcare businesses.

Strategy and prospects

Operating in a tougher climate makes delivery on our strategy even more critical. Management believes the group's strategy is working effectively and is confident the strategy will provide a sustainable competitive advantage. The group has clearly defined strategic priorities and plans to deliver the strategy, as outlined in the Chairman's statement on page 14. These include implementing the Clicks Blueprint programme, the continued rollout of dispensaries, growing the private label offering, diversifying UPD's revenue base and expanding the entertainment offering and store coverage of Musica. We are planning to grow total trading space by around 5% by opening 38 to 40 new stores across the retail businesses in the next year.

Against this background, along with the continued uncertainty over healthcare regulations relating to dispensing fees, benchmark pricing and logistics fees, the group will maintain an intense focus on operational execution to deliver improved performance. Getting the basics right is critical.

The group remains confident of delivering improvements in operating margin and continued cash generation in the year ahead and expects earnings to grow at a more normalised level off the higher base set in 2007.

Appreciation

2007 has been a year in which New Clicks has made great strides in its turnaround to sustainable performance. This was truly a team effort where people across all the businesses have made a valuable contribution.

I would like to thank our chairman, David Nurek, and my board colleagues for their continued guidance and counsel, and the group executive team for its leadership and support.

Our people in the stores across the country and at head office are starting to realise the fruits of their labours and becoming part of a winning team. Thank you for your commitment as we strive to make New Clicks the country's specialist retailer of choice.

David Kneale
Chief executive officer

chief financial officer's report

Keith Warburton
Chief financial officer

Review of the year

New Clicks delivered a strong trading, operational and financial performance during the 2007 financial year as the group continued to make encouraging progress towards achieving its medium-term performance targets.

- The focus on working capital management saw the group generate cash of R420 million after repurchasing shares of R558 million and continuing to invest for long-term growth across its businesses.
- The group's return on equity (ROE) continued its strong growth trend, improving from 16.7% to 24.7%.
- Group turnover increased by 12.0% to R11.2 billion (2006: R10.0 billion). As selling price inflation for the period averaged only 2.3%, the group recorded real turnover growth of 9.7%.
- Retail turnover rose 13.1% and by 13.2% on a comparable store basis, with inflation of 2.5%. UPD increased turnover by 11.2% and experienced inflation of 2.0% for the year.
- Headline earnings grew by 41.9% to R356.9 million (2006: R251.6 million). Diluted headline earnings per share increased 45.1% to 103.0 cents per share. During the year the group sold properties at a capital profit of R28.4 million (after tax), resulting in diluted basic earnings per share growing by 58.4% to 109.9 cents per share.

Disposal of businesses

The group has sold retail businesses Discom and Style Studio, with both transactions effective from September 2007. As a major line of business, Discom is reflected as a discontinued operation in the annual financial statements.

Income statement

Turnover

Clicks increased turnover by 14.3% and by the same amount on a comparable store basis, showing double digit real growth with inflation at 2.8%.

Musica experienced a slower second half sales performance and recorded growth of 12.1%, with same store sales at 10.0%. The business continued to experience price deflation largely in the entertainment product categories of DVD and gaming.

The Body Shop has continued its sales momentum built up in 2006 and increased turnover by 26.3%, with same store sales of 19.3%.

UPD's turnover growth of 11.2% was in line with expectations and reflects the benefits of the supply contracts for two major private hospital groups.

Intragroup turnover increased by 17.4% as a result of higher volumes of ethical product from UPD to Clicks. It should also be noted that during the year the distribution of certain front shop products was relocated from UPD to the Clicks distribution centres.

The group's trading performance is covered in more detail in the operational reviews on pages 26 to 32.

turnover R'm	**2007**	2006	% change	same store % growth	% inflation
Clicks	**5 562**	4 865	14.3	14.3	2.8
Musica	**873**	779	12.1	10.0	(1.3)
The Body Shop	**83**	65	26.3	19.3	5.3
continuing retail ops	**6 518**	5 709	14.2	13.8	2.3
UPD	**4 295**	3 863	11.2		2.0
intragroup turnover	**(770)**	(656)	17.4		
total continuing ops	**10 043**	8 916	12.6		2.1
Discom & Style Studio	**1 162**	1 085	7.1	10.1	4.1
total group	**11 205**	10 001	12.0	13.2	2.3

"Inventory management was one of the highlights of 2007. The group reduced inventory levels by 2.8%, despite a 12% increase in turnover."

operating profit up

35.8%

Gross profit margin
Retail gross margins improved to 27.3% (2006: 27.1%). This is a pleasing performance considering the increasing influence of lower margin dispensary sales where Clicks continues to apply the R26/26% pricing model.

UPD's gross income, which includes gross profit and other income (primarily distribution fees), improved to 8.5% of turnover (2006: 8.3%). Income benefited from the increase in single exit pricing afforded to selected manufacturers in January 2007 and the transfer of the Musica distribution to UPD. However, this was partially offset by the higher proportion of sales of ethical products (78.9% in 2007 against 77.3% in 2006) which are at a lower gross income than front shop products.

Operating expenditure
Operating expense growth was contained at 9.7%, with all businesses maintaining expenditure below the level of turnover growth.

Employment costs, which account for 48% of group expenses, increased by 10.6%. Employment costs were impacted by the higher short-term and long-term incentive scheme expenses which relate to the improved performance of the group as well as the appointment of further professionals in Clicks as the pharmacy business expands.

Depreciation and amortisation costs reduced by 2.4%. This reflects a 5.5% decline in retail owing to certain IT equipment being fully amortised. Depreciation in UPD increased by 57.7% following the commissioning of the new automated pharmaceutical distribution facility.

Occupancy costs remained well managed and rose by 8.7%, despite an increase in the number of Clicks stores. Overall retail trading space increased by 3.4%.

The increase of 10.8% in other operating expenses includes the growth in volume related costs such as credit card commissions, the move of the Musica distribution to UPD with associated transport costs and the introduction of the store Blueprint programme in Clicks.

Operating profit
Operating profit increased 35.8% to R533.8 million, reflecting the improved turnover, margin and operating efficiencies.

The 43.2% increase in Clicks is particularly noteworthy given the size of the contribution of the business to total group profit. Clicks benefited from buoyant turnover, good gross margin management, improved inventory management and reasonable expense control.

Musica's operating profit increase of 67.7% is inflated by an inventory shortfall of R5 million which was reported in the previous financial year. However, when the impact of this loss is excluded, Musica still showed strong growth of 40%.

operating profit

R'm	**2007**	2006	% change
Clicks	**296**	207	43.2
Musica	**43**	26	67.7
The Body Shop	**14**	11	24.7
UPD	**139**	114	21.0
intragroup	**2**	–	
total continuing operations	**494**	358	37.8
Discom & Style Studio	**40**	35	15.3
total group	**534**	393	35.8

Interest
Net interest paid declined 32.1% from R57 million to R39 million, reflecting the improved cash generation of the business which is detailed under "Cash utilisation".

R1.3 billion
cash generated from operations

Taxation

The increase in the tax charge from R84 million in 2006 to R141 million can be attributed mainly to the higher proportion of exempt income to total taxable income in 2006, the maturing of structured finance schemes during the year and the provision of secondary tax on companies (STC) and capital gains tax (CGT) on certain transactions.

It is anticipated that the group's effective tax rate will continue to increase in 2008 and move to a corporate rate of 29% by the 2009 financial year.

Balance sheet

Inventory

Inventory management was one of the highlights of 2007. The group continued to build on the strategies implemented in 2006 and reduced inventory levels by 2.8%, despite a 12% increase in group turnover. The days cost of sales in inventory declined from 66 to 57 days.

All continuing businesses reduced inventory levels while Discom stock levels were increased over the year-end period in anticipation of the transfer of the business to Edcon in early September 2007.

The improvement in the UPD inventory level from 29 to 22 days is not considered to be sustainable and a more realistic level for 2008 would be around 27 days.

inventory	days in stock*		inventory (R'm)		%
	2007	2006	**2007**	2006	change
Clicks	**71**	83	**802**	817	(1.9)
Musica	**77**	88	**128**	131	(2.1)
The Body Shop	**88**	122	**8**	9	(6.7)
total retail	**72**	84	**938**	957	(1.9)
UPD	**22**	29	**255**	297	(14.3)
intragroup inventory			**(2)**	(3)	
total continuing ops	**53**	63	**1 191**	1 251	(4.8)
Discom & Style Studio	**93**	90	**212**	192	10.2
total group	**57**	66	**1 403**	1 443	(2.8)

* at cost price

Cash utilisation

An increased focus on working capital management enabled the group to generate cash from operations of R1 254 million (2006: R252 million).

The group invested R155 million in capital expenditure for the growth of the business, paid R121 million in distributions to shareholders and repurchased shares of R558 million. Cash equivalents amounted to R413 million (2006: -R7 million) at year end.

However, following the strong performance in 2007, off a relatively high working capital base in 2006, the group does not expect to generate the same levels of cash in the new financial year.

distribution to shareholders increased by

45.2%

Capital management

In the 2007 financial year the group repurchased shares totalling R558 million on the open market while a further R125 million were acquired by forward agreement. The repurchases enhanced earnings for the period by 1.7%.

The repurchase programme has also facilitated the delivery of 18 million share options during the year, with the outstanding options standing at 16.2 million compared to 57.6 million at the end of 2004.

The group has now acquired R879 million in shares at an average price of R13.62 since the inception of the repurchase programme in May 2006. This represents 18.1% of the issued share capital prior to the cancellation of 20 million shares in August 2007.

The average shareholders' funds to total assets has improved from 40.9% in 2006 to 36.0%.

The group plans to continue the share repurchase programme in the 2008 financial year, utilising the net proceeds of the sale of Discom of approximately R210 million for this purpose.

Return on equity

The group has a medium-term target of achieving a return on equity (ROE) of 30% to 35%.

In the past year the group's ROE increased from 16.7% to 24.7%, driven by increased profitability, enhanced asset turn and the improved gearing resulting from the share repurchase programme.

Financial priorities for 2008

- Cash generation through a continued focus on working capital;
- Capital expenditure of R176 million has been committed to invest mainly in the aggressive store opening and refurbishment programme; and
- Balance sheet restructuring through continued share repurchases.

Shareholder distribution

The group has maintained its distribution cover ratio at 2.2 times earnings. The directors approved a total distribution of 48.2 cents per share (2006: 33.2 cents) to shareholders. This will be paid partly as a cash dividend from retained income and the balance out of share premium. The group expects to continue making distributions out of share premium in the medium term.

Financial targets

As a means of enhancing the quality of reporting and providing shareholders with a greater understanding of the group's anticipated performance, management has disclosed medium-term financial targets for the first time. These targets are detailed on page 5 in the section on Strategy, Objectives and Targets.

Keith Warburton
Chief financial officer

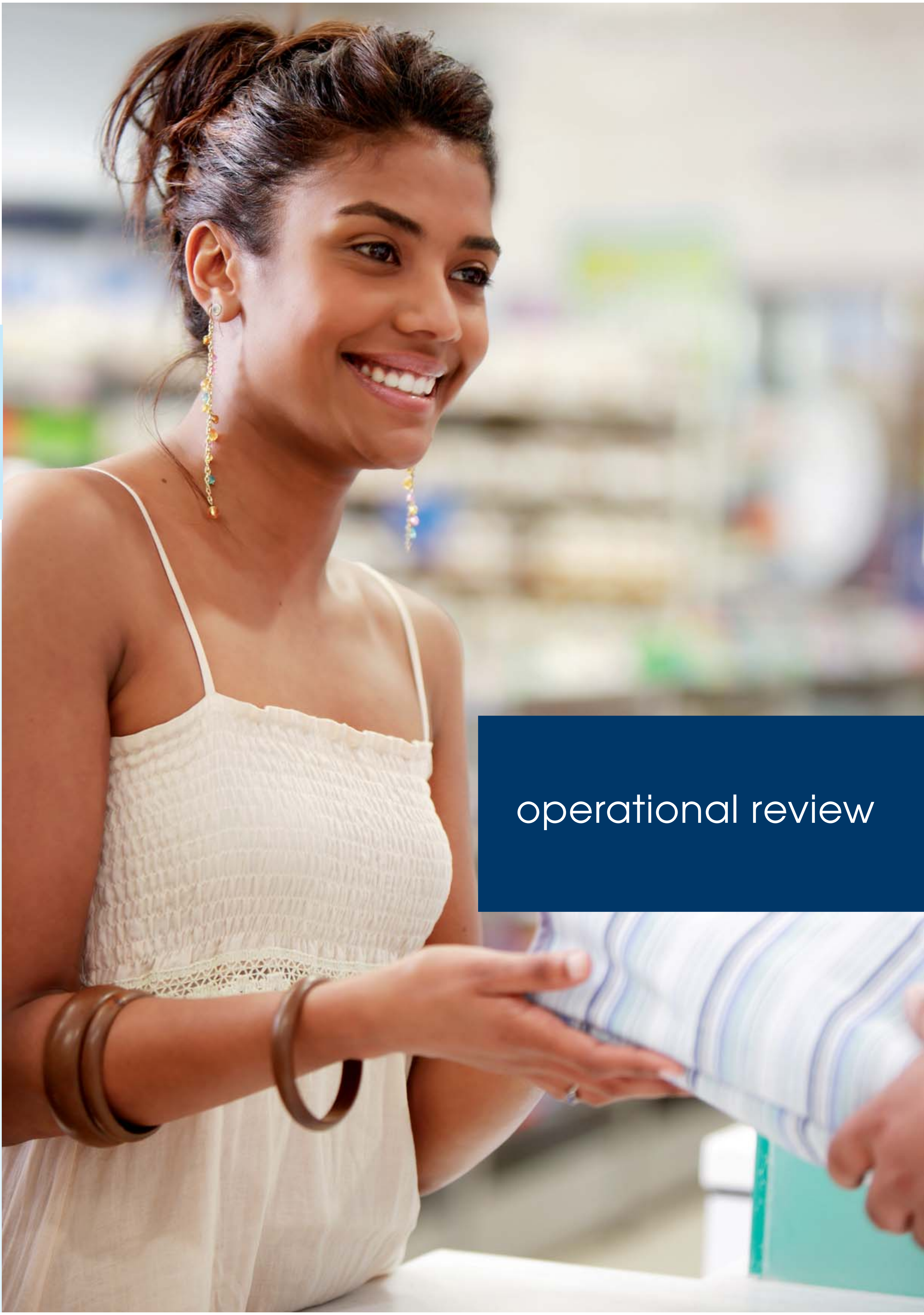
retail store locations

39%

of Clicks stores have pharmacies

	Clicks				Musica		The Body Shop		Total	
	2007			2006	2007	2006	2007	2006	2007	2006
	No pharmacy	Pharmacy	Total	Total						
Gauteng										
Johannesburg	35	29	64	61	27	23	11	8	102	92
Pretoria	27	20	47	46	11	10	4	4	62	60
Other	6	5	11	9	3	6	–	–	14	15
Mpumalanga	15	3	18	16	7	7	1	1	26	24
Limpopo	7	3	10	9	8	8	–	–	18	17
North West	9	5	14	13	6	6	–	–	20	19
Free State	8	8	16	16	6	7	1	1	23	24
KwaZulu–Natal										
Durban	16	6	22	21	9	9	3	3	34	33
Pietermaritzburg	4	2	6	6	3	3	1	1	10	10
Other	12	3	15	14	5	5	–	–	20	19
Eastern Cape										
Port Elizabeth	5	5	10	9	5	5	1	1	16	15
East London	2	2	4	5	3	3	1	1	8	9
Other	6	2	8	6	7	6	–	–	15	12
Western Cape										
Cape Town	22	21	43	45	23	23	7	7	73	75
Other	12	9	21	22	14	14	2	2	37	38
Northern Cape	3	2	5	4	4	4	–	–	9	8
Botswana	–	–	–	–	2	2	–	–	2	2
Namibia	4	–	4	4	4	4	1	–	9	8
Swaziland	2	–	2	2	–	–	–	–	2	2
Total	195	125	320*	308	147	145	33	29	500	482

* Excludes 16 Clicks franchise stores in Zimbabwe



operational review

business unit segmental analysis

for the year ended 31 August 2007

Clicks operating profit up

43.2%

R'000		Group 2007	Group 2006	Clicks 2007	Clicks 2006	UPD 2007	UPD 2006	Musica 2007	Musica 2006
Balance sheet									
Property, plant and equipment *		**745 214**	703 636	**196 729**	210 452	**121 116**	88 275	**37 473**	36 400
Intangibles		**475 289**	481 400	**272 000**	272 000	**85 930**	86 580	**–**	–
Inventories		**1 403 114**	1 443 161	**801 710**	816 885	**254 596**	297 238	**127 963**	130 696
Other assets		**1 386 762**	1 056 210	**–**	–	**752 774**	615 662	**–**	–
Total assets		**4 010 379**	3 684 407	**1 270 439**	1 299 337	**1 214 416**	1 087 755	**165 436**	167 096
Income statement									
Turnover		**11 204 880**	10 000 621	**5 562 340**	4 864 521	**4 295 013**	3 863 143	**873 411**	778 798
Operating profit		**533 789**	392 969	**296 204**	206 906	**138 968**	114 838	**43 001**	25 635
*Property, plant and equipment includes investment property in 2006									
Ratios									
Increase in turnover	%	**12.0**	14.8	**14.3**	8.8	**11.2**	26.8	**12.1**	17.6
Selling price inflation	%	**2.3**	(0.1)	**2.8**	(0.8)	**2.0**	0.1	**(1.3)**	4.6
Increase in operating profit	%	**35.8**	19.6	**43.2**	13.3	**21.0**	28.0	**67.7**	11.0
Operating profit margin	%	**4.8**	3.9	**5.3**	4.3	**3.2**	3.0	**4.9**	3.3
Inventory days		**57**	66	**71**	83	**22**	29	**77**	88
Number of stores									
– company-owned		**665**	664	**320**	308			**147**	145
– franchised		**17**	15	**16**	14			**–**	–
Total leased area	m^2	**320 477**	317 069	**223 505**	216 659			**26 051**	22 849
Weighted retail trading area	m^2	**245 679**	237 575	**169 130**	164 180			**21 700**	18 603
Weighted annual sales per m^2	R	**31 262**	28 595	**32 888**	29 629			**40 249**	41 864
Number of permanent employees		**9 076**	9 058	**5 435**	5 230	**494**	507	**755**	699

UPD operating profit up

21.0%

Musica operating profit up

67.7%

	The Body Shop		Discom		Style Studio		Group Services		Intragroup elimination	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	12 316	13 179	46 250	57 703	963	1 129	330 367	296 498	–	–
	–	–	100 000	100 000	–	–	17 359	22 820	–	–
	8 193	8 780	211 267	191 354	1 242	1 559	–	–	(1 857)	(3 351)
	–	–	–	–	–	–	720 213	527 862	(86 225)	(87 314)
	20 509	21 959	357 517	349 057	2 205	2 688	1 067 939	847 180	(88 082)	(90 665)
	82 513	65 342	1 153 507	1 077 682	8 632	7 120	–	286	(770 536)	(656 271)
	13 803	11 067	39 961	33 905	358	1 075	–	–	1 494	(457)
	26.3	11.8	7.0	10.5	21.2	33.4			17.4	29.9
	5.3	5.2	4.1	(1.0)						
	24.7	19.3	17.9	37.8	(66.7)	315.2				
	16.7	16.9	3.5	3.1	4.1	15.1				
	88	122	93	90	97	181				
	33	29	162	179	3	3				
	–	–	1	1	–	–				
	2 381	1 778	68 238	75 518	302	265				
	1 604	1 596	52 980	52 931	265	265				
	51 442	40 941	21 772	20 360	32 574	26 868				
	98	80	1 629	1 820	7	10	658	712		

Clicks is a specialist health, beauty and lifestyle retailer attracting predominantly female consumers in the middle and upper income markets. The brand offers value for money in convenient and appealing store formats. Clicks has the largest retail pharmacy footprint in the country with over 125 in-store dispensaries.

Michael Harvey
Managing director

19 years' service

Executive director of New Clicks Holdings
Appointed managing director of Clicks in February 2005
Previously marketing director of Clicks; managing director of Discom

Review of the year

Clicks continues to reap the benefits of a focused merchandise strategy and produced consistent sales growth through the year, with strong Christmas gifting sales and pleasing dispensary trading over the winter period.

The specialist merchandise categories of health and beauty both showed strong growth. Health, which includes scheduled medicines, grew by 19.0% and beauty by 15.6%.

The general merchandise category grew by 8.0%, which included an improved second half performance and solid growth in confectionery, homewares and electrical.

Total till transactions increased by 5% to 66.8 million as the brand attracted new shoppers, improved the shopping frequency of ClubCard holders and grew the average basket size by 9.5% to R70.

Blueprint, a store renewal programme, was introduced. This includes a new store look and layout which has been designed to reflect Clicks' increasing specialisation in health and beauty. The design enhances the shopping experience, offers improved visual merchandising and convenience, and encourages impulse purchases.

The second component of Blueprint relates to achieving operational excellence. All processes and standards are being revised, along with the implementation of rigorous performance metrics and measures to improve customer service.

Clicks opened 20 new stores during the year, including the conversion of five Discom stores to the Clicks brand, bringing the national store base to 320.

The Clicks senior management team was strengthened with the external appointments of Du Toit Britz and Jessie Whitehouse to head the finance and human resources portfolios, while Henri van Wijk was appointed head of operations. Tom Villet was appointed head of distribution centres and logistics to align the distribution function with the needs of the trading brand.

The ClubCard loyalty programme remains a key promotional medium for Clicks. The programme has 2.2 million active members and the average basket size for these consumers is R94 compared to R45 for non-card holders.

Clicks extended the loyalty programme by introducing a credit card in partnership with FirstRand Bank in September 2006. The card attracted 29 000 customers in its first year, with total spend of R380 million, including R25 million at Clicks stores.

Despite further delays in the implementation of new dispensing fee regulations, Clicks continues to build a sustainable pharmacy business at the current pricing levels. Clicks has experienced strong dispensary sales growth, with prescription sales up 21.3% and OTC medicines growing by 25.1%.

Clicks opened a further 21 pharmacies during the year and now has 125 in-store pharmacies and 92 clinics.

private label
15%
of turnover

awareness of
Clicks pharmacy now
40%

A centralised patient database was activated to enable customers to access their patient records and details of prescription medication at any Clicks pharmacy countrywide. By year-end over 366 700 customer profiles had been converted.

The shortage of pharmacists remains an industry challenge. This has not only impacted the pace of the dispensary roll-out in Clicks but also increased professional staff costs.

In response to this challenge, Clicks has introduced an 'employer of choice' programme to attract and retain professional staff. We also offer an accredited training academy which has trained over 180 pharmacy assistants.

Market research showed 29% of South African consumers rated Clicks as the first choice for health and beauty products. Clicks pharmacies are the preferred choice for prescriptions and OTC products for 17% of consumers. Awareness of pharmacies inside Clicks stores increased from 34% to 40%.

Market share (%)	2007	2006
Retail pharmaceuticals *	9	n/a
Front shop health products **	37	35
Beauty **	25	25

* Size of retail pharmaceutical market supplied by IMS ** AC Nielsen

Strategic focus for 2008

Fifteen new stores, all including dispensaries, will be opened in 2008. Dispensaries are planned for a further 15 to 25 existing stores, depending on the availability of pharmacists and licences. An aggressive store refurbishment programme will also be undertaken and Clicks will have 80 to 100 stores in the new Blueprint format by the end of the 2008 financial year.

Stock management remains a priority. Strategies have been developed to reduce stock levels while improving in-store availability.

Clicks plans to further entrench its health and beauty specialisation by expanding its range of fine fragrances and dermo-skin products to over 100 stores. Clicks has also extended its ethnic hair care range to all stores.

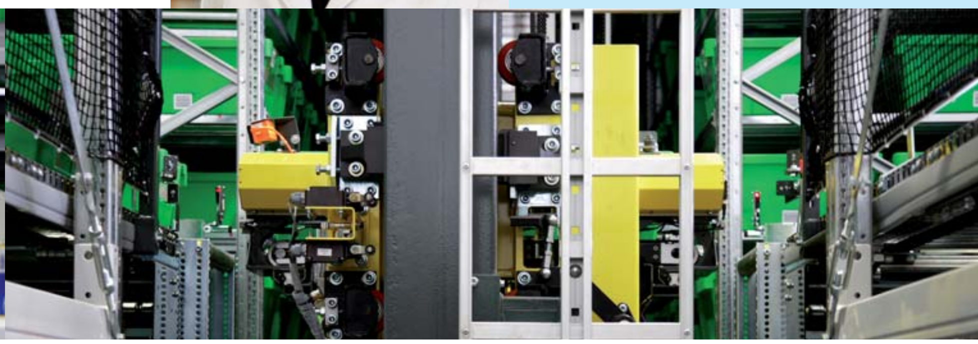
Private label and exclusive brands have attracted increasing demand as they offer better value to customers, while enhancing margins in Clicks. These ranges accounted for 15.1% of sales in the past year and Clicks plans to grow its private label portfolio in the forthcoming year, with a target of 17%.

The momentum built up over the past year is expected to continue and we are focused on delivering on our strategy and growing the business by achieving operational excellence.

UPD is the country's leading national full-line pharmaceutical wholesaler and provides the distribution capability for New Clicks' integrated healthcare strategy. The business services retail and chain store pharmacies, hospital pharmacies, dispensing doctors, veterinarians, health shops and other wholesalers. An average of 18 500 product lines (12 500 FMCG and 6 000 scheduled medicines) are held to service customer needs.

Lynda van Niekerk
Managing director

B Com (Acc) (Hons), CA (SA)
Five years' service with New Clicks group
Appointed managing director in 2005
Previously financial director of UPD



"UPD strives to maintain its operating margin and expense management at its current world class levels"

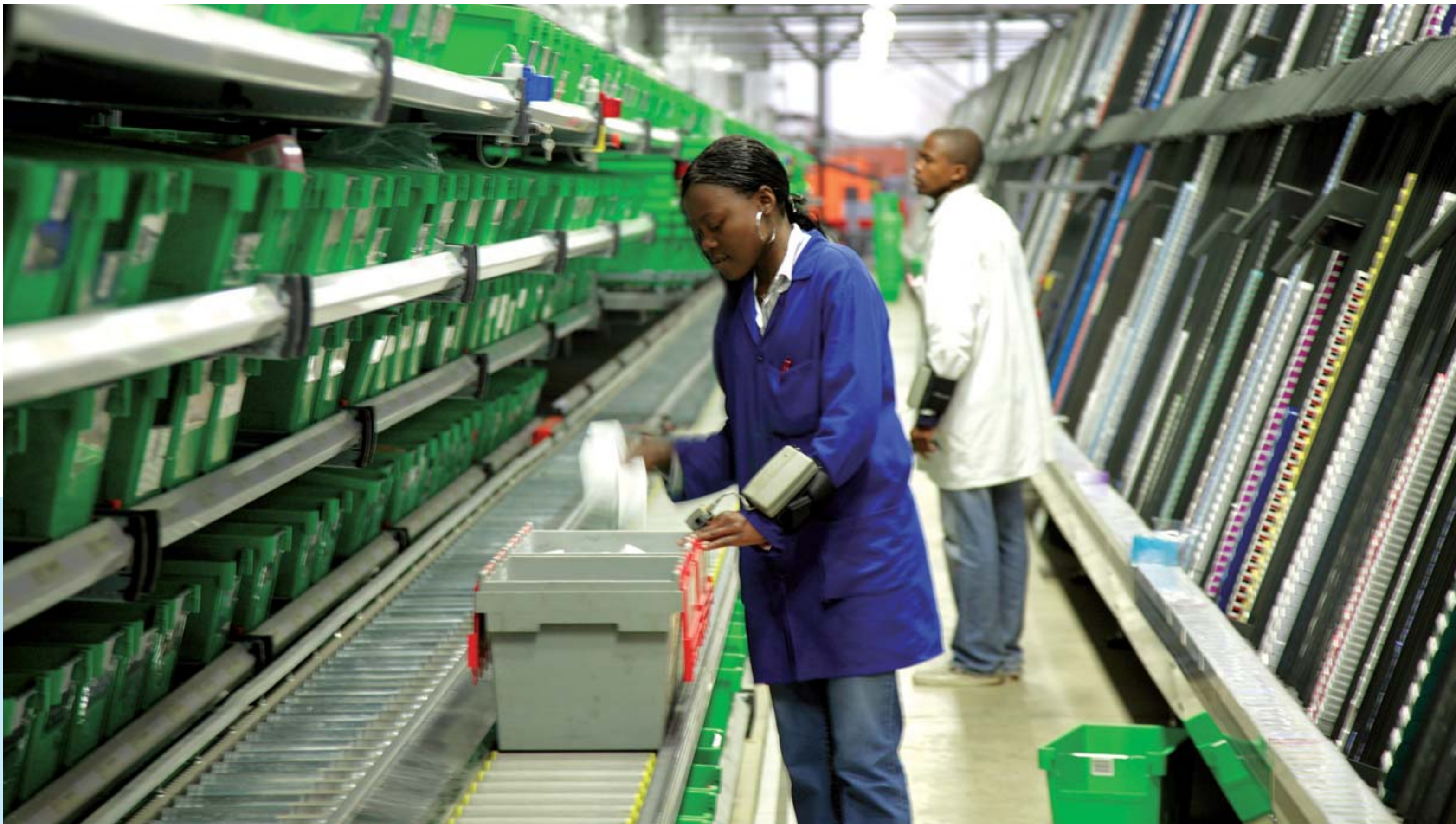
Review of the year

UPD's strategy of diversifying its client base and building sales volumes has seen the business increase its share of the competitive pharmaceutical distribution market from 24.9% to 25.6%.

Hospital sales have grown to 26% of UPD's total sales and Clicks to 18%, with the contribution from independent pharmacies declining to 47%. Dispensing doctors, retail health stores and third-party distribution accounts for the balance of 9%. UPD supplies the majority of the pharmaceutical product to the Life Healthcare and Medi-Clinic private hospital groups.

UPD's new pharmaceutical distribution centre was opened in June 2007. Built at a cost of R43 million, this automated system has replaced the manual inventory picking method and will result in a more accurate, time-efficient and compliant distribution process for ethical products. Security has been enhanced through the elimination of manual interventions.

The viability of independent pharmacy is critical to the long-term success of the business. UPD will in future offer its value-added services to community pharmacies under the Link banner group and during the year enrolled 250 retail pharmacies onto the programme. The Link brand initiative is a means of increasing loyalty to UPD and enabling these pharmacies to be more competitive. UPD offers training for pharmacists and pharmacy assistants, front shop marketing support, volume discounts on front shop purchases and business skills development.



R43 million

invested in automated distribution centre

UPD also markets value-adding services to its suppliers, including the provision of contract sales forces for new product launches, in-store promotions, telesales and training.

Extended supplier terms negotiated with several leading suppliers resulted in improved working capital management.

The executive team of UPD has been restructured to ensure clear accountability and responsibility across functional and support roles, including the external appointment of finance and operations executives.

Medical inflation for the year is estimated to be 2.0%, arising mainly from the 5.2% price increase afforded to selected manufacturers by the Department of Health in January 2007.

Market share (%)	2007	2006
Total private pharmaceutical market (value)*	25.6	24.9
Total private pharmaceutical market (unit volume)*	22.6	22.5

* IMS

Strategic focus for 2008

The Link programme will be a key focus in the new financial year as UPD plans to attract many more community pharmacies into its fold.

UPD has identified medical practitioners as a growth market and aims to target the 4 100 dispensing doctors with a range of personalised and value-adding services, including in-practice stock management and order taking.

Third party distribution is an area of growth as UPD seeks opportunities to expand and diversify its income base. UPD has been awarded the distribution contract for pharmaceutical supplier, Pharmaplan.

The regulatory uncertainty of the past few years continues. While the impasse over the dispensing fees for retail pharmacy remains unresolved, it is anticipated that draft regulations on international benchmark pricing will be released before the end of 2007. Logistics fee capping is expected to be introduced within six months of the benchmarking regulations being promulgated. UPD will continue to engage with the health authorities on logistics fees, the licensing of wholesalers and other regulatory issues which could potentially impact the business.

UPD strives to maintain its operating margin and expense management at its current world class levels and continues to focus on working capital and cash improvement strategies, as well as extracting operational efficiencies from the new distribution centre and other UPD facilities.

MUSICA
LISTEN WITH YOUR SOUL

Musica is the largest retailer of music and entertainment-related merchandise in the country. The product range includes CDs, DVDs, gaming and lifestyle products. Musica targets consumers in the middle and upper income groups through its network of close to 150 stores across southern Africa.

Ralph Lorenz
Managing director

Appointed managing director in September 2007
20 years' retailing experience with Foschini Group
Previously operations director of Markham

"Customers voted Musica the country's Coolest CD Store in the Sunday Times Generation Next survey."

Review of the year

Musica's performance over the past year was driven by strong sales growth in the entertainment categories of DVD which increased by 33% and gaming which rose by 38%. Non-music sales have increased to 41% (2006: 35%) of total turnover.

This highlights the success of the strategy to transition Musica into an entertainment brand.

As entertainment-related merchandise becomes an increasing proportion of turnover, additional space has been allocated to DVD and gaming in 70 stores to capitalise on the growth in these categories.

Musica has extended its presence in the cellular category and airtime for all mobile networks is now available in all stores.

A key strategy is to broaden access to the Musica brand and expand the store footprint into new areas to take advantage of the growing middle class consumer market. Musica opened seven new stores. Two stores were relocated to improved trading environments and five underperforming stores were closed.

The conversion of the four CD Wherehouse stores to the new Musica Megastore format early in the financial year has enabled the group to focus on a single entertainment brand. The successful conversion has proved the viability of the larger format store model and this will be expanded selectively.

Musica's DVD and gaming sales now

41%

of turnover

Musica's management team was bolstered by the appointments of Ralph Lorenz as managing director, Robbie Ferns as merchandise executive and Simangele Tshabalala as human resources executive.

An extensive customer research programme undertaken during the year showed that Musica's brand is well known, has a strong customer affinity and is highly visible. Customers identified Musica's in-store experience as a weakness and this is being actively addressed through increased customer service training, streamlining of administrative processes and improved product availability.

Musica's customers endorsed the brand when it was voted the country's *Coolest CD Store* in the Sunday Times Generation Next survey.

During the year 6.1 million customer transactions were recorded, with the average value per basket increasing by 9% to R144, despite price deflation of 1.3%.

Musica's point of sale system was upgraded to create an integrated payment solution for stores. This eliminated the need for card terminals and the system enables all stores to now sell airtime, improve stocktake functionality and gain access to stock-holding of all stores to improve customer service.

Several plans have been implemented to improve supply chain management. Musica's distribution has moved to UPD. A store-to-store courier service has been introduced for small stock quantities to improve availability and enhance the customer experience.

Market share (%)	2007	2006
Entertainment*	21.6	20.5

* based on supplier data

Strategic focus for 2008

Musica continues to capitalise on opportunities to broaden access to the brand. After an extensive exercise to determine the potential property footprint, Musica plans to open 20 stores in the new year. A new megastore will be opened in Cavendish Connect in Cape Town in December 2007.

Extended trading space will be allocated to DVD and gaming in a further 40 stores.

The plastic gift cards launched in August to replace the paper-based vouchers have been rolled out to all stores.

Rising interest rates are expected to place pressure on discretionary spending.

However, sales of DVD and gaming are expected to remain buoyant in the year ahead. Musica's profitability targets are based on improved operational efficiencies, including improved stock availability.

THE BODY SHOP™

The Body Shop is a global brand marketing naturally-inspired luxury toiletries and cosmetics. A destination shop for gifting and grooming, The Body Shop serves predominantly female consumers in the upper and middle income customer groups. New Clicks operates The Body Shop in southern Africa under an exclusive licence agreement.

Carol Poolton
General manager

Six years' service
19 years' experience in cosmetics industry
Appointed general manager of The Body Shop in 2003
Formerly head of beauty category in Clicks

Review of the year

The Body Shop continued the strong momentum built up last year as sales increased by 26%, lifted by new store growth and the continued success of the Love Your Body loyalty programme.

The store base was increased to 33 with the opening of four new stores. Stores were opened in Gauteng in the East Rand Mall, Greenstone Shopping Centre and Vaal Mall. The fourth new store, in Maerua Mall in Windhoek, Namibia, is the first Body Shop store in that country and it already ranks in the top ten stores based on turnover.

Membership of the loyalty programme now exceeds 52 000 and accounts for 30% of sales. The average basket size of loyalty card holders is now 50% more than non-card holders.

Sales growth in The Body Shop was boosted by a 60% increase in sales in the make-up category. A new make-up range with enhanced quality and packaging was introduced in September 2006.

A 33% increase in skincare sales can be largely attributed to the launch of Wise Woman, a range aimed at female consumers in the over 40 category, as well as new products in the Aloe and Seaweed ranges.

Product availability averaged 98% for the period with a greater depth of stock in stores and a more efficient distribution of stock between stores and the distribution centre.

Staff training was elevated with the appointment of a dedicated training manager which has resulted in improved customer service and enhanced in-store experience.

"Love Your Body loyalty programme now accounts for 30% of sales"

Strategic focus for 2008

Three to five new stores are planned for 2008. In line with the strategy of growing the presence in the inland region, most of these stores will be in Gauteng. The brand's flagship stores in Sandton City, Cavendish Square and Menlyn Park will be refurbished.

The Body Shop will continue to focus on improving the in-store customer experience through stock availability, new products, well-executed promotional events and excellent service.

corporate reports

corporate governance report

Introduction

New Clicks strives to achieve the highest standards of corporate governance to protect the interests of the company and its stakeholders. Recognising that governance is fundamental to business ethics and a key component of equity performance, the group embraces the principles of integrity, transparency and accountability in its dealings with stakeholders.

The group endorses the Code of Corporate Practices and Conduct contained in the King Committee Report on Corporate Governance (King II). The directors believe New Clicks complies with both King II and the Listings Requirements of the JSE Limited.

New Clicks is also committed to adopting practices which contribute to the long-term sustainability of the business and the broader society in which it operates. The group's performance and its relationship with stakeholders on social, economic and environmental issues is outlined in the Sustainability Report on page 48.

Governance and compliance

The Governance committee of the board is responsible for ensuring compliance with King II and monitors governance practices across the group. Governance structures and processes are regularly reviewed to ensure alignment with best practice. During the year the governance process was enhanced through the following:

- The board meeting structure was reviewed and each of the four board meetings assigned a primary purpose;
- The number of Audit committee meetings was increased from two per year to four. Two of the meetings are dedicated to interim and final results and external audit report backs, while the other meetings focus primarily on internal audit issues;
- The charter of the Audit committee was aligned with the requirements of the Corporate Laws Amendment Act which, although promulgated, has not yet been implemented; and
- Legal compliance was strengthened with the appointment of an in-house legal adviser who also functions as a legal risk manager.

Board of directors

Board composition

New Clicks has a unitary board structure with nine directors, including three full-time executive directors and six non-executive directors. Biographical details of the directors appear on pages 12 and 13.

During the year Roy Smither was appointed as an independent non-executive director and Eliot Osrin, the longest-serving director on the board, did not make himself available for re-election at the annual general meeting.

Five of the six non-executive directors, including the chairman, are independent in terms of both the King II definition and the guidelines outlined in the JSE Listings Requirements.
The remaining non-executive director, Professor Peter Eagles, provides specialist consulting services to the group and is therefore not classified as independent. As the majority of non-executive directors are independent, this provides the necessary objectivity for the effective functioning of the board.

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

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

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

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

The board meets at least four times a year and additional meetings are convened to consider specific business issues which may arise between scheduled meetings. During the year the board met five times.

Board charter

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

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

Board appointment

Directors do not have a fixed term of appointment. One third of the directors are required to retire by rotation each year and are eligible for re-election by shareholders at the annual general meeting. Executive directors are subject to an 18 month notice period in terms of their contracts of employment. Executive directors retire at the age of 65, while there is no prescribed retirement age for non-executive directors.

Newly-appointed directors undergo a formal induction programme which outlines their fiduciary duties and provides an in-depth understanding of the group and its operations.

Group executive committee

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

Company secretary

The company secretary is responsible for ensuring that board procedures and all relevant regulations are fully observed. He also provides guidance to the directors on governance, compliance and their fiduciary responsibilities.

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

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

Board evaluation

An annual 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 results of these reviews are discussed with each director and the chairmen of the board sub-committees.

A number of changes were made to board processes in response to issues identified in the board evaluation.

Board and committee structure

- All board committees are chaired by independent non-executive directors;
- Committees have clearly-defined mandates which are reviewed annually;
- The directors confirm that the committees have functioned in accordance with these written terms of reference during the financial year;
- Detailed terms of reference for each committee are available on the New Clicks website.

NEW CLICKS HOLDINGS

Board of directors

Six non-executive directors
Three executive directors

Audit
Chairman: Robert Lumb
David Nurek • Roy Smither

Remuneration
Chairman: David Nurek
Peter Eagles • Martin Rosen
Lucia Swartz

Risk
Chairman: Robert Lumb
Peter Eagles • Martin Rosen
Roy Smither • David Kneale
Keith Warburton

Governance
Chairman: David Nurek
David Kneale
Keith Warburton

Nominations
Chairman: David Nurek
Robert Lumb • Lucia Swartz

Transformation
Chairman: David Nurek
Peter Eagles • Lucia Swartz
David Kneale
Michael Harvey

Audit committee

Role

Ensure that management has created and maintained an effective control environment in the group.

Functions

- Review and approve the appropriateness of accounting and disclosure policies in the annual financial statements and related financial reporting;
- Assess the effectiveness of internal controls;
- Review actions taken on major accounting issues;
- Oversee the functioning of the internal audit department, which reports to the audit committee;
- Ensure no limitations are imposed on the scope of the internal and external audits;
- Confirm the nomination and appointment of the group's auditors and be satisfied that the auditors are independent;
- Approve the terms of engagement and fees paid to the auditors;
- Ensure the appointment of the auditor complies with all legislation relating to the appointment of auditors;
- Determine the nature and extent of any non-audit services which the auditors may provide to the company; and
- Ensure that any non-audit services provided to the company by the auditors are pre-approved by the audit committee.

Composition

Three independent non-executive directors. Executive directors, finance and internal audit staff, as well as the external audit partners and staff, attend meetings at the invitation of the committee. The committee also meets separately with the external auditors and internal audit.

Meetings

Four meetings per year.

Remuneration committee

Role

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

Functions

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

Composition

Three independent non-executive directors and a non-executive director. The chief executive officer attends by invitation.

Meetings

Three meetings per year.

Risk committee

Role

Assist the board in ensuring material compliance with the principles of risk management as outlined in King II by assessing the risk management processes and procedures implemented and managed by management.

Functions

- Review risk management processes;
- Assess the risk tolerance levels of the business;
- Review the risk philosophy, strategies and policies;
- Evaluate the basis and adequacy of insurance cover;
- Ensure that internal audit is aligned with risk management processes; and
- Identify emerging areas of risk.

Composition

Three independent non-executive directors, a non-executive director, the chief executive officer and the chief financial officer.

Meetings

Three meetings per year.

Governance committee

Role

Monitor compliance with King II and all other relevant regulatory requirements and recommend best governance practices to be incorporated into the business.

Functions

- Formalise board and company governance structures;
- Enhance levels of governance at board and company level;
- Identify areas of non-compliance and propose remedial action; and
- Ensure ongoing compliance with good governance principles.

Composition

The chairman of the board, the chief executive officer and chief financial officer.

Meetings

One meeting per year.

Nominations committee

Role

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

Functions

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

Composition

Three independent non-executive directors. The chief executive officer attends by invitation.

Meetings

Two meetings per year and ad hoc meetings as required.

Transformation committee

Role

Monitor progress on strategic empowerment, including employment equity and affirmative procurement, as well as compliance with transformation codes.

Functions

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

Composition

Two independent non-executive directors, a non-executive director and two executive directors. The group human resources director attends the meetings along with other members of operational management.

Meetings

One meeting per year.

Board attendance

	Board	Audit	Remuneration	Risk	Governance	Nominations	Transformation
Number of meetings	**5**	**4**	**3**	**3**	**1**	**2**	**1**
David Nurek	5	4	3	–	1	2	1
Peter Eagles	4	–	3	3	–	–	1
Robert Lumb	5	3	–	3	–	2	–
Eliot Osrin*	2/2	1/1	–	0/1	–	–	–
Martin Rosen	5	–	3	3	–	–	–
Roy Smither	3	3	–	1	–	–	–
Lucia Swartz	3	–	3	–	–	2	1
David Kneale	5	–	–	3	1	–	1
Michael Harvey	4	–	–	–	–	–	1
Keith Warburton	5	–	–	2	1	–	–
% attendance at meetings	87	85	100	79	100	100	100

* Retired with effect from 30 January 2007

Internal accountability

Risk management

The board, through the Risk committee, is responsible for setting risk policies, risk tolerance levels and ensuring that appropriate risk management processes have been implemented by management. Further details are contained in the Risk Report which appears on page 46.

Internal audit

Internal audit is an independent, objective appraisal and assurance function which is central to the group's governance structures. The role of internal audit is contained in the Audit committee charter and the internal audit charter. Internal audit encompasses the review of the

- Effectiveness of the systems of internal control;
- Means of safeguarding assets;
- Reliability and integrity of financial and operating information;
- Efficient management of the group's resources;
- Efficient conduct of the operations; and
- Compliance with applicable laws and regulations.

The internal audit function reports to the Audit committee and has the support of the board and management. Operationally, the internal audit manager reports to the chief financial officer who in turn reports to the chief executive officer. The internal audit manager has direct and unrestricted access to the chairman of the Audit committee. The head of internal audit is appointed and removed by the Audit committee, which also determines and recommends remuneration for the position.

Internal control

The board is accountable for systems of internal control which are designed to provide reasonable – but not absolute – assurance of the accuracy of financial reporting and the safeguarding of assets.

The Audit committee has reviewed the effectiveness of the systems of internal control. The board is satisfied that management has a system of controls and procedures of a high standard to ensure the accuracy and integrity of the accounting records and to effectively monitor the group's businesses and performance.

No incidents have come to the attention of the board that would indicate any material breakdown in these internal controls during the year.

Personal share dealings

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

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

Directors are required to obtain written clearance from the chairman prior to dealing in the company's shares. The chairman is required to obtain approval from the chairman of the Audit committee before undertaking any share dealings. It is also mandatory for directors to notify the company secretary of any dealings in the company's shares. This information is then disclosed on SENS within 48 hours of the trade being effected. These dealings are also reported retrospectively at board meetings.

Ethical behaviour and values

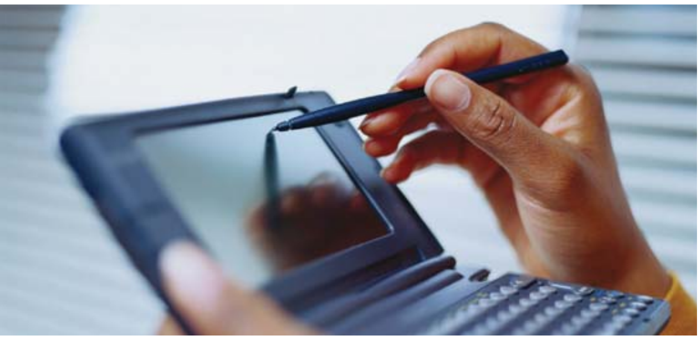
The group subscribes to the highest ethical standards of business practice. A set of values and behavioural principles require staff to display integrity, mutual respect and openness, and affords them the right and obligation to challenge others who are not adhering to these values.

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

Tip-Offs Anonymous

Staff are encouraged to report suspected fraudulent or unethical behaviour via a toll-free telephone service managed by an external service provider. Every reported incident is investigated.

During the year 126 incidents were reported covering theft, fraud and internal irregularities. These cases were all investigated and resulted in 25 dismissals or resignations, counselling for 16 staff and a further 9 cases of disciplinary action.



Financial statements and external review

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

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

Going concern

The directors are satisfied that the group has adequate resources to continue operating for the next 12 months and into the foreseeable future. The financial statements presented on pages 60 to 108 have accordingly been prepared on a going concern basis. The board is apprised of the group's going concern status at board meetings.

External audit

The Audit committee confirms that it has carried out its functions, as defined in section 270A of the Corporate Laws Amendment Act (which, although promulgated, has not yet been enacted), by:

- Confirming the nomination and appointment of KPMG Inc as the group's registered auditor and being satisfied that they are independent of the company;
- Approving the terms of engagement and the fees to be paid to KPMG Inc;
- Ensuring that the appointment of the auditor complies with all legislation relating to the appointment of auditors;
- Determining the nature and extent of any non-audit services which the auditor may provide to the company; and
- Ensuring that any non-audit services to be provided to the company by the auditors are pre-approved by the Audit committee.

The company has received confirmation from the external auditors that the partners and staff responsible for the audit comply with all legal and professional requirements with regard to rotation and independence, including the stipulation that they should not hold shares in New Clicks Holdings.

Policy on non-audit services

In terms of the group's policy on the provision of non-audit services by the external auditors, non-audit services may not exceed 25% of the total audit fee and should exclude any work which may be subject to external audit and which could compromise the auditor's independence. During the year KPMG received fees of R446 000 for non-audit services relating to taxation services and advisory services on shareholder distributions.

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

remuneration report

Remuneration policy and philosophy

The remuneration philosophy of New Clicks is to attract, develop and retain high performing individuals while also reinforcing, encouraging and promoting superior performance. Remuneration policies are aligned with the strategic direction and operational objectives of the business.

Remuneration committee

The Remuneration committee of the board is ultimately responsible for ensuring that the group has a competitive remuneration strategy which is aligned with the group strategy and performance goals. The functions of the committee include:

- Assessing and reviewing remuneration policies, employee short-term and long-term incentive schemes and performance bonuses;
- Approving the remuneration of executive directors and senior management;
- Proposing fees for non-executive directors; and
- Determining executive and staff participation in the long-term incentive scheme.

The composition of the Remuneration committee is outlined in the Corporate Governance Report.

Remuneration structure

Annual salary benchmarking exercises are conducted to ensure that salaries remain competitive in the market, taking account of national retail and general salary statistics and surveys.

External compensation and benefit consultants advise the group on competitive positioning and benchmarking on strategic human capital issues. In addition, proposed changes to both the short-term and long-term incentive schemes were reviewed by external consultants.

Executive directors

The remuneration package of executive directors consists of three components:

- Basic salary and benefits (including retirement fund, medical aid and car allowance);
- A short-term incentive bonus; and
- A long-term incentive scheme.

The group's policy is to align the remuneration structure of senior executives with shareholder interests. In order to encourage practices which will optimise company performance, a significant portion of remuneration is performance related, as illustrated in the table on page 43.

Base salaries are set at competitive market rates, taking account of the benchmarking exercise and are subject to annual review. 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 and the board.

Executive directors participate in the annual short-term incentive scheme. Financial targets are set for the group by the board and these targets must be achieved before any incentive payments are made to executive directors.

This process is reviewed by the board Remuneration committee.

Targets are based on the group's return on net assets (RONA) and a bonus of 40% of pensionable income is paid on the achievement of an on-target performance. The long-term incentive scheme is based on the allocation of share appreciation rights and this is detailed further on in this report.

Management

The remuneration package of management consists of a basic salary and benefits, including participation in the short-term incentive bonus scheme. A limited number of employees participate in the long-term incentive scheme, based on seniority and their strategic importance to the business.

An annual salary increase is paid to all staff, with the average increase for the 2007 financial year being 6.0% and 6.5% for 2008.

Staff

A collective wage increase is negotiated with the representative trade unions for all employees forming part of the collective bargaining units.

The wage increase for 2007 was 8.9% for the Clicks bargaining unit. As part of a two-year wage settlement, a 9.4% increase was granted for the 2008 financial year and 9.2% for 2009.

All staff in the Clicks bargaining unit also participate in the group's short-term incentive scheme.

An annual bonus is paid in mid-December to all qualifying permanent employees.The bonus is calculated on a sliding scale over a number of years until it is the equivalent of a full 13th cheque. While this bonus forms part of the group's compensation strategy, the focus of remuneration remains performance-based.

Retail staff receive group discounts on purchases at all group stores.

For UPD staff, a one-year wage agreement was concluded with an increase of 7.5%. All UPD staff receive a guaranteed 13th cheque.

Non-executive directors
Non-executive directors receive fees for their services as directors and for serving on board sub-committees. These fees reward the directors fairly for the time, service and expertise provided to the group. The non-executive directors no longer participate in any company share incentive schemes, although one non-executive director continues to hold share options which were allocated under a previous share incentive scheme.

Incentive schemes

Short-term incentive scheme
All permanent retail employees participate in the short-term incentive scheme which rewards the achievement of pre-determined performance targets based on the return on assets managed (ROAM) on an annual basis. Senior UPD employees participate in a similar short-term incentive scheme based on the RONA of the business.

The performance measurement is based on each employee's area of responsibility and can be determined for a specific store, region, business unit or at a group level.

The scheme is self-funding as the value of an on-target bonus is included in the annual budget. Performance exceeding the targeted performance will result in the payment of a higher bonus, provided this is funded by the increase in operating profit.

A total of R46 million (2006: R28.6 million) was paid to employees for the 2007 financial year.

Long-term incentive schemes
The group's long-term incentive scheme was introduced in 2005 to align executive remuneration with the creation of shareholder value. This followed a decision by the board to terminate share options as a basis for remuneration.

Under a phantom share scheme introduced in April 2005, share appreciation rights have been allocated to the three executive directors and four senior management employees. A total of 6 275 000 rights had been allocated by year-end.

The exercise price of the rights is dependent on the performance of the share price. The first tranche of share appreciation rights was allocated on 7 April 2005 and a further tranche on 11 May 2006. The rights vest equally after three years and five years.

The following share appreciation rights have been allocated to the executive directors under this scheme:

Director	Number of three-year rights	Number of five-year rights	Total
Tranche 1			
Michael Harvey	1 000 000	1 000 000	2 000 000
David Kneale	750 000	750 000	1 500 000
Keith Warburton	625 000	825 000	1 450 000
Tranche 2			
David Kneale	75 000	75 000	150 000

The exercise price of the rights varies according to the performance of the share price on the vesting date:

	Tranche 1: April 2005		Tranche 2: May 2006	
	Share price on vesting date (R)	Exercise price (R)	Share price on vesting date (R)	Exercise price (R)
Three-year rights	above 12.71	8.36	above 16.04	10.55
	above 14.45	4.18	above 18.23	5.27
	above 16.33	0.01	above 20.61	0.01
Five-year rights	above 16.81	8.36	above 21.22	10.55
	above 20.80	4.18	above 26.25	5.27
	above 25.51	0.01	above 32.20	0.01

As the group's liability relating to these share appreciation rights is dependent on the future performance of the company's share price, a derivative hedge was acquired to limit the extent of the exposure. The group's maximum exposure is R27.8 million in aggregate. Further details of the hedging instrument and the cost of the hedge are contained in notes 17 and 23 of the annual financial statements.

The long-term incentive scheme was revised with effect from the start of the 2007 financial year. In terms of this scheme, phantom share rights are allocated to participants and these rights are cash-settled at the end of the three-year performance period. The value of the rights is linked to the performance of the group's reported diluted headline earnings per share multiplied by an internal price earnings ratio based on the five-year performance of New Clicks and other listed retail companies (refer to note 23).

The number of phantom share rights allocated is based on the annual guaranteed remuneration of each participating employee.

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

A total of 57 employees currently participate in this scheme, collectively holding 9 695 270 rights at year-end.

The following rights have been allocated to executive directors under this scheme and the relevant amounts for 2007 have been expensed through the income statement:

Director	Number of rights
Michael Harvey	669 014
David Kneale	1 671 127
Keith Warburton	704 225

Employee benefits

Retirement funds

The group offers a number of retirement fund options. Employees of New Clicks South Africa have the option to join the Clicks Group Retirement Fund, the Clicks Group Negotiated Pension Fund or the Clicks Group Negotiated Provident Fund. Employees of UPD can join either the New UPD Corporate Selection Pension Fund or the Chemical Industries National Provident Fund. The funds all provide death and disability cover, while the negotiated funds include a funeral benefit.

Membership of a retirement fund is compulsory for all permanent employees.

All funds are defined contribution schemes and the total membership across the funds was 7 867 at year-end. Total assets of the funds amounted to R696.1 million.

Medical aid

Membership of the Clicks Group Medical Aid Scheme is compulsory for all members of management, unless covered by the healthcare scheme of a partner, and voluntary for all other staff. The scheme is administered on behalf of New Clicks by Old Mutual.

The fund had 1 848 principal members and 2 076 member dependants at year-end. Total employer and employee contributions for 2007 amounted to R14.0 million.

UPD operates a medical aid scheme administered by Fedhealth and membership is open to all permanent employees.

The group pays 50% of the monthly medical aid contribution of members and this contribution forms part of an employee's total remuneration package.

Directors' remuneration

Executive directors' remuneration - 2007

Director R'000	Salary	Bonus	Pension fund	Other benefits	Total	Fair value of equity-settled options granted*	Amount expensed: long-term incentive scheme**	Amount expensed: phantom share scheme**
Michael Harvey	1 583	679	153	188	2 603	228	1 849	8 976
David Kneale	3 711	1 521	333	85	5 650	–	4 619	7 033
Keith Warburton	1 760	735	161	99	2 755	–	1 946	6 138
Total	**7 054**	**2 935**	**647**	**372**	**11 008**	**228**	**8 414**	**22 147**

During the year Michael Harvey disposed of 1.04 million shares in the company, acquired through the share option scheme, realising a gain of R7.15 million, resulting in total remuneration of R9.75 million for the year.

* The fair value of equity-settled options granted is the annual expense as determined in accordance with IFRS 2, 'Share-based payments' and is presented for information purposes only, as it is not regarded as constituting remuneration.

** These amounts have not vested and payment is conditional on performance criteria being achieved and the directors being employed by the group at maturity date. The performance criteria are outlined in note 23 in the annual financial statements.

Executive directors' remuneration - 2006

Director R'000	Salary	Bonus	Pension fund	Other benefits	Contractual payments	Total	Amount expensed: share options granted	Amount expensed: phantom share scheme
Raymond Godfrey[2]	–	–	–	–	1 484	1 484	–	–
Michael Harvey[1]	610	274	61	46	–	991	320	3 160
Trevor Honneysett[3]	1 384	–	267	141	11 341	13 133	–	–
David Kneale[1]	1 415	406	127	36	–	1 984	–	2 460
Keith Warburton[1]	675	265	62	41	–	1 043	–	2 209
Total	**4 084**	**945**	**517**	**264**	**12 825**	**18 635**	**320**	**7 829**

Non-executive directors' remuneration

Director R'000	2007 Directors' fees	2007 Consultancy fees	2007 Total	2006 Directors' fees	2006 Consultancy fees	2006 Total
David Nurek	483	–	483	364	–	364
Peter Eagles[1]*	183	566	749	51	319	370
Robert Lumb	272	–	272	210	–	210
Eliot Osrin[4]	82	–	82	150	–	150
Martin Rosen[1]	158	–	158	51	–	51
Roy Smither[5]	162	–	162	–	–	–
Peter Swartz[6]	–	–	–	108	–	108
Lucia Swartz**	170	–	170	114	–	114
Allen Zimbler[6]	–	–	–	84	–	84
Total	**1 510**	**566**	**2 076**	**1 132**	**319**	**1 451**

1 Appointed 10 April 2006
2 Resigned 31 December 2005
3 Resigned 23 January 2006
4 Retired 30 January 2007
5 Appointed 20 September 2006
6 Resigned 10 April 2006
* Professor Peter Eagles consults to the group on professional pharmacy issues on a contractual basis with the University of the Western Cape (UWC) where he is employed as professor of pharmaceutical chemistry. During the year R358 000 was paid directly to Professor Eagles and R208 000 to UWC
** Lucia Swartz's directors' fees are paid to her employer, Sappi Limited

Total directors' remuneration

R'000	2007	2006
Executive directors	**11 008**	18 635
Non-executive directors	**2 076**	1 451
Total directors' remuneration	**13 084**	20 086

Directors' shareholdings
Shares

Director	2007 Direct beneficial shares	2007 Indirect beneficial shares	2007 Total	2006 Direct beneficial shares	2006 Indirect beneficial shares	2006 Total
David Nurek	–	29 682	29 682	–	29 682	29 682
Peter Eagles	–	–	–	–	–	–
Michael Harvey	100 000	–	100 000	10 000	–	10 000
David Kneale	100 000	–	100 000	100 000	–	100 000
Robert Lumb	–	20 000	20 000	–	20 000	20 000
Martin Rosen	2 000	–	2 000	–	–	–
Roy Smither	–	–	–	–	–	–
Lucia Swartz	–	–	–	–	–	–
Keith Warburton	–	5 000	5 000	–	5 000	5 000
Total	**202 000**	**54 682**	**256 682**	**110 000**	**54 682**	**164 682**

Issued shares = 335 957 242. Percentage of issued share capital held by directors is 0.08%

Share options

Director	Number of options	Allocation date	Option price	Expiry date
David Nurek	500 000	January 1999	R5.35	January 2009
	500 000	September 2000	R9.30	September 2010
Michael Harvey	375 000	August 2003	R6.30	August 2013

Non-executive director fees 2008

The fee structure for non-executive directors has been adjusted for the 2008 financial year and is subject to retrospective approval by shareholders at the annual general meeting in January 2008.

The increases are generally in line with the 6.5% average salary increase for group employees. The fee payable to the chairman was adjusted to market-related levels while the higher fees for audit committee members reflect the increased level of responsibility of these directors.

Board position	Proposed fees for 2008 R	Fees paid for 2007 R
Chairman of the board	325 000	295 000
Board member	102 000	95 000
Chairman: Audit committee	90 000	76 000
Audit committee member	45 000	38 000
Chairman: Remuneration committee	53 000	50 000
Remuneration committee member	26 500	25 000
Chairman: Risk committee	81 000	76 000
Risk committee member	40 500	38 000
Chairman: Nominations committee	53 000	50 000
Nominations committee member	26 500	25 000
Chairman: Transformation committee	53 000	50 000
Transformation committee member	26 500	25 000

risk report

Risk philosophy

The risk philosophy of New Clicks is to strive to create an appropriate balance between risk and reward for the benefit of stakeholders. The directors recognise that certain risks must be taken in pursuing business opportunities, but the group needs to be protected against avoidable risks. Risks encountered in growing revenue and seeking improved returns will always be evaluated and appropriate strategies developed to manage or mitigate the risk.

The group's medium-term financial objective of achieving a return on equity of 30% to 35% is achievable through a clear focus on sustained organic growth and asset management of the existing businesses within an appropriate level of debt. The directors believe that the pursuit of this goal will not increase the group's level of risk.

Responsibility for risk management

The group has adopted the risk management principles outlined in the King II Report. While the board has overall accountability for risk management, the Risk committee assists the board in discharging its responsibilities. Operating under written terms of reference, the Risk committee reports to the board and elevates any risks which it deems necessary for discussion and evaluation by all directors.

The role, functions and composition of the Risk committee are detailed in the Corporate Governance Report on page 37.

Identifying risks

A formal process of identifying risks is conducted annually by executive management who are responsible for the identification and management of risks. The process established by management includes evaluating the status of existing major risks, the likelihood of occurrence and the potential impact of the risk on the business. Emerging risks, such as legislative changes, are also identified. This ensures that senior management in each business unit formally review risks and this process is aligned with the business planning cycle.

It is also recognised that in a dynamic business environment new risks and opportunities need to be identified and managed on an ongoing basis.

The major risks and related mitigation strategies are contained in the accompanying table.

Insurance

Insurance forms a key element of the risk management process to protect the group against the adverse consequences of risk. The group recognises that although insurance is a means of mitigating the impact of certain identified risks, management has responsibility to manage these risks with the purpose of limiting their occurrence and their impact. It is the policy of the group to insure assets to replacement value, carry appropriate levels of self-insurance and only contract with reputable insurance companies.

The Risk committee approves the annual insurance renewal, cover levels and the schedule of uninsured and uninsurable risks.

Major group risks

Risk	Implications for business	Management and mitigation of risk
Healthcare legislation	Lack of clarity on the implementation of the dispensing fee for retail pharmacy and logistics fee and benchmark pricing for wholesale distribution has a potential impact on revenue and profitability, as well as creating investor uncertainty	• Ongoing engagement with industry stakeholders, including Department of Health • Diversification of UPD income base • Strong focus on growing volumes in Clicks and UPD and increasing market share
Attraction and retention of pharmacy professionals in Clicks	Shortage of healthcare professionals remains an industry challenge and limits business growth and increases costs	Clicks is being positioned as an employer of choice through • Continuous professional development • Code of ethical practices • Training initiatives with educational bodies, including funding studies for pharmacy students and learners
Attraction and retention of key talent	Inability to attract and retain people in key positions can ultimately compromise service delivery	• Increased focus on employee development, performance management and career path planning • New short- and long-term incentive schemes introduced
Crime	High levels of crime result in loss of revenue and assets, risk to staff and increased costs relating to crime detection and prevention	• Internal control systems regularly reviewed • Target high levels of operational compliance • Appropriate levels of insurance cover • Adopt zero tolerance policy on crime • Internal forensic department investigates incidents of crime and fraud • Subscribe to Tip-Offs Anonymous
Disruption of distribution and support centres	Incidents including industrial action could result in the disruption of the Clicks and UPD distribution centres and the head office, which could affect supply and service levels to customers	• Disaster recovery plans developed and regularly reviewed • Management of risk areas in distribution facilities • Appropriate levels of insurance cover
Impact of technology on entertainment industry	Musica is exposed to the impact of rapidly changing technology in the entertainment industry which can affect the product offering and profitability. This is both a risk and an opportunity	• Shifting business model and product mix to broader entertainment offering • Continual review of international developments
HIV/AIDS	The group is exposed to the HIV/AIDS risk through employees and customers. The business is affected by a loss of staff and increasing staff-related costs, as well as a potential decline in the customer base	• External assessment and impact study undertaken • Employee wellness programme implemented in 2006 • HIV/AIDS testing and counselling provided by Clicks clinics
Transformation	Compliance with BEE regulations is fundamental to the sustainability of the business	• Transformation strategy developed with defined three-year targets • Targets integrated into operational plans for all business units
Damage to reputation	An event or management action could compromise the group's reputation and result in a loss of confidence by shareholders, customers and staff, with adverse financial implications	• Policies to ensure operational and professional compliance • Crisis communications plan developed • Appropriate levels of insurance cover
Financial risk	Failure to manage financial risks could impact negatively on profitability and ultimately lead to the destruction of shareholder value	• The group has a comprehensive financial risk management policy covering treasury, foreign exchange, credit and interest rate risk. Details are included in note 29 on page 101 of the annual financial statements.

Introduction

New Clicks recognises that sustainability is synonymous with good governance and is committed to managing the business in a socially responsible manner that ensures enduring prosperity for all stakeholders.

Bertina Engelbrecht
Group human resources director
B Proc, LL M, admitted attorney

Joined the group in July 2006
Previously general manager
Shell SA Energy

By adopting the integrated sustainability reporting guidelines outlined in King II, social, economic and environmental performance measurement is being introduced into the group's business practices.

Importantly, in the South African context, transformation and broad-based black economic empowerment are critical components in creating a sustainable business.

Against this background the group has expanded its reporting to shareholders by producing a sustainability report for the first time.

Management acknowledges the need to improve sustainability reporting while continuing to enhance financial returns to shareholders and will endeavour to provide shareholders with non-financial performance goals and targets in future.

"Sustainability enhances wealth for shareholders, improves long-term opportunities for employees, creates an increasingly compelling offer for customers while at the same time empowering and uplifting the communities in which we do business"

increase in
shareholder value

R1.6 billion

category award winner
in Mail & Guardian
Investing in the Future

market share
increases
across all business units

Sustainability indicators		**2007**	2006	2005
Headline earnings	R'm	**356.9**	251.6	200.5
Diluted headline earnings per share	cents	**103.0**	71.0	57.4
Return on equity	%	**24.7**	16.7	14.2
Return on total assets	%	**9.3**	7.2	6.0
Distributions per share	cents	**48.2**	33.2	29.7
Increase in market capitalisation	R'm	**1 223**	840	99
Wealth created through cash value added	R'm	**2 009**	1 770	1 593
Total leased trading area	m^2	**252 239**	241 551	253 688
Number of stores		**500**	482	484
In-store dispensaries		**125**	110	60
In-store clinics		**92**	81	40
Market share				
– Clicks: front shop health	%	**37**	35	n/a
– Clicks: retail pharmacy	%	**9**	n/a	n/a
– Clicks: beauty	%	**25**	25	n/a
– Musica: entertainment	%	**21.6**	20.5	n/a
– UPD: private wholesale distribution	%	**25.6**	24.9	n/a
Permanent staff		**9 076**	9 058	8 947
Staff turnover	%	**23.4**	23.9	20.2
Employment equity				
– Black staff	%	**86.9**	86.0	85.0
– Black management	%	**69.2**	n/a	n/a
– Black directors	%	**22**	20	25
Transformation rating (Empowerdex)				
– Group	Level	**C**	n/a	n/a
– UPD	Level	**BB**	n/a	n/a
New Clicks Foundation social investment spend	R'000	**427**	395	660
Skills development % payroll	%	**2.76**	1.13	n/a
Employee wellness utilisation	%	**19.5**	n/a	n/a

Economic sustainability

Value added statement

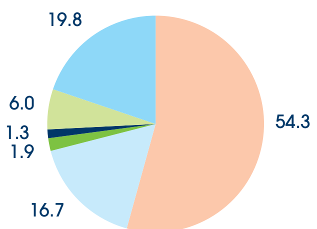
for the year ended 31 August 2007

	2007** R'm	2006** R'm
Turnover	**11 205**	10 001
Other income	**501**	450
Paid to suppliers for goods and services	**(9 697)**	(8 671)
Value added	**2 009**	1 780
Applied as follows:		
Employees – salaries, wages and other benefits	**1 091**	989
Lessors for use of premises	**336**	317
Lenders for monies borrowed	**39**	57
Providers of capital – cash distributions*	**26**	63
Tax	**120**	47
Corporate tax	**116**	27
Property taxes	**4**	4
RSC levies	**-**	16
Reinvested in the group	**397**	307
Deferred tax	**25**	57
Depreciation and amortisation	**104**	109
Retained income	**268**	141
Distribution of value added	**2 009**	1 780

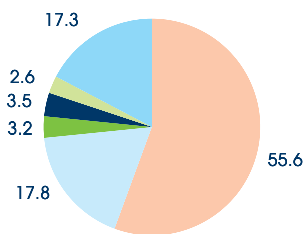
* Excludes cash distributions paid via share premium

** In order to provide comparative information the results of Discom have been included as part of continuing operations in 2006 and 2007.

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



2007 (%)



2006 (%)

Social sustainability

Employees

The focus of the human resources (HR) function over the past year has been on building organisational capability through people. This has included structuring HR across the group along functional reporting lines, with HR executives being appointed to the operating boards of all of the group's business units.

In line with the rest of the business, HR has concentrated on getting the basics right, which has included:

- Aligning annual salary increases to performance ranking results;
- Implementing short and long-term incentive schemes aligned to business goals;
- Completing a talent review of the leadership across the group;
- Designing a store operations development programme; and
- Introducing an employee wellness programme.

People strategy

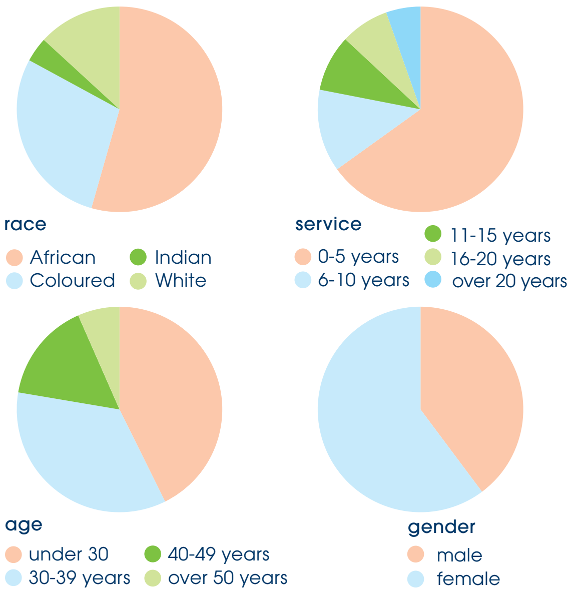
- We value excellence and superior customer service that delivers a sustainable competitive advantage;
- Our people are motivated and committed; and
- We invest in the continuous learning and development of our people and celebrate diversity.

Employee turnover analysis

Permanent staff

		2007	2006
Staff complement at the start of the year		**9 058**	8 947
Add:	Recruitments	**2 136**	2 252
Less:	Resignations	**(1 626)**	(1 683)
	Deaths	**(31)**	(35)
	Dismissals	**(319)**	(314)
	Retirements	**(28)**	(17)
	Retrenchments	**(114)**	(92)
Staff complement at the end of the year		**9 076**	9 058
Staff turnover (%)		**23.4**	23.9
Casual staff		**3 885**	3 421

Employee profile



Employment equity

The group's human resources policies promote the empowerment and advancement of previously disadvantaged people, aimed at creating racial and gender equity.

- Black staff comprise 86.9% of the total staff complement (2006: 82.7%);
- 69.2% of management are black;
- Black staff accounted for 84.0% of new appointments (2006: 82.5%);
- Women comprise 60.2% of staff (2006: 60.3%);
- 34.5% of management are women; and
- 22% of directors are black (2006: 20%), with one female director.

New Clicks an employer of choice

New Clicks was ranked in the top ten large companies in the Deloitte Best Company to Work For survey in 2007. This is the second time that New Clicks has participated in the survey.

Now in its eighth year, the survey covers a range of work-related dimensions including job satisfaction, leadership, management style, communications, trust, values & culture, diversity, change & transformation, rewards and recognition.

The Deloitte ranking is based on independent surveys completed by a representative sample of employees across race, gender and status levels in an organisation. The results are determined by a 15% weighting to the employer and 85% weighting to employees, so the staff ultimately determine whether or not their company is in fact an employer of choice.

Training and skills development

New Clicks invested R16.5 million in training and skills development during the year, equating to 2.76% of the basic payroll cost. This excludes the costs of training and development practitioners, travel, venues and related expenses.

A total of 2 657 of our staff attended training courses, with black employees accounting for 84.4% of the total people trained.

Employee development and training is co-ordinated by the skills development unit within the human resources division. The unit is responsible for compliance with the Skills Development Act and the sector education and training authority (SETA). The group has partial accreditation with the Wholesale and Retail SETA. The healthcare businesses are accredited with the Health and Welfare SETA.

During the year 381 level 2 learnerships, accounting for 4.2% of the staff complement, were registered with the Wholesale and Retail SETA.

Financial assistance of R332 000 was provided to employees for further education. Study loans are provided to employees and repaid over the duration of the course, with the cost being reimbursed on the successful completion of a course.

Building a sustainable pharmacy profession

As one of the country's leading retail pharmacy chains Clicks is committed to developing future capacity within its pharmacies and contributing significantly to the long-term sustainability of the profession.

Recognising the shortage of pharmacy skills, Clicks established the Pharmacy Healthcare Academy (PHA) in 2003 to manage the skills development needs of the group as well as offering training services to external bodies.

As a registered training provider with the SA Pharmacy Council (SAPC) the Academy works closely with the Health and Welfare SETA and applies a distance learning model, utilising in-store tutors and external trainers.

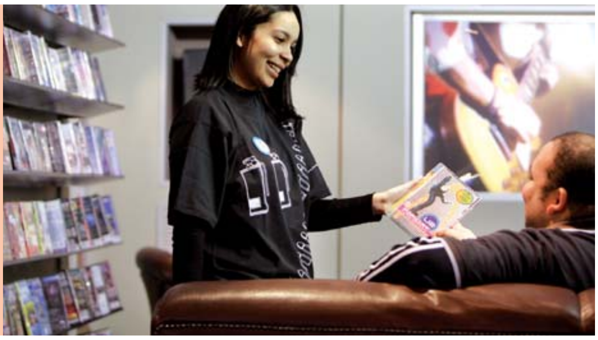
The Academy offers a range of courses, including a two-year pharmacist's assistants course, learnership programmes, internship courses and a continuing professional development programme for registered pharmacists.

Our PHA provides the pharmacist's assistants training course for the Department of Health in the Western Cape and the Free State.

A summary of the courses and participants over the past year is as follows:

Course	Learners/ delegates	% black learners
Pharmacist's assistants	592	65
Learnership programme	92	86
Internship programme	49	63
Continuing Professional Development programme	517	26

"One of the objectives of the programme is to make informed lifestyle decisions..."



employee wellness
programme launched for staff and families

Employee wellness

An employee wellness programme was launched at the start of the 2007 financial year to provide a free counselling service to all permanent staff and their families. Managed by behavioural risk consultancy, ICAS, 19.5% of staff used the programme in the first year, the highest in the retail sector.

Employee wellness programme 2007	
Employee utilisation	1 590
Family utilisation	58
Group trauma participants	182
Total impact rate of programme	19.5%
Cost of programme	R3 million

The main components of the programme include:

- **Counselling and advisory services** including a 24-hour helpline providing services such as psycho-social counselling, financial, legal and medical advice and family support;
- **HIV management and treatment programme** administered by Qualsa, the health risk service provider in the Metropolitan group. The programme provides free HIV testing, antiretroviral treatments, preventative HIV treatment, five free HIV-related doctor visits and blood tests per year, vitamins, counseling and support;
- **Lifecare education training** for all employees at head office and stores; and
- **Health awareness** events aligned with the national health calendar which provide employees with advice on holistic well-being and managing diseases. One of the objectives of the programme is to empower employees to make informed lifestyle decisions that positively impact their well-being and encourage them to take responsibility for their health.

HIV/AIDS management

The New Clicks HIV/AIDS policy is based on the core principles of non-discrimination and confidentiality. The group is compliant with all workplace legislation relating to HIV/AIDS and is committed to protecting employees against unfair discrimination on the basis of their HIV status. The right to confidentiality is also guaranteed.

The group-funded HIV workplace programme focuses on education, awareness and support is available to all permanent employees who are not members of a medical aid fund. While the number of staff taking advantage of the voluntary counselling and testing service is low, it is recognised that the programme is still in its infancy.

An actuarial risk assessment conducted by Metropolitan Life in 2006 estimated the HIV prevalence rate of employees to be 8.7%.

Currently 52 employees are receiving treatment on the group's HIV management and medical aid programmes, translating into approximately 7% of the employees living with HIV/AIDS. While this is low it is in line with most large companies offering HIV management programmes and the programme is in its initial phase.

The group is also exposed to the HIV/AIDS risk from customers. While no formal assessment has been conducted on the impact of the disease on the group's business and customer base, it is assumed that the published national and regional HIV/AIDS prevalence rates would apply to customers.

Industrial relations

Clicks has a long-standing relationship with SACCAWU (South African Commercial Catering and Allied Workers' Union) which is governed by a formal recognition agreement. SACCAWU represents 58% of full-time permanent employees in the Clicks bargaining unit.

While UPD currently has no union recognition agreement, a formal understanding exists with CEPPAWU (Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union) which is the majority union representing approximately 34% of UPD's employees. A process has been initiated to formalise this relationship.

The group has focused on building and enhancing relationships with SACCAWU and CEPPAWU, and no trading days were lost to labour action.

Clicks reached a two-year wage settlement from July 2007 to July 2009. UPD concluded a one-year wage agreement while certain substantive conditions such as minimum wages were locked into a two-year agreement.

Occupational health and safety

The Clicks distribution centre in Montague Gardens, Cape Town, received first place in the 2006 National Occupational Safety Association (NOSA) five star system international award in the safety and health category and first place in the regional award in the wholesale and trade retail category.

Investing in the Future accolade for New Clicks

New Clicks was recognised in the prestigious Mail & Guardian Investing in the Future awards when the group won the category Investing in Life (internal workplace policy).

The award acknowledged the scope of the group's employee wellness programme and its impact on staff. The independent panel of judges commented on the programme:

"New Clicks' wellness policy is broad in its scope, covering issues such as environmental health and safety, leave and attendance, smoking, disciplinary proced ures, staff policy and unfair discrimination."

transformation strategy

and 2010 targets approved by the board

Transformation

Following the finalisation of the Department of Trade and Industry's (DTI) codes of good practice on BEE in February 2007, the group conducted a self-assessment and was rated as a level 7 BBBEE contributor. New Clicks is committed to external verification of its transformation status and will commission an independent evaluation in the 2008 financial year.

Transformation rating

	Possible score	2007 score
Ownership	23	0
Management	11	5
Employment equity	18	11
Skills development	15	11
Preferential procurement	20	1
Enterprise development	15	12
Social economic development	5	2
Total	**107**	**42**
2010 target: 100% BEE compliance		

The group has identified the following plans in striving to meet its 2010 targets:

- Improve level of representation of black senior managers;
- Identify opportunities for employing people with disabilities;
- Target 3% learnerships across the group;
- Engage with major suppliers on transformation strategies;
- Seek opportunities for enterprise development; and
- Ensure each business unit has a clear transformation plan.

Corporate social investment

New Clicks is committed to a corporate social investment (CSI) programme that assists in the upliftment of disadvantaged communities and makes a contribution to sustainable development.

The CSI activities across the group are co-ordinated by the New Clicks Foundation. The Foundation is managed by a board of internal trustees comprising the chief executive officer, group human resources director and company secretary. These trustees determine the funding policy, evaluate requests for financial support and monitor the utilisation of funds. Trustees are encouraged to visit the projects to gain an understanding of the needs and challenges facing these organisations.

The Foundation supports projects which encourage self-help and are both empowering and uplifting. Potential beneficiaries seeking financial assistance should be public benefit organisations with professional management which are non-political and not confined to a particular religious group.

In the past year the Foundation invested R427 000 in social programmes.

Priority areas for funding support:
- Education;
- Health;
- Poverty alleviation; and
- Community upliftment.

The majority of the funding was allocated to specific projects which are aligned with one of the group's business units, including

- A skin cancer awareness campaign with CANSA (Clicks);
- Deaf awareness through DeafSA (Musica); and
- The Red Cross Children's Hospital (Clicks).

New Clicks has also been one of the main supporters of the Woodstock Upliftment Project, a programme to address the social challenges facing the community of Woodstock where the group's head office is located.

"New Clicks has committed an additional R10 million to the Foundation for increased social investment in 2008"

A socially responsible investment

New Clicks received a rating of A+ in a social responsibility survey conducted by Unity Incorporation on behalf of the Community Growth Fund (CGF). The CGF is a general equity unit trust fund which aims to provide long-term capital growth while promoting sustainable and responsible investing.

The survey rated the group across a range of sustainability categories, including social and economic empowerment, employment equity, conditions of employment, training and skills development environmental practices and corporate governance.

New Clicks was approved for inclusion in the CGF universe of shares and the fund has subsequently invested in New Clicks.

Enterprise development

UPD outsources distribution to owner/drivers

UPD operates an innovative black empowerment scheme where the majority of distribution is outsourced to self-employed drivers operating their own vehicles.

Delivery agreements have been signed with 106 independent contractors, many of whom are former employees.

These contractors account for 85% of UPD's deliveries.

UPD maintains an interest in the ongoing business development of these contractors and several of them have been able to successfully expand their contracting businesses.

Customers

In-store primary care clinics

Clicks supports government's vision of making healthcare more affordable and more accessible. Through its pharmacy network Clicks operates primary care clinics which provide a professional, convenient and affordable alternative for basic medical advice, injections and simple health checks.

Services offered in the clinics include:

- Blood pressure, cholesterol and glucose screening;
- Baby immunisation, consultation and advice;
- Wound care;
- Treatment of minor ailments;
- General counselling and advice; and
- HIV/AIDS testing and counselling.

Customer loyalty programmes

Clicks ClubCard

- Largest customer loyalty programme in the country
- 2.2 million active members
- 70% of sales from ClubCard holders
- Average basket size of R94 compared to R45 for non-card holders
- 58% of Clicks dispensary sales are to ClubCard holders
- R120 million in cash-back vouchers were paid to customers in 2007
- 29 000 ClubCard credit card holders
- ClubCard awareness is five times higher than any other loyalty programme

The Body Shop - Love Your Body

- Over 52 000 members
- 30% of sales from members of the programme
- Basket size 50% higher than non-card holders

Shareholders

New Clicks is committed to regular and transparent communication with the investment community while always providing information equally and simultaneously to all market participants. The group has an active investor relations programme focused on shareholders and analysts both locally and internationally.

The group retains the services of an investor relations consultancy to co-ordinate and advise on all aspects of the investor relations and financial communications programmes.

All investor meetings are formally documented and attended by at least two executives to ensure information is not disclosed on a selective basis.

All information released on SENS is distributed to an extensive database of analysts and investors. Additional non-price sensitive information is communicated regularly to provide operational updates to investors.

Investor relations activities over the past year included:

- Interim and final results presentations in Cape Town which were broadcast nationally on subscriber television;
- Results presentations webcast to broaden access to investors locally and offshore;
- Post-results roadshows to sell-side analysts and institutional investors in Cape Town and Johannesburg;
- 88 meetings with management and local and international fund managers and analysts;
- The chief executive undertook an investor roadshow in London, together with an investor relations representative; and
- Management attended and presented at broker and industry conferences.

Environmental sustainability

New Clicks is committed to meeting the needs of its customers and employees in an environmentally sound and sustainable manner. This includes:

- Accepting responsibility for the safety of products sold through all retail stores;
- Ensuring the safety of all facets of the group's operations;
- Complying with all appropriate environmental legislation and regulation;
- Encouraging suppliers to reduce the environmental impact of packaging;
- Reducing waste, conserving energy, optimising water usage and encouraging recycling; and
- Educating employees on good environmental practice.

795 tons of recycling ...

Over the past year 795 tons of paper and cardboard were recycled. This included 484 tons from the three Clicks distribution centres, 131 tons from stores nationally and 180 tons from head office. The group has recycling contracts with two major vendors while the stores generally use local companies.

Sustainability priorities for 2008

- Investigate inclusion in JSE Socially Responsible Investment Index
- Continued participation in Best Company to Work For survey
- Ongoing improvement in earnings and shareholder value
- Entrench employee wellness programme
- Continued engagement with trade unions
- Ongoing transformation and measure progress independently
- Increase social investment through the New Clicks Foundation
- Expand primary care clinic network in Clicks stores
- Build sustainable pharmacy profession through Pharmacy Healthcare Academy
- Continue to grow market share and increase customer loyalty.

Global Reporting Initiative Index

New Clicks has adopted the guidelines of the Global Reporting Initiative (GRI) for the first time this year. This table indicates where specific GRI indicators have been addressed within the annual report and also states where an indicator has not been assessed. Management has adopted an incremental approach to reporting under the GRI and plans to increase its compliance over time.

GRI reference	GRI indicator	Page	Description
Vision and strategy			
1.1	Vision and strategy	5	Strategy, objectives and targets
1.2	Key impacts, risks and opportunities	46; 23	Risk report; Operational review
Organisational profile			
2.1– 2.10	Organisational profile	3; 4; IBC	Group at a glance; Profile; Corporate information
Report parameters			
3.1-3.11	Report profile, scope and boundary	60-108; IBC	Annual financial statements; Corporate information
3.12	GRI Index content	48	Sustainability report
3.13	Assurance	–	Not assessed
Governance, commitments and engagement			
4.1–4.10	Governance	34	Corporate governance report
4.11-4.13	Commitments to external initiatives	48	Sustainability report
4.14-4.17	Stakeholder engagement	48	Sustainability report
Economic performance indicators			
EC1	Economic value generated and distributed	50	Value-added statements
EC2 – 8	Environmental impact	–	Not assessed
Environmental performance indicators			
EN1-30	Environmental management	–	Not assessed
Social performance indicators			
Labour practices			
LA1	Total workforce	48	Sustainability report
LA2	Employee turnover	48	Sustainability report
LA3	Employee benefits	48; 46	Sustainability report; Risk report
LA4-5	Labour relations	48	Sustainability report
LA6-9	Occupational health and safety	–	Not assessed
LA10-12	Training and education	48	Sustainability report
LA13-14	Diversity and equal opportunity	–	Not assessed
Human rights			
HR1-3	Investment and procurement practices	–	Not assessed
HR4	Non-discrimination	–	Not assessed
HR5	Collective bargaining	–	Not assessed
HR6	Child labour	–	Not assessed
HR7	Forced and compulsory labour	–	Not assessed
HR8	Security practices	–	Not assessed
HR9	Indigenous rights	–	Not assessed
Society			
SO1	Community	–	Not assessed
SO2-4	Corruption	–	Not assessed
SO5-6	Public policy	–	Not assessed
SO7	Anti-competitive behaviour	–	Not assessed
SO8	Compliance	–	Not assessed
Product responsibility			
PR1-9		–	Not assessed

index

annual financial statements

The directors have pleasure in presenting their report together with the financial statements of the company and of the group for the year ended 31 August 2007.

Nature of business

The company is an investment holding company listed in the Cyclical Services: General Retailers sector of the JSE Limited. Its subsidiaries as a group comprise the country's leading provider of health, beauty and lifestyle merchandise through a network of 500 stores in southern Africa. The company's subsidiaries cover the entire pharmaceutical supply chain from wholesale distribution to retail pharmacy.

Group financial results

The results of operations for the year are set out in the consolidated income statement on page 63. The profit attributable to ordinary shareholders for the year is R381 million (2006: R246 million).

Share capital

During the year under review the issued share capital was increased by the issue of the following ordinary shares of 1 cent each.

64 077	issued on 18 September 2006 at a premium of 349 cents per share, pursuant to the company's obligations to deliver ordinary shares to Share Trust participants in respect of share options granted in October 1998.
135 000	issued on 18 September 2006 at a premium of 534 cents per share, pursuant to the company's obligations to deliver ordinary shares to Share Trust participants in respect of share options granted in January 1999.
170 000	issued on 18 September 2006 at a premium of 779 cents per share, pursuant to the company's obligations to deliver ordinary shares to Share Trust participants in respect of share options granted in July 1999.
75 000	issued on 18 September 2006 at a premium of 929 cents per share, pursuant to the company's obligations to deliver ordinary shares to Share Trust participants in respect of share options granted in September 2000.
25 000	issued on 18 September 2006 at a premium of 629 cents per share, pursuant to the company's obligations to deliver ordinary shares to Share Trust participants in respect of share options granted in August 2003.
469 077	

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

20 000 000	cancelled on 3 August 2007.

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

5 065 863	held by a subsidiary of the company as treasury shares at 1 September 2006.
41 076 097	general repurchases between 2 November 2006 and 22 June 2007 by a subsidiary of the company.
(17 980 818)	shares utilised pursuant to the company's obligations to deliver ordinary shares to Share Trust participants in respect of share options granted in October 1998, January 1999, July 1999, September 2000, April 2001, July 2002, January 2003, June 2003, August 2003 and October 2003.
(20 000 000)	shares bought back into the company and cancelled on 3 August 2007.
8 161 142	held by a subsidiary of the company as treasury shares at 31 August 2007.
8 871 922	shares repurchased by a subsidiary of the company under a forward purchase agreement between 7 August 2007 and 31 August 2007.
17 033 064	

Distributions to shareholders

Interim

The directors approved a distribution of 15 cents per share comprising an interim cash dividend of 3.4 cents per share and a distribution out of share premium of 11.6 cents per share in lieu of a dividend (collectively "the distribution"). The distribution was paid on 25 June 2007 to shareholders registered on 22 June 2007.

Final

The directors have approved a distribution of 33.2 cents per share comprising a final cash dividend of 3.6 cents per share and a distribution out of share premium of 29.6 cents per share in lieu of a dividend, payable on 18 December 2007 to shareholders registered on 14 December 2007.

Sale of Discom

The business of Discom has been sold as a going concern to Edgars Consolidated Stores Limited for a net cash consideration of approximately R210 million. The sale was announced on 1 June 2007, with the final conditions precedent being fulfilled in September 2007.

directors' report and directors' responsibility statement

Events subsequent to balance sheet date

No significant events, other than the declaration of the final distribution, the sale of Discom, as set out on the previous page, and the sale of a 20% investment as disclosed in note 35 to the financial statements, took place between the end of the financial year under review and the date of this report.

Directors and secretary

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

Appointment

Roy Smither was appointed as an independent non-executive director on 20 September 2006.

Resignation

Eliot Osrin retired as an independent non-executive director with effect from 30 January 2007.

In accordance with the company's articles of association, Mr DM Nurek, Professor PFK Eagles and Ms LA Swartz retire by rotation at the forthcoming annual general meeting. With the exception of Ms LA Swartz, who is not standing for re-election, the retiring directors, being eligible, offer themselves for re-election.

Directors' interest in shares

Details of the directors' beneficial interests in the company's issued share capital are given on page 45.

Details of the share options granted to directors are given on page 45.

Share incentive schemes

Information relating to the share incentive scheme is set out on page 42.

Special resolutions

No special resolutions of a material nature have been passed by the company or its subsidiaries since the last annual general meeting of the company.

Holding company

The company has no holding company.

Subsidiary companies

The names of the company's main subsidiaries and financial information relating thereto appear on page 108.

The interest of the company in the aggregate income after taxation before goodwill impairment of its subsidiaries is R237 million (2006: R228 million).

directors' responsibility statement

The company's directors are responsible for the preparation and fair presentation of the company and group annual financial statements comprising the balance sheets at 31 August 2007, and the income statements, the statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

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

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

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

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

Approval of the annual financial statements

The group annual financial statements were approved by the board of directors on 12 November 2007 and are signed on its behalf by:

DM Nurek
Chairman

DA Kneale
Chief Executive Officer

Cape Town
12 November 2007

independent auditor's report and certificate by the company secretary

To the members of New Clicks Holdings Limited

We have audited the annual financial statements and group annual financial statements of New Clicks Holdings Limited, which comprise the balance sheets at 31 August 2007, and the income statements, the statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, as set out in pages 63 to 108, and the directors' report as set out on pages 60 and 61.

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

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

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

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

Opinion
In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of New Clicks Holdings Limited at 31 August 2007, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.
Registered Auditor

Per Ivan Engels
Chartered Accountant (SA)
Registered Auditor
Director
12 November 2007

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

certificate by the company secretary

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

AA Scott
Company secretary

Cape Town
12 November 2007

consolidated income statement

for the year ended 31 August 2007

	Notes	2007 R'000	2006 R'000
Continuing operations			
Revenue	1	**10 529 632**	9 338 713
Turnover	1	**10 051 373**	8 922 939
Cost of merchandise sold		**8 153 049**	7 267 010
Gross profit		**1 898 324**	1 655 929
Other income	1	**462 393**	404 404
Expenses		**1 866 889**	1 701 269
Depreciation and amortisation	2	**81 587**	83 612
Occupancy costs	3	**284 605**	261 924
Employment costs	4	**891 262**	805 603
Other costs	5	**609 435**	550 130
Impairment of property, plant and equipment		**–**	(3 159)
Profit on disposal of property, plant and equipment		**29 402**	483
Goodwill impairment	12	**(250)**	(1 254)
Operating profit before financing costs		**522 980**	355 134
Net financing costs		**(38 827)**	(57 219)
Financial income	1	**15 866**	11 370
Financial expense		**(54 693)**	(68 589)
Profit before tax		**484 153**	297 915
Income tax expense	7	**129 965**	74 796
Profit for the year from continuing operations		**354 188**	223 119
Discontinued operations			
Profit for the year from discontinued operations	6	**26 320**	22 871
Total profit for the year		**380 508**	245 990
Basic earnings per share (cents)			
Continuing operations	8	**105.4**	64.8
Discontinued operations		**7.8**	6.6
Total profit		**113.2**	71.4
Diluted earnings per share (cents)			
Continuing operations	8	**102.3**	63.0
Discontinued operations		**7.6**	6.4
Total profit		**109.9**	69.4

consolidated balance sheet

at 31 August 2007

	Notes	2007 R'000	2006 R'000
Assets			
Non-current assets		**1 188 408**	1 284 722
Property, plant and equipment	9	**698 964**	696 736
Investment property	10	**–**	6 900
Intangible assets	11	**291 339**	397 450
Goodwill	12	**83 950**	83 950
Deferred tax assets	13	**45 404**	24 363
Loans receivable	14	**68 751**	75 323
Current assets		**2 821 971**	2 399 685
Inventories	15	**1 191 847**	1 443 161
Trade and other receivables	16	**792 126**	792 557
Income tax receivable		**2 446**	86 474
Loans receivable	14	**4 616**	1 481
Cash and cash equivalents		**413 275**	40 111
Derivative financial assets	17	**59 391**	35 901
Assets held for sale	18	**358 270**	–
Total assets		**4 010 379**	3 684 407
Equity and liabilities			
Equity		**1 296 188**	1 593 949
Share capital	19	**3 360**	3 555
Share premium	19	**435 991**	815 791
Share option reserve	20	**23 786**	20 037
Treasury shares	19	**(258 548)**	(69 624)
Foreign currency translation reserve	21	**(11)**	618
Distributable reserve		**1 091 610**	823 572
Non-current liabilities		**331 676**	325 785
Interest-bearing loans and borrowings	22	**77 681**	150 855
Employee benefits	23	**64 943**	28 116
Deferred tax liabilities	13	**91 692**	45 669
Operating lease liability	24	**97 360**	101 145
Current liabilities		**2 382 515**	1 764 673
Bank overdraft		**–**	47 000
Trade and other payables	25	**1 902 313**	1 490 386
Employee benefits	23	**127 383**	105 475
Provisions	26	**47 610**	41 416
Interest-bearing loans and borrowings	22	**203 450**	62 851
Income tax payable		**86 755**	17 545
Liabilities held for sale	18	**15 004**	–
Total equity and liabilities		**4 010 379**	3 684 407

consolidated statement of cash flows

for the year ended 31 August 2007

	Notes	2007 R'000	2006 R'000
Cash effects of operating activities			
Operating profit before working capital changes	28.1	**622 366**	505 930
Working capital changes	28.2	**520 810**	(154 666)
Cash generated by operations		**1 143 176**	351 264
Interest received		**15 187**	11 370
Interest paid		**(51 570)**	(71 373)
Tax received/(paid)	28.3	**37 504**	(71 301)
Cash inflow from operating activities before distributions		**1 144 297**	219 960
Distributions paid to shareholders	27	**(121 286)**	(102 323)
Net cash effects of operating activities		**1 023 011**	117 637
Cash effects of investing activities			
Investment in property, plant and equipment to maintain and expand operations		**(154 622)**	(156 336)
Investment in intangible assets		**–**	(5 979)
Acquisition of additional goodwill	12	**(250)**	(1 254)
Proceeds from disposal of property, plant and equipment		**47 453**	20 688
Decrease in loans receivable		**3 437**	41 338
Net cash effects of investing activities		**(103 982)**	(101 543)
Cash effects of financing activities			
Proceeds from the issue of share capital	28.4	**2 402**	74 394
Purchase of treasury shares		**(557 576)**	(46 784)
Proceeds from disposal of treasury shares		**120 930**	–
Interest-bearing loans and borrowings repaid		**(64 621)**	(97 001)
Net cash effects of financing activities		**(498 865)**	(69 391)
Net increase/(decrease) for the year in cash and cash equivalents		**420 164**	(53 297)
Cash and cash equivalents at the beginning of the year		**(6 889)**	46 408
Cash and cash equivalents at the end of the year	28.5	**413 275**	(6 889)

consolidated statement of changes in equity

for the year ended 31 August 2007

	Net number of shares in issue (Note 19) '000	Share capital (Note 19) R'000	Share premium (Note 19) R'000	Share option reserve (Note 20) R'000
Balance at 1 September 2005	340 519	3 703	964 077	14 414
Shares issued in respect of options	12 160	122	74 461	–
Share issue expenses written off	–	–	(189)	–
Treasury shares cancelled	–	(270)	(182 990)	–
Treasury shares purchased	(5 066)	–	–	–
Total recognised income and expenses for the year	–	–	–	5 623
Foreign currency translation reserve	–	–	–	–
Share option reserve	–	–	–	5 623
Profit for the year	–	–	–	–
Distributions to shareholders	–	–	(39 568)	–
Balance at 31 August 2006	**347 613**	**3 555**	**815 791**	**20 037**
Shares issued in respect of options	**469**	**5**	**3 123**	**–**
Share issue expenses written off	**–**	**–**	**(726)**	**–**
Treasury shares cancelled	**–**	**(200)**	**(286 800)**	**–**
Net cost of own shares purchased	**(31 967)**	**–**	**–**	**–**
Treasury shares purchased	**(49 948)**	**–**	**–**	**–**
Loss on disposal of treasury shares	**17 981**	**–**	**–**	**–**
Total recognised income and expenses for the year	**–**	**–**	**–**	**3 749**
Foreign currency translation reserve	**–**	**–**	**–**	**–**
Share option reserve	**–**	**–**	**–**	**3 749**
Profit for the year	**–**	**–**	**–**	**–**
Distributions to shareholders	**–**	**–**	**(95 397)**	**–**
Balance at 31 August 2007	**316 115**	**3 360**	**435 991**	**23 786**

Treasury shares (Note 19) R'000	Foreign currency translation reserve (Note 21) R'000	Distributable reserve R'000	Total R'000
(249 678)	508	683 915	1 416 939
–	–	–	74 583
–	–	–	(189)
226 838	–	(43 578)	–
(46 784)	–	–	(46 784)
–	110	245 990	251 723
–	110	–	110
–	–	–	5 623
–	–	245 990	245 990
–	–	(62 755)	(102 323)
(69 624)	**618**	**823 572**	**1 593 949**
–	**–**	**–**	**3 128**
–	**–**	**–**	**(726)**
287 000	**–**	**–**	**–**
(475 924)	**–**	**(86 581)**	**(562 505)**
(683 435)	**–**	**–**	**(683 435)**
207 511	**–**	**(86 581)**	**120 930**
–	**(629)**	**380 508**	**383 628**
–	**(629)**	**–**	**(629)**
–	**–**	**–**	**3 749**
–	**–**	**380 508**	**380 508**
–	**–**	**(25 889)**	**(121 286)**
(258 548)	**(11)**	**1 091 610**	**1 296 188**

operational segmental analysis

segmental income statement for the year ended 31 August 2007

	Retail*		Distribution**	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
Segment revenue	**6 747 274**	5 910 665	**4 546 164**	4 072 949
Turnover	**6 526 896**	5 716 067	**4 295 013**	3 863 143
Cost of merchandise sold	**4 753 053**	4 169 852	**4 181 162**	3 752 972
Gross profit	**1 773 843**	1 546 215	**113 851**	110 171
Other income	**220 378**	194 598	**251 151**	209 806
Segment expenses	**1 640 855**	1 496 130	**226 034**	205 139
Depreciation and amortisation	**75 113**	79 508	**6 474**	4 104
Occupancy costs	**271 706**	251 043	**12 899**	10 881
Employment costs	**776 796**	704 431	**114 466**	101 172
Other costs	**517 240**	461 148	**92 195**	88 982
Impairment of property, plant and equipment	**–**	(3 159)	**–**	–
Profit/(loss) on disposal of property, plant and equipment	**29 402**	568	**–**	(85)
Goodwill impairment	**(250)**	(1 254)	**–**	–
Segment result from continuing operations	**382 518**	240 838	**138 968**	114 753
Discontinued operations				
Net financing costs				
Financial income				
Financial expenses				
Profit before tax				
Income tax expense				
Total profit for the year				
Segmental cash flow information for the year ended 31 August 2007				
Capital expenditure	**(104 321)**	(121 317)	**(43 271)**	(21 986)
Depreciation and amortisation	**81 169**	84 728	**6 474**	4 104
Non-cash items:				
Fair value adjustment – derivative	**(26 826)**	(8 323)	**–**	–
Foreign exchange gain	**(1 349)**	(6 080)	**–**	–
Goodwill impairment	**250**	1 254	**–**	–
Impairment of property, plant and equipment	**–**	3 159	**–**	–
(Profit)/loss on disposal of property, plant and equipment	**(29 402)**	(568)	**–**	85
Operating lease accrual	**2 522**	15 639	**–**	–
Share option reserve	**3 749**	5 623	**–**	–

* Retail includes the results of Clicks, Musica, The Body Shop and Style Studio

** Distribution includes the results of NUPD

Intragroup elimination 2007 R'000	Intragroup elimination 2006 R'000	Group 2007 R'000	Group 2006 R'000
(779 672)	(656 271)	10 529 632	9 338 713
(770 536)	(656 271)	10 051 373	8 922 939
(781 166)	(655 814)	8 153 049	7 267 010
10 630	(457)	1 898 324	1 655 929
(9 136)	–	462 393	404 404
–	–	1 866 889	1 701 269
–	–	81 587	83 612
–	–	284 605	261 924
–	–	891 262	805 603
–	–	609 435	550 130
–	–	–	(3 159)
–	–	29 402	483
–	–	(250)	(1 254)
1 494	(457)	522 980	355 134
		37 071	32 213
		(38 827)	(57 219)
		15 866	11 370
		(54 693)	(68 589)
		521 224	330 128
		140 716	84 138
		380 508	245 990
		(147 592)	(143 303)
		87 643	88 832
		(26 826)	(8 323)
		(1 349)	(6 080)
		(250)	1 254
		–	3 159
		(29 402)	(483)
		2 522	15 639
		3 749	5 623

operational segmental analysis continued ...

segmental balance sheet for the year ended 31 August 2007

	Retail		Distribution	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
Segment assets				
Non-current assets	**1 056 915**	1 339 234	**131 493**	(54 512)
Property, plant and equipment	**577 848**	615 361	**121 116**	81 375
Investment property	**–**	–	**–**	6 900
Intangibles	**289 359**	394 820	**1 980**	2 630
Goodwill	**–**	–	**83 950**	83 950
Deferred tax assets	**44 369**	23 292	**1 035**	1 071
Intragroup loans	**76 588**	230 438	**(76 588)**	(230 438)
Loans receivable	**68 751**	75 323	**–**	–
Current assets	**1 903 718**	1 578 521	**1 006 335**	911 829
Inventories	**939 108**	1 149 274	**254 596**	297 238
Trade and other receivables	**153 226**	268 545	**725 125**	611 326
Income tax receivable	**2 446**	86 474	**–**	–
Loans receivable	**4 616**	1 481	**–**	–
Cash and cash equivalents	**386 661**	36 846	**26 614**	3 265
Derivative financial assets	**59 391**	35 901	**–**	–
Assets held for sale	**358 270**	–	–	–
Total segment assets	**2 960 633**	2 917 755	**1 137 828**	857 317
Equity and liabilities				
Equity	**1 137 040**	1 502 818	**161 005**	94 482
Share capital	**3 360**	3 555	**–**	–
Share premium	**435 991**	815 791	**–**	–
Share option reserve	**23 786**	20 037	**–**	–
Treasury shares	**(258 548)**	(69 624)	**–**	–
Foreign currency translation reserve	**(11)**	618	**–**	–
Distributable reserve	**932 462**	732 441	**161 005**	94 482
Segment non-current liabilities	**323 416**	305 525	**8 260**	20 260
Interest-bearing loans and borrowings	**76 635**	136 968	**1 046**	13 887
Employee benefits	**61 105**	28 116	**3 838**	–
Deferred tax liabilities	**88 316**	39 296	**3 376**	6 373
Operating lease liability	**97 360**	101 145	**–**	–
Segment current liabilities	**1 500 177**	1 109 412	**968 563**	742 575
Bank overdraft	**–**	47 000	**–**	–
Trade and other payables	**1 050 234**	850 547	**938 304**	727 153
Employee benefits	**116 764**	96 861	**10 619**	8 614
Provisions	**47 610**	41 416	**–**	–
Interest-bearing loans and borrowings	**201 895**	58 841	**1 555**	4 010
Income tax payable	**68 670**	14 747	**18 085**	2 798
Liabilities held for sale	**15 004**	–	**–**	–
Total segment equity and liabilities	**2 960 633**	2 917 755	**1 137 828**	857 317

Intragroup elimination 2007 R'000	Intragroup elimination 2006 R'000	Group 2007 R'000	Group 2006 R'000
–	–	1 188 408	1 284 722
–	–	698 964	696 736
–	–	–	6 900
–	–	291 339	397 450
–	–	83 950	83 950
–	–	45 404	24 363
–	–	–	–
–	–	68 751	75 323
(88 082)	(90 665)	2 821 971	2 399 685
(1 857)	(3 351)	1 191 847	1 443 161
(86 225)	(87 314)	792 126	792 557
–	–	2 446	86 474
–	–	4 616	1 481
–	–	413 275	40 111
–	–	59 391	35 901
–	–	358 270	–
(88 082)	(90 665)	4 010 379	3 684 407
(1 857)	(3 351)	1 296 188	1 593 949
–	–	3 360	3 555
–	–	435 991	815 791
–	–	23 786	20 037
–	–	(258 548)	(69 624)
–	–	(11)	618
(1 857)	(3 351)	1 091 610	823 572
–	–	331 676	325 785
–	–	77 681	150 855
–	–	64 943	28 116
–	–	91 692	45 669
–	–	97 360	101 145
(86 225)	(87 314)	2 382 515	1 764 673
–	–	–	47 000
(86 225)	(87 314)	1 902 313	1 490 386
–	–	127 383	105 475
–	–	47 610	41 416
–	–	203 450	62 851
–	–	86 755	17 545
–	–	15 004	–
(88 082)	(90 665)	4 010 379	3 684 407

New Clicks Holdings Limited is a company incorporated in South Africa. The consolidated financial statements for the year ended 31 August 2007 comprise the company and its subsidiaries (collectively referred to as "the group").

Basis of preparation

The consolidated financial statements for the group are prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB") and the South African Companies Act (Act No. 61 of 1973), as amended.

The financial statements are presented in South African Rands, rounded to the nearest thousand. They are prepared on the basis that the group is a going concern, using the historical cost basis of measurement unless otherwise stated.

The accounting policies set out below have been applied consistently in all material respects to all periods presented in these consolidated financial statements.

Use of assumptions, judgements and estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgements and assumptions in certain circumstances that affect reported amounts. The most sensitive estimates affecting the financial statements are in the areas of assessing the net realisable value of inventory, the impairment of goodwill and long-lived intangible assets, the impairment of property, plant and equipment, certain consideration received from vendors, estimates used in calculating the post-retirement medical aid provision, the allowance for doubtful accounts, share-based payments, calculation of long-term incentives, and provision for income tax.

The key estimates and assumptions relating to these areas are described below and disclosed in the relevant notes to the financial statements. All estimates and underlying assumptions are based on historical experience and various other factors that management believes are reasonable under the circumstances. The results of these estimates form the basis of judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any affected future periods.

Inventories

The group evaluates its inventory to ensure it is carried at the lower of cost or net realisable value. Provision is made against slow moving, obsolete and damaged inventories. Damaged inventories are identified and written down through the inventory counting procedures conducted within each business. Provision for slow moving and obsolete inventories is assessed by each business as part of their ongoing financial reporting. Obsolescence is assessed based on comparison of the level of inventory holding to the projected likely future sales.

Rebates received from vendors

The group enters into agreements with many of its vendors providing for inventory purchase rebates based upon achievement

of specified volumes of purchasing levels, with many of these agreements applying to the calendar year. For certain agreements the rebates increase as a proportion of purchases as higher quantities or values of purchases are made, relative to the prior period. The group accrues the receipt of vendor rebates as part of its cost of sales for products sold, taking into consideration the cumulative purchases of inventory to date and projected purchases through to the end of the qualifying period. Rebates are accrued for each reporting period with an extensive reassessment of the rebates earned being performed at the end of the financial year and halfway through the financial year. Consequently the rebate actually received may vary from that accrued in the financial statements.

Allowance for doubtful accounts

An allowance for impairment loss is made against accounts that in the estimation of management may be impaired. Within each of the businesses assessment is made of the recoverability of accounts receivable based on a range of factors including the age of the receivable, and the creditworthiness of the customer and their likely ability to pay. The impairment is assessed monthly, with a detailed formal review of balances and security being conducted at the full year and half year. Determining the recoverability of an account involves estimation as to the likely financial condition of the customer and their ability to subsequently make payment. If the group is cautious as to the financial condition of the customer the group may provide for accounts that are subsequently recovered. Similarly if the group is optimistic as to the financial condition of the customer the group may not provide for an account that is subsequently determined to be irrecoverable.

The group held an allowance for impairment of receivables at 31 August 2007 amounting to R44.4 million (2006: R36.6 million).

Income taxes

The group is subject to income tax in numerous jurisdictions. Significant judgement is required in determining the provision for tax as there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax issues based on estimates of the taxes that are likely to become due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Basis of consolidation

The group financial statements include the financial statements of the company, its subsidiaries and other entities that it controls.

Subsidiaries are those entities over whose financial and operating policies the group has the power, directly or indirectly, to exercise control, so as to obtain benefits from their activities. The financial results of subsidiaries are included in the consolidated financial statements from the date that control was acquired and, where applicable, up to the date that control ceases.

As the company controls the New Clicks Holdings Share Trust, this entity has been consolidated into the group financial statements. The shares owned by the trust are accounted for as treasury shares.

The identifiable assets and liabilities of companies acquired are assessed and included in the balance sheet at their fair values as at the date of acquisition.

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

Foreign currency

Functional and presentation currency

All items in the financial statements of the group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates ("the functional currency"). The group's consolidated financial statements are presented in Rands, which is New Clicks Holdings Limited's functional and presentation currency.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of group entities. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign exchange differences arising on translation are recognised in the income statement.

Foreign operations

The financial statements of foreign entities are translated into the presentation currency as follows:

- Assets and liabilities are translated at rates of exchange ruling at the balance sheet date; and
- Income and expenditure are translated at weighted average exchange rates for the reporting period, which approximate the exchange rates ruling at the date of the transactions.

Goodwill arising on the acquisition of a foreign entity is treated as an asset of the subsidiary and translated at the exchange rate at the balance sheet date.

Exchange differences arising from the translation of foreign operations are taken directly to the Foreign Currency Translation Reserve.

Financial instruments

Financial instruments are initially measured at fair value less transaction costs except for financial instruments that are classified as being fair valued through profit and loss. Subsequent to initial recognition, these instruments are classified according to their nature and are measured at either amortised cost or fair value, as appropriate to their financial instrument category.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Hedge of monetary assets and liabilities

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

Trade and other receivables and loans receivable

Trade and other receivables and loans receivable are classified as loans and receivables. These financial assets originate by the group providing goods, services or money directly to a debtor and are measured at amortised cost less impairment losses.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the group unless otherwise stated.

Outstanding cheques are included in trade and other payables.

Cash and cash equivalents are classified in the balance sheet as held-for-trading financial instruments as they are acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are measured at fair value, with any resultant gain or loss on remeasurement recognised in the income statement.

Derivative financial assets/liabilities

The group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investing activities, as well as market risk arising on cash-settled share-based compensation schemes.

In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as financial instruments held for trading.

Subsequent to initial recognition, derivatives are measured at fair value. The gain or loss arising from a change in fair value on remeasurement is recognised in profit or loss in the period in which the change arises.

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

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

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are financial liabilities with fixed or determinable payments that the group has a positive intent and ability to hold to maturity. These financial instruments are subsequently remeasured to amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Trade and other payables

Trade and other payables are remeasured to amortised cost.

Derecognition

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
- the group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. This condition is regarded as met only when the sale is highly probable and expected to be completed within one year from classification and the asset is available for immediate sale in its present condition.

Disposal groups are classified as discontinued operations where they represent a major line of business or geographical area of operations that has been disposed of or is held for sale. The income statement for the comparative period has been restated to show the discontinued operations separate from the continuing operations.

Property, plant and equipment

Items of property, plant and equipment, including owner-occupied buildings, are stated at historical cost less accumulated depreciation and accumulated impairment losses. Land is stated at cost less impairment losses.

Assets subject to finance lease agreements, in terms of which the group assumes substantially all the risks and rewards of ownership, are capitalised under the same policies as owned assets.

Installation and other costs, which comprise materials and direct labour costs necessarily incurred in order to derive benefit from property, plant and equipment, are included in cost.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits embodied with the item will be increased and flow to the group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Borrowing costs are expensed as incurred.

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of assets in order to reduce the cost of the asset to its residual value. Residual value is the net amount expected to be recovered from disposal of the asset at the end of its estimated useful life. Depreciation methods, residual values and useful lives are reassessed annually.

Land is not depreciated. The expected useful lives of depreciable assets are as follows:

Buildings	50 years
Computer equipment	3 to 7 years
Equipment	3 to 10 years
Furniture and fittings	5 to 10 years
Motor vehicles	5 years

Surpluses or deficits on the disposal of property, plant and equipment, comprising the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the income statement.

Leases

Finance leases

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases.

Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease. The capital element of future obligations under the lease is included as a liability in the balance sheet.

Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

A finance lease gives rise to a depreciation expense for the asset as well as a finance expense for each accounting period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned.

Operating leases

Leases of assets under which substantially all of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Minimum lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Investment properties

Investment properties are held either for the purposes of earning rental income or for capital appreciation, or both. Investment properties are initially recorded at cost and subsequently stated at fair value. Fair value is determined internally each year at the reporting date but is determined at least every three years by an independent registered valuer having an appropriate recognised qualification and experience in the location and category of property being valued. The fair value is based on market value, being the estimated amount for which the property could be exchanged on the date of valuation between a willing buyer and seller in an arm's length transaction.

Any gain or loss arising from a change in fair value is recognised in the income statement in the period in which it arises.

Investment properties are not depreciated.

When a property is transferred from investment property at fair value to own-use properties, the transfer is accounted for at fair value. The fair value at the date of transfer is then considered to be the deemed cost for subsequent accounting. Any difference between the carrying amount of the property prior to transfer and its fair value on the date of transfer is recognised in profit or loss in the same way as any other change in fair value of investment property.

Intangible assets (other than goodwill)

Intangible assets (other than goodwill) are initially recognised at cost if acquired externally, or at fair value if acquired as part of a business combination. Expenditure on internally generated development activity is capitalised if the product or process is technically and commercially feasible and the group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the associated intangible asset. Other development expenditure is recognised in the income statement as an expense when incurred.

No value is attached to internally developed and maintained trademarks or brand names. Expenditure incurred to maintain trademarks and brand names is charged against the income statement as incurred.

If assessed as having an indefinite useful life, intangibles are not amortised but are tested for impairment at each balance sheet date and impaired if necessary. If assessed as having a finite useful life, intangible assets are amortised over their useful lives on a straight-line basis and tested for impairment if indications exist that they may be impaired.

The estimated useful lives of intangible assets with finite lives are as follows:

Capitalised system development costs	5 to 10 years
Trademarks	considering the specific trademark's circumstances

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

Goodwill

All business combinations are accounted for by applying the purchase method.

Goodwill represents the premium on acquisition of subsidiaries arising from the difference between the purchase price paid and the group's interest in the fair value of the net identifiable assets acquired at the date of the transaction.

Goodwill is stated at cost less any accumulated impairment losses. It is not amortised, but is tested annually for impairment.

Negative goodwill arising on an acquisition is recognised directly in the income statement. The calculation of the gain or loss on disposal of a subsidiary includes the balance of the goodwill relating to the subsidiary disposed of.

Inventories

Merchandise for resale has been valued on the first-in-first-out ("FIFO") basis and is stated at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition and is stated net of purchase incentives. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to complete and sell the product. The cost of merchandise sold includes normal shrinkage, wastage and inventory losses. Obsolete, redundant and slow moving inventories are identified on a regular basis and are written down to their net realisable value.

Impairment of assets

The carrying amounts of assets (other than investment properties and deferred tax assets) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such an indication exists, the asset's recoverable amount is estimated.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

Whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount, an impairment loss is recognised in the income statement.

As goodwill is not capable of generating cash flows independently of other assets, in assessing the recoverable amount of goodwill, the goodwill is allocated to cash-generating units on a reasonable and consistent basis. Where appropriate, corporate assets are also allocated to cash-generating units on a reasonable and consistent basis. The recoverable amount of the cash-generating unit (including an allocation of goodwill and corporate assets) is assessed with reference to the future cash flows of the cash-generating unit. Where an impairment is identified for a cash-generating unit, the impairment is applied first to the goodwill allocated to the cash-generating unit and then to other assets comprising the cash-generating unit, provided that each identifiable asset is not reduced to below its recoverable amount.

Recoverable amount

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

The fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or cash-generating unit and from its disposal at the end of its

useful life. The estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Reversal of impairment losses

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased, either as a result of an event occurring after the impairment loss was recognised or if there has been a change in the estimates used to calculate the recoverable amount.

An impairment loss is reversed only to the extent that the carrying amount of the affected asset is not increased to an amount higher than the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in prior years. The reversal is recorded as income in the income statement.

An impairment loss in respect of goodwill is never reversed.

Share capital

Ordinary share capital

Ordinary share capital represents the par value of ordinary shares issued, either as part of public offerings or in terms of employee options. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effect.

Share premium

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

Treasury shares

Ordinary shares in New Clicks Holdings Limited which have been acquired by a group company in terms of an approved share repurchase programme or are held by the Share Incentive Trust are classified as treasury shares. The cost of these shares is deducted from equity and the number of shares is deducted from the weighted average number of shares. Dividends received on treasury shares are eliminated on consolidation.

Capitalisation share awards and cash distributions

The full value of capitalisation share awards and cash distributions are recorded as a liability and a deduction from equity in the statement of changes in equity when declared and paid. Upon allotment of shares in terms of a capitalisation award, the election amounts are transferred to the share capital account and share premium account.

The related Secondary Tax on Companies ("STC") liability is recorded in the year of its declaration and payment.

Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised as an expense during the period in which the employee renders the related service.

Accruals for employee entitlements to wages, salaries, bonuses, annual and sick leave represent the amount which the group has a present obligation to pay as a result of employees' services provided to the balance sheet date. The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

Long-term employee benefits

Liabilities for employee benefits, other than pension plans, which are not expected to be settled within twelve months are discounted to present value using the market yields, at the balance sheet date, on high quality bonds with maturity dates that most closely match the terms of maturity of the group's related liabilities.

Defined contribution retirement funds

A defined contribution plan is a post-employment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

The group operates a retirement scheme comprising a number of defined contribution funds in South Africa, the assets of which are held in separate trustee-administered funds. The retirement scheme is funded by payments from employees and the relevant group entity. Obligations for contributions to these funds are recognised as an expense in the income statement as incurred.

Post-retirement medical aid benefits

A defined benefit plan is a post-employment plan other than a defined contribution plan.

The group's obligation to provide post-retirement medical aid benefits to certain employees is calculated by estimating the amount of future benefit that qualifying employees have earned in return for their service in the current and prior periods. This benefit is discounted to determine its present value, using a discount rate based on the market yields, at the balance sheet date, on high quality bonds with maturity dates that most closely match the terms of maturity of the group's obligation. The calculation is performed by a qualified actuary using the projected unit credit method.

The portion of benefits relating to past service by employees is recognised as an expense on a straight-line basis over the average vesting period. To the extent that the benefits are already vested, past service costs are recognised immediately.

The group recognises actuarial gains or losses from defined benefit plans immediately in the income statement.

Equity-settled share-based compensation benefits

The group grants share options to certain employees under an employee share plan. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Binomial option pricing model, taking into account the terms and conditions under which the options were granted. The amount recognised as an expense with a corresponding increase in equity is adjusted at each reporting date to reflect the actual number of share options that vest or are expected to vest.

Cash-settled share-based compensation benefits

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

Provisions

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

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

The provision is measured at the net present value of the lower of the expected cost of terminating the contract and net cost of continuing with the contract. Before a provision is established, the group recognises any impairment loss on the asset associated with that contract.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the change in provision is due to the passage of time, a financial expense is recognised in the income statement.

Guarantees

A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

These financial guarantees are classified as insurance contracts as defined in IFRS 4 'Insurance contracts'. A liability is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the contract and a reliable estimate can be made of the amount of the obligation. The amount recognised is the best estimate of the expenditure required to settle the contract at the balance sheet date. Where the effect of discounting is material, the liability is discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The group performs liability adequacy tests on financial guarantee contract liabilities to ensure that the carrying amount of the liability is sufficient in view of estimated future cash flows.

When performing the liability adequacy test, the group discounts all expected contractual cash flows and compares this amount to the carrying value of the liability.

Where a shortfall is identified, an additional provision is made.

Revenue

Turnover

Turnover comprises net sales to customers and merchandise sold to franchisees through the group's supply arrangements. Turnover is stated exclusive of value-added and general sales tax. Revenue from sales is recognised when the significant risks and rewards of ownership are transferred to the buyer, costs can be measured reliably, and receipt of the future economic benefits is probable.

Financial income

Financial income comprises interest income which is recognised in the income statement on a time proportion basis, taking account of the principal outstanding and the effective interest rate over the period to maturity, when it is probable that such income will accrue to the group.

Dividend income is recognised when the right to receive payment is established.

Distribution and logistics fee income

Revenue in respect of services rendered is recognised in the income statement as the services are rendered in proportion to the stage of completion of the transaction at the reporting date.

Franchise fee and other recovery income

Franchise fee and other recovery income is recognised in the income statement when the group becomes contractually entitled to the income or when it is virtually certain that the conditions required to be fulfilled before payment is received will be fulfilled.

Rental income

Income from operating leases in respect of property is recognised in the income statement on a straight-line basis over the lease term.

ClubCard and loyalty initiatives

The cost of ClubCard is treated as a cost of sale, with an accrual equal to the estimated fair value of the points issued recognised when the original transaction occurs. On redemption, the cost of redemption is offset against the accrual. The fair value of the points awarded is determined with reference to the cost of redemption.

Financial expenses

Financial expenses comprise interest payable on borrowings calculated using the effective interest rate method, unwinding of the discount on provisions, dividends on preference shares classified as liabilities and gains and losses on interest rate swaps.

The group has elected not to capitalise borrowing costs on qualifying assets.

The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

Income tax expense

Income tax expense on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the tax is recognised in equity, or arising on a business combination that is an acquisition, in which case it is recognised in goodwill.

Current tax

Current tax comprises expected tax payable calculated on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised at current rates using the balance sheet liability method. Full provision is made for all temporary differences between the tax value of an asset or liability and its carrying amount for financial reporting purposes. The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised for all deductible temporary differences and tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets previously recognised are expensed to the income statement to the extent that it is no longer probable that the tax assets will be realised.

Secondary Tax on Companies

Secondary Tax on Companies ("STC") arising on net dividends paid is recognised as a tax charge in the same year as the liability to pay the related dividend.

Segment reporting

A segment is a distinguishable component of the group that is engaged either in providing products or services, or in providing goods or services within a particular economic environment, which is subject to risks and rewards that are distinguishable from those of other segments. The group is organised into trading business units which in turn are categorised broadly between distribution and retail. Segment reporting is presented on this basis. The group operates exclusively within the southern African region and has therefore not presented geographical segment information.

Segment operating profit includes revenue and expenses directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to a segment, whether from external transactions or from transactions with other group segments. Inter-segment transfer pricing is based on cost plus an appropriate margin.

Segment assets and liabilities comprise those assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Recent accounting developments

Standards, amendments and interpretations effective for 2006/07 with no significant impact on the group:

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006. However, their implementation has not had a significant impact on the results or net assets of the group:

- Amendment to IAS 21 'Net investment in a Foreign Operation'
- Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 4 'Insurance Contracts' on Financial Guarantee Contracts
- Amendment to IAS 39 on the fair value option

- Amendment to IAS 39 on cash flow hedge accounting of forecast intragroup transactions
- IFRIC 4 ‘Determining whether an arrangement contains a lease’
- IFRIC 5 ‘Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds’

Standards, amendments and interpretations not yet effective but not expected to have a significant impact on the group:

IFRS 7 ‘Financial Instruments: Disclosures’ and amendments to IAS 1 ‘Presentation of Financial Statements – Capital Disclosures’ were issued in August 2005 and are effective for accounting periods beginning on or after 1 January 2007. These amendments revise and enhance previous disclosures required by IAS 32 and IAS 30 ‘Disclosures in the Financial Statements of Banks and Similar Financial Institutions’. The adoption of IFRS 7 will have no impact on the results or net assets of the group, other than disclosures related to financial instruments.

Standards, amendments and interpretations not yet effective and under review as to their effect on the Group:

IFRS 8 ‘Segmental Reporting’ – This extends the scope of segmental reporting requiring additional disclosure and will be effective for the year ending 31 August 2010.

IFRIC 10 ‘Interim Financial Reporting and Impairment’ – This prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IFRIC 10 will become mandatory for the year ending 31 August 2008, and will apply to goodwill, investments in equity instruments and financial assets carried at cost prospectively from the date that the group first applied the measurement criteria of IAS 36 and IAS 39, respectively (i.e. 1 September 2005).

IFRIC 11 ‘Scope of IFRS 2 – group and treasury share transactions’. This interpretation is effective for the group and company for the year ending 31 August 2009. IFRIC 11 provides guidance on applying IFRS 2 in three circumstances:

- Share-based payment involving an entity’s own equity instruments in which the entity chooses or is required to buy its own equity instruments (treasury shares) to settle the share-based payment obligation

These should always be accounted for as equity-settled share-based payment transactions if the counterparty will receive the entity’s shares under IFRS 2.

- A parent grants rights to its equity instruments to employees of its subsidiary

Assuming the transaction is accounted for as equity-settled in the consolidated financial statements, the subsidiary must measure the services received using the requirements for equity-settled transactions in IFRS 2, and must recognise a corresponding increase in equity as a contribution from the parent.

- A subsidiary grants rights to equity instruments of its parent to its employees

The subsidiary accounts for the transaction as a cash-settled share-based payment transaction.

Therefore, in the subsidiary’s individual financial statements, the accounting treatment of transactions in which a subsidiary’s employees are granted rights to equity instruments of its parent would differ, depending on whether the parent or the subsidiary granted those rights to the subsidiary’s employees. This interpretation is not likely to have a material impact on the financial results presented in the current or future periods.

IFRIC 12 ‘Service Concession Arrangements’ – This addresses how service concession operators should apply IFRS to account for the obligations they undertake and the rights they receive in service concession arrangements. This is effective for the year ending 31 August 2010 and is not expected to have a significant impact on the group.

IFRIC 13 ‘Customer Loyalty Programmes’ – This interpretation is effective for the group for the year ending 31 August 2009. This interpretation requires an entity that grants loyalty award credits to allocate some of the proceeds of the initial sale to the award credits as a liability (its obligation to provide the awards). In effect, the award is accounted for as a separate component of the sale transaction. The amount of proceeds allocated to the award credits is measured by reference to their fair value, that is, the amount for which the award credits could have been sold separately. The entity shall recognise the deferred portion of the proceeds as revenue only when it has fulfilled its obligations. It may fulfil its obligations either by supplying the awards itself or by engaging (and paying) a third party to do so. If at any time the expected costs of meeting the obligation exceed the consideration received, the entity has an onerous contract for which IAS 37 would require recognition of a liability.

This interpretation is still under review by the group. However, an initial estimate of the impact is that gross profit would be reduced in the current year by R5 million and in the 2006 year by R2 million.

IFRIC 14 ‘Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction’ – This interpretation clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements on such assets. It also addresses when the minimum funding requirements might give rise to a liability. This is effective for the group’s 2009 financial statements and is not expected to have a significant impact on the group.

notes to the financial statements

for the year ended 31 August 2007

		Group 2007 R'000	2006 R'000
1	**Revenue from continuing operations**		
	Turnover	**10 051 373**	8 922 939
	Financial income	**15 866**	11 370
	Other income	**462 393**	404 404
	Distribution and logistics fees	**241 045**	198 599
	Franchise fees	**1 125**	1 365
	Rental income	**3 464**	2 348
	Cost recoveries and other	**216 759**	202 092
		10 529 632	9 338 713
	Financial income comprises interest income.		
2	**Depreciation and amortisation**		
	Depreciation on property, plant and equipment	**98 290**	103 470
	Amortisation of intangible assets	**6 111**	5 132
	Total depreciation and amortisation	**104 401**	108 602
	Depreciation included in cost of merchandise sold	**(6 056)**	(5 220)
	Depreciation and amortisation included in expenses	**98 345**	103 382
	Less: Discontinued operations	**(16 758)**	(19 770)
	Continuing operations	**81 587**	83 612
3	**Occupancy costs**		
	Lease charges		
	Operating leases – cash payments	**338 331**	305 848
	Operating lease accrual (see notes 18 and 24)	**2 522**	15 639
	Adjustment in respect of onerous contracts (see note 26)	**(4 926)**	(4 563)
	Total occupancy costs	**335 927**	316 924
	Less: Discontinued operations	**(51 322)**	(55 000)
	Continuing operations	**284 605**	261 924

		Group	
		2007	2006
		R'000	R'000
4	**Employment costs**		
	Directors' emoluments	**13 084**	20 086
	Non-executive	**2 076**	1 451
	Fees	**1 510**	1 132
	Consulting services	**566**	319
	Executive	**11 008**	18 635
	Salary and bonus	**9 989**	5 029
	Other benefits	**1 019**	13 606
	Cash-settled share appreciation rights costs (see note 23)	**28 033**	9 146
	Equity-settled share option costs (see note 20)	**3 749**	5 623
	Long-term incentive scheme (see note 23)	**26 800**	-
	Staff salaries and wages	**931 539**	869 034
	Leave-pay costs	**10 863**	16 834
	Bonuses	**74 255**	66 321
	Increase in liability for defined benefit plans (see note 23)	**2 767**	1 513
	Total employment costs	**1 091 090**	988 557
	Employment costs included in cost of merchandise sold	**(50 889)**	(46 193)
	Employment costs included in expenses	**1 040 201**	942 364
	Less: Discontinued operations	**(148 939)**	(136 761)
	Continuing operations	**891 262**	805 603
	For further detail of directors' emoluments refer to the Remuneration Report on page 43.		
	Included in total employment costs are the following aggregate amounts (including directors' emoluments) relating to transactions with key management personnel:		
	Salaries and bonuses	**16 751**	15 876
	Other benefits	**2 113**	14 414
	Fees and consulting services	**2 077**	1 451
		20 941	31 741

		Group	
		2007	2006
		R'000	R'000
5	**Other costs**		
	Other operating costs include:		
	Auditors' remuneration	**3 427**	3 990
	Audit fees	**2 981**	3 351
	Other services and expenses	**446**	639
	Fees paid for outside services		
	Technical services	**31 114**	15 404
	Net foreign exchange losses – realised	**5 369**	210
	Net foreign exchange gains – unrealised (see note 17)	**(1 349)**	(6 080)
	Interest swap gains – unrealised (see note 17)	**(3 004)**	(3 088)
	Share option hedge gains – realised (see note 17)	**(1 854)**	–
	Share option hedge gains – unrealised	**(26 826)**	(8 323)
	Impairment of trade and other receivables	**13 597**	7 099
6	**Discontinued operations**		
	Turnover	**1 153 507**	1 077 682
	Cost of merchandise sold	**828 873**	780 035
	Gross profit	**324 634**	297 647
	Other income*	**38 748**	45 317
	Expenses	**323 421**	309 059
	Depreciation and amortisation	**16 758**	19 770
	Occupancy costs	**51 322**	55 000
	Employment costs	**148 939**	136 761
	Other costs	**106 402**	97 528
	Loss on disposal of property, plant and equipment	**(2 890)**	(1 692)
	Profit from discontinued operations	**37 071**	32 213
	Income tax expense on discontinued operations	**10 751**	9 342
	Profit for the year from discontinued operations	**26 320**	22 871

During the year agreement was reached to sell the Discom business to Edgars Consolidated Stores Limited ("Edcon"). The rationale behind the disposal is that Discom serves a different customer profile and that the needs of its customer base can be better served by a company which has a stronger focus on Discom's target market.

Set out above are the results of the Discom business unit which as a result of meeting the definition of a discontinued operation, are required to be separately disclosed from the results of the continuing operations.

* Other income comprises cost recoveries and other.

	Company 2007 R'000	Company 2006 R'000	Group 2007 R'000	Group 2006 R'000
7 **Income tax expense**				
Continuing operations				
South African normal tax				
Current tax				
Current year	–	–	101 888	15 505
Prior year underprovision	–	1 540	20	686
Secondary tax on companies				
Current year	–	6 422	–	6 422
Capital gains tax				
Current year	2 395	–	2 799	–
Deferred tax				
Current year	2 366	(3 030)	24 812	49 114
Prior year (overprovision)/underprovision	–	–	(1 653)	948
Foreign tax				
Current tax				
Current year	–	–	2 346	1 824
Prior year underprovision	–	–	–	26
Deferred tax				
Current year	–	–	30	(50)
Prior year (overprovision)/underprovision	–	–	(277)	321
	4 761	4 932	129 965	74 796
Discontinued operations				
South African normal tax				
Current tax				
Current year	–	–	8 486	2 182
Deferred tax				
Current year	–	–	2 067	6 911
Foreign tax				
Current tax				
Current year	–	–	195	257
Deferred tax				
Current year	–	–	3	(8)
	–	–	10 751	9 342
Total income tax expense	4 761	4 932	140 716	84 138
Reconciliation of rate of tax	%	%	%	%
Standard rate – South Africa	29.00	29.00	29.00	29.00
Adjusted for:				
Capital gains tax	1.45	–	0.21	(2.17)
Disallowable expenditure	–	–	0.39	0.97
Exempt income and allowances	(28.85)	(42.71)	(2.63)	(3.98)
Foreign tax rate variations	–	–	0.01	0.11
Goodwill impairment	–	–	0.04	0.11
Impairment of investment in The Link Investment Trust	–	13.71	–	–
Prior year under/(over)provision	–	2.44	(0.37)	(0.08)
Secondary tax on companies	0.98	5.38	0.35	1.95
Tax losses utilised	–	–	–	(0.28)
Other	–	–	–	(0.14)
Effective tax rate	2.58	7.82	27.00	25.49

Subsidiaries of the group have estimated computed tax losses of R56.9 million available for set-off against future taxable income of those subsidiaries. A deferred tax asset of R16.5 million has been recognised in respect of the total computed tax losses (see note 13).

	Group 2007 R'000	Group 2006 R'000
8 **Earnings per share**		
Reconciliation of basic to headline earnings		
Basic earnings (total profit for the year)	**380 508**	245 990
Less adjustments:		
Profit before tax from discontinued operations	**37 071**	32 213
Tax relating to discontinued operations	**(10 751)**	(9 342)
Profit from discontinued operations	**26 320**	22 871
Basic earnings from continuing operations	**354 188**	223 119
Basic earnings (total profit for the year)	**380 508**	245 990
Adjustments:		
Impairment of property, plant and equipment	**–**	3 159
(Profit)/loss on disposal of property, plant and equipment	**(23 836)**	1 209
(Profit)/loss before tax	**(26 512)**	1 209
Tax	**2 676**	–
Goodwill impairment	**250**	1 254
Headline earnings	**356 922**	251 612
Basic earnings per share – continuing operations (cents)	**105.4**	64.8
Basic earnings per share – discontinued operations (cents)	**7.8**	6.6
Basic earnings per share (cents)	**113.2**	71.4
Headline earnings per share (cents)	**106.1**	73.1
Diluted earnings per share – continuing operations (cents)	**102.3**	63.0
Diluted earnings per share – discontinued operations (cents)	**7.6**	6.4
Diluted basic earnings per share (cents)	**109.9**	69.4
Diluted headline earnings per share (cents)	**103.0**	71.0
	2007 '000	2006 '000
Reconciliation of shares in issue to weighted average number of shares in issue		
Gross number of shares in issue at the beginning of the year	**355 488**	370 260
Treasury shares held for the full year and/or cancelled	**(7 875)**	(29 741)
Shares issued in respect of options weighted for period in issue	**447**	4 859
Treasury shares purchased during the year weighted for period held	**(20 865)**	(1 041)
Treasury shares utilised for share options weighted for period in issue	**9 071**	–
Weighted average number of shares in issue for the year	**336 266**	344 337
Reconciliation of weighted average number of shares to weighted average diluted number of shares		
Weighted average number of shares in issue for the year	**336 266**	344 337
Dilutive effect of share options and forward purchase of shares	**10 106**	10 028
Weighted average diluted number of shares in issue for the year	**346 372**	354 365

	Group					
	2007			2006		
	Cost R'000	**Accumulated depreciation and impairment losses R'000**	**Book value R'000**	Cost R'000	Accumulated depreciation and impairment losses R'000	Book value R'000
9 **Property, plant and equipment**						
Land	**25 809**	**–**	**25 809**	24 347	–	24 347
Buildings	**278 452**	**28 681**	**249 771**	283 614	27 556	256 058
Computer equipment	**113 181**	**45 826**	**67 355**	228 219	155 422	72 797
Equipment	**113 529**	**30 019**	**83 510**	98 878	48 202	50 676
Furniture and fittings	**410 444**	**153 795**	**256 649**	435 653	162 439	273 214
Motor vehicles	**24 848**	**8 978**	**15 870**	33 437	13 793	19 644
	966 263	**267 299**	**698 964**	1 104 148	407 412	696 736

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

All group property is owner-occupied.

Buildings with a net book value of R51.5 million are encumbered under a mortgage as detailed in note 22.

Motor vehicles with a net book value of R2.4 million are encumbered in terms of a loan as detailed under note 22.

Computer equipment with a net book value of R10.5 million is encumbered under a finance lease as detailed under note 22.

The carrying amount of the group's property, plant and equipment can be reconciled as follows:

	Land R'000	Buildings R'000	Computer equipment R'000	Equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
Carrying amount at 1 September 2005	24 023	242 036	105 037	56 572	222 125	19 133	668 926
Additions	324	16 308	26 420	7 808	96 548	8 928	156 336
Disposals	–	(740)	(6 860)	(3 947)	(9 624)	(3 885)	(25 056)
Depreciation	–	(1 546)	(51 800)	(9 757)	(35 835)	(4 532)	(103 470)
Carrying amount at 31 August 2006	**24 347**	**256 058**	**72 797**	**50 676**	**273 214**	**19 644**	**696 736**
Additions	**–**	**9 756**	**46 057**	**36 494**	**62 939**	**5 563**	**160 809**
Disposals	**–**	**(4 895)**	**(681)**	**(262)**	**(14 581)**	**(522)**	**(20 941)**
Depreciation	**–**	**(1 857)**	**(42 603)**	**(9 805)**	**(38 670)**	**(5 355)**	**(98 290)**
Reclassification	**1 462**	**(9 291)**	**–**	**14 729**	**–**	**–**	**6 900**
Transfer to assets held for sale	**–**	**–**	**(8 215)**	**(8 322)**	**(26 253)**	**(3 460)**	**(46 250)**
Carrying amount at 31 August 2007	**25 809**	**249 771**	**67 355**	**83 510**	**256 649**	**15 870**	**698 964**

	Group	
	2007 R'000	2006 R'000
10 **Investment property**		
Balance at the end of the year	**–**	6 900

During the year the property at Erf 98 Lea Glen was reoccupied by the group and accordingly no longer meets the requirement for classification as an investment property and was transferred to property, plant and equipment.

	Group 2007 Cost R'000	2007 Accumulated amortisation and impairment losses R'000	2007 Book value R'000	2006 Cost R'000	2006 Accumulated amortisation and impairment losses R'000	2006 Book value R'000
11 **Intangible assets**						
Clicks trademark	**272 000**	**–**	**272 000**	272 000	–	272 000
Discom trademark	**–**	**–**	**–**	100 000	–	100 000
Link trademark	**6 880**	**4 900**	**1 980**	6 880	4 250	2 630
Capitalised software development	**27 302**	**9 943**	**17 359**	27 302	4 482	22 820
	306 182	**14 843**	**291 339**	406 182	8 732	397 450

The carrying amount of the group intangible assets can be reconciled as follows:

	Clicks trademark R'000	Discom trademark R'000	Link trademark R'000	Capitalised software development R'000	Total R'000
Carrying amount at 31 August 2005	272 000	100 000	3 280	21 323	396 603
Additions	–	–	–	5 979	5 979
Amortisation	–	–	(650)	(4 482)	(5 132)
Carrying amount at 31 August 2006	**272 000**	**100 000**	**2 630**	**22 820**	**397 450**
Amortisation	**–**	**–**	**(650)**	**(5 461)**	**(6 111)**
Transfer to assets held for sale (see note 18)	**–**	**(100 000)**	**–**	**–**	**(100 000)**
Carrying amount at 31 August 2007	**272 000**	**–**	**1 980**	**17 359**	**291 339**

The Link trademark has an estimated remaining useful life of three years.

The Clicks trademark is considered to have an indefinite useful life. There is no apparent legal or other restriction to the use of the trademark or risk of technical or other obsolescence. Given the strategic importance of the trademarks to the future sustainability of the group, the group's intention is to continue to use the trademark indefinitely. The directors consider that there is no foreseeable limit to the period over which this asset is expected to generate cash inflows for the group and, on this basis, the directors have concluded that the indefinite useful life assumption is appropriate.

In accordance with the group's accounting policy, an impairment test was performed on the carrying values of intangible assets with indefinite useful lives at year-end.

Budgeted operating cash flows for the related business units were projected and discounted at the group's weighted average pre-tax cost of capital. The impairment calculations performed indicated that the trademarks were not impaired.

During the year the Discom trademark was reclassified to assets held for sale as a result of the sale of the Discom business unit to Edgars Consolidated Stores Limited ("Edcon"). Further details of assets and liabilities reclassified as held for sale are contained in note 18. A portion of the value of the trademark will be recovered via the sale to Edcon.

		Group	
		2007	2006
		R'000	R'000
12	**Goodwill**		
	Balance at the beginning of the year	**83 950**	83 950
	Additional goodwill payments	**250**	1 254
	Impairment	**(250)**	(1 254)
	Balance at the end of the year	**83 950**	83 950
	Goodwill comprises:		
	NUPD	**83 950**	83 950

The additional goodwill acquired relates to the excess of the purchase consideration over the fair value of a pharmacy acquired during the year. Projected short-term cash flows indicate that the goodwill is impaired.

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

The goodwill relating to UPD is attributable to the wholesale and distribution business of UPD as a cash-generating unit.

The recoverable amount was determined based on the fair value less costs to sell.

The following key assumptions were made in determining the fair value less costs to sell:

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

ii) A fair rate of return of 23.1%, being the prime rate of interest, adjusted for an investor's estimated marginal tax rate and the risk in variability of the final valuation which includes consideration of industry and country risk.

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

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

The tests performed did not indicate any impairment as at year-end.

Based on the valuation performed by management the impairment was not particularly sensitive to any of the above assumptions.

		Company		Group	
		2007	2006	**2007**	2006
		R'000	R'000	**R'000**	R'000
13	**Deferred tax assets/(liabilities)**				
	Deferred tax assets	**1 221**	3 587	**45 404**	24 363
	Deferred tax liabilities	**–**	–	**(91 692)**	(45 669)
		1 221	3 587	**(46 288)**	(21 306)
	Balance at the beginning of the year	**3 587**	557	**(21 306)**	35 930
	Capital gains tax	**–**	–	**(515)**	(9 396)
	Employee obligations	**–**	–	**23 626**	(1 429)
	Income and expense accrual	**–**	–	**13 050**	19 947
	Inventory	**–**	–	**(616)**	(45 364)
	Onerous leases	**–**	–	**(1 428)**	(1 323)
	Operating lease accrual	**–**	–	**710**	4 490
	Property, plant and equipment	**–**	–	**(6 908)**	(10 842)
	STC credits	**(1 809)**	3 030	**(1 807)**	3 030
	Tax losses	**(557)**	–	**(44 545)**	(6 278)
	Trademarks	**–**	–	**(8 991)**	(8 991)
	Other	**–**	–	**2 442**	(1 080)
	Balance at the end of the year	**1 221**	3 587	**(46 288)**	(21 306)

	Company		Group	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
13 **Deferred tax assets/(liabilities) continued**				
Arising as a result of:				
Capital gains tax	**–**	–	**(27 355)**	(26 840)
Employee obligations	**–**	–	**27 630**	4 004
Income and expense accrual	**–**	–	**48 474**	35 424
Inventory	**–**	–	**5 879**	6 495
Onerous leases	**–**	–	**2 847**	4 275
Operating lease accrual	**–**	–	**30 006**	29 296
Property, plant and equipment	**–**	–	**(45 874)**	(38 966)
STC credits	**1 221**	3 030	**1 223**	3 030
Tax losses	**–**	557	**16 473**	61 018
Trademarks	**–**	–	**(106 953)**	(97 962)
Other	**–**	–	**1 362**	(1 080)
Balance at the end of the year	**1 221**	3 587	**(46 288)**	(21 306)

The capital gains deferred tax liability arises on the revaluation of forward purchases of shares by certain subsidiary companies.

In respect of the deferred tax assets raised relating to subsidiary companies, the directors consider that sufficient future taxable income will be generated by those subsidiary companies to utilise the deferred tax assets recognised.

The tax losses relate primarily to three (2006: four) pharmacy-owning subsidiaries.

The companies in question have generated taxable income in the current year, thereby utilising the assessed losses which indicates that it is probable that the deferred tax assets relating to these assessed losses will be realised.

	Group	
	2007	2006
	R'000	R'000
14 **Loans receivable**		
Amount owing by New Clicks Foundation (see note 14.1)	**5 021**	5 021
Amount owing by Intercare Managed Healthcare (Proprietary) Limited (see note 14.2)	**52 498**	50 844
Amounts owing by New Clicks Holdings Share Trust ("the Share Trust") participants (see note 14.3)	**15 848**	20 939
Total loans receivable	**73 367**	76 804
Short-term portion included in current assets	**(4 616)**	(1 481)
Non-current loans receivable	**68 751**	75 323

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

14.2 The loan to Intercare Managed Healthcare (Proprietary) Limited ("Intercare") was settled on 31 August 2006. Intercare was previously a partially owned subsidiary of the group. In order for Intercare to settle the loan, it was necessary for the group to guarantee certain facilities amounting to R50 million that Intercare has with its bankers. As the group has substantially retained the risks and rewards related to the financial instrument by issuing the above-mentioned guarantee, the group continues to recognise the financial asset. A corresponding financial liability amounting to R50 million has been raised (see note 22).

The terms of the loan between Intercare and its bankers include a fixed repayment schedule over the next five years. R25 million of the loan is subject to fixed interest at 11.92% and the remainder at a floating rate of the prime borrowing rate of interest less one per cent. The amortisation of the loan receivable and the related interest will be congruent with settling of the loan payable by Intercare to its bankers.

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

14.3 The Share Trust loans with participants are interest free and secured by the shares in the company issued to participants, delivery of which is delayed in terms of the rules of the scheme (see note 20).

		Group 2007 R'000	2006 R'000
15	**Inventories**		
	Inventories comprise:		
	Goods for resale	**1 155 134**	1 383 150
	Goods in transit	**36 713**	60 011
		1 191 847	1 443 161
	Inventories stated at net realisable value	**25 120**	64 984

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

		Group 2007 R'000	2006 R'000
16	**Trade and other receivables**		
	The following are included in trade and other receivables:		
	Trade receivables		
	Gross trade receivables	**739 677**	714 677
	Impairment	**(44 406)**	(36 623)
		695 271	678 054
	Prepayments	**8 094**	7 601
	Other income accruals	**80 024**	82 400
	Other	**8 737**	24 502
		792 126	792 557

The impairment is determined based on information regarding the financial position of each trade receivable as at year-end.
No consideration is taken of trade receivables that may become doubtful in the future.

		Group 2007 R'000	2006 R'000
17	**Derivative financial assets**		
	Derivative financial assets		
	Balance at the beginning of the year	**35 901**	14 749
	Purchase of share option hedge	**–**	3 965
	Realised gain on forward exchange contracts recognised in profit	**(6 080)**	–
	Realised gain on interest rate swap recognised in profit	**(1 609)**	(304)
	Unrealised gain on forward exchange contracts recognised in profit	**1 349**	6 080
	Unrealised gain on interest rate swap recognised in profit	**3 004**	3 088
	Realised gain on share option hedge	**(1 854)**	–
	Change in fair value of share option hedge recognised in profit	**28 680**	8 323
	Balance at the end of the year	**59 391**	35 901
	The balance at the end of the year comprises:		
	Share option hedge	**53 559**	26 733
	Forward exchange contracts	**1 349**	6 080
	Interest rate swap contracts	**4 483**	3 088
		59 391	35 901
	Derivative financial liabilities		
	Balance at the beginning of the year	**–**	(2 500)
	Realised loss on forward exchange contracts recognised in profit	**–**	2 500
	Balance at the end of the year	**–**	–

Interest rate swaps and forward exchange contracts are revalued at year-end by an independent external valuator based on the market value of similar contracts.
The share option hedge serves as a hedge in respect of the group's obligation in terms of share appreciation rights granted to employees as more fully described in note 23.2.
The derivative has been valued by an independent external valuator using the Binomial option pricing model.

		Group 2007 R'000	Group 2006 R'000
18	**Disposal group classified as held for sale**		
	As described in note 6, the group announced that it has sold the Discom business to Edcon. Detailed below is an analysis of the assets and liabilities relating to this disposal group.		
	Assets held for sale		
	Property, plant and equipment	**46 250**	–
	Trademark	**100 000**	–
	Inventory	**211 267**	–
	Trade and other receivables	**753**	–
		358 270	–
	Liabilities held for sale		
	Operating lease liabilities	**6 307**	–
	Employee benefits (see note 23)	**8 697**	–
		15 004	–
	Net carrying amount of disposal group	**343 266**	–
19	**Share capital and share premium**		
	Authorised		
	600 million (2006: 600 million) ordinary shares of one cent each	**6 000**	6 000
	Issued ordinary shares and premium		
	335.957 million (2006: 355.488 million) ordinary shares of one cent each	**3 360**	3 555
	Share premium – group	**435 991**	815 791
	Share premium – company	**438 111**	817 911
	The unissued shares are under the control of the directors until the next annual general meeting, subject to an undertaking by the directors that such authority will only be used to issue shares in terms of the company's obligations under the staff share option scheme (see note 20).		
	Preliminary expenses of R2.1 million were written off against the share premium of a subsidiary company on the acquisition of certain businesses in 1996 giving rise to the difference in the share premium between the group and company.		
	Reconciliation of gross number of shares in issue to net number of shares in issue		
	Gross number of shares in issue at the end of the year	**335 957**	355 488
	Treasury shares held at the end of the year	**(19 842)**	(7 875)
	Net number of shares in issue at the end of the year	**316 115**	347 613
	Of the shares in issue, the group holds the following as treasury shares:		
	Shares purchased by a subsidiary – 17.033 million (2006: 5.066 million) ordinary shares of one cent each – cost	**235 708**	46 784
	Shares held by the Share Trust – 2.809 million (2006: 2.809 million) ordinary shares of one cent each – cost	**22 840**	22 840
		258 548	69 624

During the year the group cancelled 20 000 000 (2006: 26 931 767) ordinary shares of one cent each previously held as treasury shares by a subsidiary. Of the total cost of R287 million, R286.8 million was deducted from share premium and R0.2 million from share capital.

		2007 No. of shares '000	2006 No. of shares '000
20	**Share option reserve**		
	New Clicks Holdings Share Trust ("the Share Trust")		
	The aggregate number of shares and share options that may be utilised for the purposes of the Share Trust is 20% of the aggregate of the company's issued share capital and the number of share options granted.		
	Shares and share options available for allocation to employees		
	Balance at the beginning of the year	**78 270**	83 945
	Decrease as a result of net number of shares cancelled and share options forfeited during the year	**(4 235)**	(5 675)
	Balance at the end of the year	**74 035**	78 270
	Shares allocated and options granted to employees		
	Shares		
	Balance at the beginning of the year	**913**	2 526
	Delivered to participants	**(835)**	(1 613)
	Balance at the end of the year	**78**	913
	Options		
	Balance at the beginning of the year	**35 861**	49 463
	Delivered to participants	**(18 450)**	(12 160)
	Options forfeited by participants	**(1 175)**	(1 442)
	Balance at the end of the year	**16 236**	35 861
	Total shares allocated and options granted	**16 314**	36 774

Details of share option allocations:

Issue date	Price	Balance at the beginning of the year	Granted during the year	Delivered during the year	Forfeited during the year	**Balance at the end of the year**
October 1998	R3.50	1 007 203	–	(736 527)	–	**270 676**
January 1999	R5.35	8 570 500	–	(6 746 150)	(22 250)	**1 802 100**
July 1999	R7.80	3 020 000	–	(1 952 500)	(20 000)	**1 047 500**
September 2000	R9.30	6 130 000	–	(3 210 000)	(110 000)	**2 810 000**
April 2001	R7.40	4 544 000	–	(2 669 718)	(135 000)	**1 739 282**
July 2002	R6.70	3 200 000	–	(1 777 500)	(12 500)	**1 410 000**
October 2002	R5.70	125 000	–	–	–	**125 000**
January 2003	R6.50	915 000	–	(180 000)	(125 000)	**610 000**
June 2003	R5.90	20 000	–	(10 000)	–	**10 000**
August 2003	R6.30	3 629 000	–	(1 097 500)	(200 000)	**2 331 500**
October 2003	R7.10	500 000	–	(70 000)	–	**430 000**
June 2005	R7.50	3 100 000	–	–	(450 000)	**2 650 000**
August 2005	R8.32	1 100 000	–	–	(100 000)	**1 000 000**
Total		35 860 703	–	(18 449 895)	(1 174 750)	**16 236 058**

The share option scheme operates on a deferred delivery basis, with participants entitled to take delivery of 50% of the shares after three years and the balance after five years, subject to a maximum of 10 years.

Fair value of share-based payments in respect of options

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

20 Share option reserve continued

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

Options granted	Share price at grant date (R)	Risk-free rate (%)	Dividend yield (%)	Expected volatility (%)	Expected exercise rate (%)
January 2003 – 3-year vesting period	6.50	10.50	2.70	36.00	27.73
January 2003 – 5-year vesting period	6.50	10.70	2.70	37.00	33.00
June 2003 – 3-year vesting period	5.80	9.60	3.10	36.00	86.85
June 2003 – 5-year vesting period	5.80	9.64	3.10	37.00	86.86
August 2003 – 3-year vesting period	6.64	9.11	3.20	36.00	59.11
August 2003 – 5-year vesting period	6.64	9.66	3.20	37.00	51.95
October 2003 – 3-year vesting period	7.00	8.38	3.40	35.00	86.85
October 2003 – 5-year vesting period	7.00	8.75	3.40	36.00	86.85
June 2005 – 3-year vesting period	7.60	7.53	3.70	30.00	75.71
June 2005 – 5-year vesting period	7.60	7.84	3.70	32.00	75.71
August 2005 – 3-year vesting period	8.40	7.68	3.70	30.00	86.95
August 2005 – 5-year vesting period	8.40	7.93	3.70	32.00	86.95

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

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

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

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

	Group	
	2007	2006
	R'000	R'000
The share option reserve recognises the cost at fair value of options issued to employees.		
Share option reserve		
Balance at the beginning of the year	**20 037**	14 414
Share option cost charged to profit	**3 749**	5 623
Balance at the end of the year	**23 786**	20 037
Represented by:		
Estimate of options not yet vested but expected to vest	**10 629**	15 371
Options vested and not forfeited	**13 157**	4 666
	23 786	20 037

21 Foreign currency translation reserve

The reserve comprises:		
Unrealised (loss)/gain on the translation of assets and liabilities of subsidiaries whose financial statements are denominated in foreign currencies	**(11)**	618

	Group 2007 R'000	Group 2006 R'000
22 Interest-bearing loans and borrowings		
The contractual terms of the group's interest-bearing loans and borrowings are detailed below. More information about the group's treasury, foreign exchange and interest-rate risk policies is given in note 29.		
Secured loans bearing interest at fixed rates		
Interest rate — **Date repayable**		
18.45% per annum — October 2006	–	1 296
15.41% per annum — August 2010	41 998	52 313
Total secured loans bearing interest at fixed rates	41 998	53 609
These loans are secured by a pledge of shares in certain property-owning subsidiaries.		
Loan – bearing interest at prime less 1% per annum, repayable by August 2010	119	11 784
This loan is secured by mortgage over certain property (see note 9)		
Loan – bearing interest at JIBAR plus 0.3% per annum, repayable by February 2008	125 859	–
This loan is secured by treasury shares (see notes 19 and 29)		
Finance leases, repayable over the next three years bearing interest at 6.1%	9 208	3 089
These lease liabilities are secured by the related leased items (see note 9)		
Finance leases, repayable over 3 years bearing interest at prime less 2% per annum	2 482	–
These lease liabilities are secured over certain assets (see note 9)		
Unsecured loan – bearing interest at a fixed 11.65% per annum, repayable by August 2008	50 586	95 224
Financial liability (see note 22.1)		
Portion fixed at 11.92%	25 587	25 000
Portion at prime less 1% per annum	25 292	25 000
Total interest-bearing loans and borrowings	281 131	213 706
Amount repayable within one year included in current liabilities	(203 450)	(62 851)
Non-current interest-bearing loans and borrowings	77 681	150 855

22.1 **Financial liability**

The financial liability has been raised in respect of a loan advanced to Intercare by its bankers. Although the loan receivable detailed in note 14.2 has been settled, as the group still retains substantially all of the risks and rewards relating to the receivable through the issuance of a guarantee, the receivable has not been derecognised. The proceeds received on the settlement of the receivable have thus been recognised as a financial liability. The repayment terms of this loan are the same as the terms applicable to the receivable.

22.2 **Offset of a financial liability and a financial asset**

In the group financial statements, the group has offset the following financial liability and financial asset:

A subsidiary has entered into a loan agreement with a finance company in terms of which the subsidiary borrowed R260 million. The loan is repayable in August 2008 and interest is payable at 11.65% nominal rate per annum, compounded monthly. This financial liability is offset by the financial asset reflected in note 30. Dividends received on the financial asset of R24.2 million (2006: R24.2 million) reflected in note 30 have been offset against the group's interest expense.

	Long term incentive scheme (note 23.1) R'000	Share appreciation rights (note 23.2) R'000	Post-retirement medical obligations (note 23.3) R'000	Total R'000
23 **Employee benefits**				
Long-term employee benefits				
Balance at 1 September 2005	–	662	16 795	17 457
Change in fair value of cash-settled obligation taken to profit	–	9 146	–	9 146
Current service cost	–	–	639	639
Benefit payments	–	–	(254)	(254)
Interest cost	–	–	1 128	1 128
Balance at 31 August 2006	**–**	**9 808**	**18 308**	**28 116**
Change in fair value of cash-settled obligation taken to profit	**–**	**28 033**	**–**	**28 033**
Current service cost	**23 139**	**–**	**1 232**	**24 371**
Benefit payments	**–**	**–**	**(521)**	**(521)**
Interest cost	**1 967**	**–**	**2 237**	**4 204**
Actuarial loss	**3 661**	**–**	**2 056**	**5 717**
Reclassification to short-term employee benefits	**–**	**(24 977)**	**–**	**(24 977)**
Balance at 31 August 2007	**28 767**	**12 864**	**23 312**	**64 943**

23.1 Long-term incentive scheme

During 2007, the group issued 9.7 million cash-settled appreciation rights to management of the group. The value of these appreciation rights are linked to the performance of diluted Headline Earnings per Share ("HEPS") over a three-year period. The amount to be provided in the current year is based on a three-year projection of diluted HEPS.

Any difference between projected performance and actual performance is recognised through an actuarial loss/(gain) based on the projected unit credit method which is recognised in the income statement.

The exercise price of each appreciation right was determined as R8.52 per option ("base value"). In order to determine the amount to be provided a fixed factor of 12 is applied to the diluted HEPS at the end of the three year period. The differential between the factor x diluted HEPS and the base value is the amount that will be paid out per right.

Should employees leave during the vesting period the rights will be forfeited.

23 **Employee benefits continued**

23.2 Share appreciation rights

During 2005, the group made six million share appreciation rights available to certain employees. Three million of these rights vest after a period of three years and the remaining three million vest after a period of five years from the grant date. During 2006, the group made a further one million share appreciation rights available to certain employees. Of these rights 500 000 vest after a period of three years and the remaining 500 000 vest after a period of five years from the grant date.

In the 2007 financial year, 450 000 share appreciation rights relating to the second issue of share appreciation rights were cancelled, leaving 550 000 of this issue to vest.

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

	7 April 2005 tranche			11 May 2006 tranche		
	Share price on vesting date (R)		Exercise price (R)	Share price on vesting date (R)		Exercise price (R)
Three-year rights	greater than	12.71	8.36	greater than	16.04	10.55
	greater than	14.45	4.18	greater than	18.23	5.27
	greater than	16.33	0.01	greater than	20.61	0.01
Five-year rights	greater than	16.81	8.36	greater than	21.22	10.55
	greater than	20.80	4.18	greater than	26.25	5.27
	greater than	25.51	0.01	greater than	32.20	0.01

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

In addition to the cost of the hedge detailed in the note 17, in the event that the highest target share price is achieved, the group's maximum further exposure in terms of the share appreciation rights is R27.8 million.

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

The following key assumptions have been made:

i) The financial institution that performed the valuation assumed volatilities that were considered appropriate for the duration of the options value and an employee exit rate prior to and post vesting date of 0%.

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

iii) A dividend yield of 2.43% was assumed.

23.3 Post-retirement medical obligations

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

An actuarial valuation of the Clicks post-retirement Medical Aid scheme has determined that the unfunded liability in respect of pensioner post-retirement medical benefits amounts to R23.3 million (2006: R18.3 million). Provision has been made for the full unfunded liability.

The principal actuarial assumptions at the last valuation date (31 August 2007) are:

i) A discount rate of 8.5% per annum

ii) General increases to medical aid contributions of 7.0%

iii) A retirement age of 65

iv) Husbands are on average three years older than their spouses

v) Mortality of pensioners determined in accordance with PA90 ultimate tables

vi) Mortality of in-service members determined in accordance with SA 56-62 ultimate table, with females rated down three years

	R'000
23 Employee benefits continued	
23.3 Post-retirement medical obligations continued	
The post-retirement medical aid provision is particularly sensitive to assumptions around medical aid inflation and retirement age. A change in either of those factors would have a significant impact on the amount to be provided:	
– Medical inflation increases or decreases by 1% per annum over assumptions made	4 370
– Retirement age increases or decreases by 5 years	7 546

	Share appreciation rights R'000	Leave pay accrual R'000	Bonus accrual R'000	Termination settlements R'000	Overtime accrual R'000	Total R'000
Short-term employee benefits						
Balance at 1 September 2005	–	38 362	26 389	5 412	1 122	71 285
Charge included in profit	–	8 347	18 589	6 709	545	34 190
Balance at 31 August 2006	**–**	**46 709**	**44 978**	**12 121**	**1 667**	**105 475**
Reclassification from long-term employee benefits	**24 977**	**–**	**–**	**–**	**–**	**24 977**
Benefit payments	**–**	**(10 893)**	**(59 990)**	**(12 121)**	**–**	**(83 004)**
Charge included in profit	**–**	**10 863**	**77 311**	**–**	**458**	**88 632**
Reclassified to liabilities held for sale (see note 18)	**–**	**(5 824)**	**(2 585)**	**–**	**(288)**	**(8 697)**
Balance at 31 August 2007	**24 977**	**40 855**	**59 714**	**–**	**1 837**	**127 383**

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

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

The termination settlements relate to two former directors of the group and were settled in the 2007 financial year.

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

Pension and provident funds

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

These funds are:

- the Clicks Group Retirement Fund;
- the Clicks Group Negotiated Pension Fund;
- the Clicks Group Negotiated Provident Fund; and
- the New UPD Corporate Selection Pension Fund.

In addition to the above funds, employees of UPD can elect to join the SACCAWU National Provident Fund or Chemical Industries National Provident Fund, which are not operated by the group. PM&A employees can elect to join either the Rainmaker Pension Fund or the Rainmaker Provident Fund. Both funds are retirement umbrella funds.

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

The funds are all defined contribution funds.

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

		Group 2007 R'000	Group 2006 R'000
24	**Lease commitments**		
	Operating lease liability		
	Operating lease accrual	**97 360**	101 145
	Operating leases with fixed escalations are charged to the income statement on a straight-line basis.		
	The associated provision will reverse during the latter part of each lease term when the actual cash flow exceeds the income statement charge.		
	Operating lease commitments		
	The group leases all its retail premises and certain of its pharmaceutical distribution centre sites under operating leases. The lease agreements for the group provide for minimum payments together, in certain instances, with further annual payments determined on the basis of turnover.		
	Future minimum lease payments under non-cancellable operating leases due:		
	– Not later than 1 year	**229 733**	299 488
	– Later than 1 year, not later than 5 years	**632 621**	814 393
	– Later than 5 years	**238 288**	354 427
		1 100 642	1 468 308
	Finance lease liability		
	Future lease payments due:		
	– Not later than 1 year	**10 986**	2 506
	– Later than 1 year, not later than 5 years	**1 159**	692
	– Later than 5 years	**–**	–
		12 145	3 198
	Future finance charges on finance leases	**(455)**	(109)
	Present value of finance lease liabilities	**11 690**	3 089
25	**Trade and other payables**		
	The following are included in trade and other payables:		
	Trade payables	**1 673 002**	1 367 455
	Non-trade payables and accruals	**229 311**	122 931
		1 902 313	1 490 386

	ClubCard discount provision (note 26.1) R'000	Gift voucher provision (note 26.2) R'000	Provision for onerous contracts (note 26.3) R'000	Total R'000
26 Provisions				
Balance at 1 September 2005	18 009	4 778	19 303	42 090
Provisions made during the year included in cost of merchandise	70 566	–	–	70 566
Provisions utilised during the year	(65 757)	–	–	(65 757)
Movement in provision during the year recognised in cost of merchandise	–	(920)	–	(920)
Movement in provision during the year recognised in occupancy costs	–	–	(4 563)	(4 563)
Balance at 31 August 2006	**22 818**	**3 858**	**14 740**	**41 416**
Provisions made during the year included in cost of merchandise	**83 326**	**–**	**–**	**83 326**
Provisions utilised during the year	**(70 158)**	**–**	**–**	**(70 158)**
Movement in provision during the year recognised in cost of merchandise	**–**	**(2 048)**	**–**	**(2 048)**
Movement in provision during the year recognised in occupancy costs	**–**	**–**	**(4 926)**	**(4 926)**
Balance at 31 August 2007	**35 986**	**1 810**	**9 814**	**47 610**

26.1 ClubCard discount provision

The provision for ClubCard discount is determined based on the value of unredeemed vouchers in issue as well as the value of discount on qualifying sales that have not been converted into vouchers.

Based on the historic redemption rate, it is assumed that 85% of all vouchers in issue are ultimately redeemed.

Estimates are made based on historic trends regarding the value of discount on qualifying sales that will ultimately convert into vouchers issued.

The equivalent cost of inventory relating to the sales value of the unredeemed vouchers and qualifying discount not yet converted to vouchers is estimated based on the margin in closing inventory for the Clicks business unit and the provision is raised in respect of this cost.

26.2 Gift voucher provision

The provision for gift voucher obligations is determined based on the total value of vouchers sold during the year net of vouchers redeemed.

26.3 Provision for onerous contracts

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

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

Future cash flows are determined in accordance with the contractual lease obligations and are adjusted by market-related sublet rentals and discounted at a rate of 15% (which is the group's risk adjusted pre-tax weighted average cost of capital rate).

The provision is further reduced to the extent that an operating lease accrual has already been recognised (see note 24).

		Group	
		2007	2006
		R'000	R'000
27	**Distributions to shareholders**		
	Previous year final cash distribution – 22.0 cents per share paid 18 December 2006 comprising 6.8 cents per share dividend and 15.2 cents per share out of share premium (2006: 18.5 cents per share paid 19 December 2005)	**78 311**	68 576
	Current year interim cash distribution – 15.0 cents per share paid 25 June 2007 comprising 3.4 cents per share cash dividend and 11.6 cents per share out of share premium (2006: distribution out of share premium of 11.2 cents per share paid 3 July 2006)	**53 394**	39 568
	Total distributions to shareholders	**131 705**	108 144
	Distributions on treasury shares	**(10 419)**	(5 821)
	Distributions paid outside the group	**121 286**	102 323

On 24 October 2007, the directors approved the final proposed distribution of 33.2 cents per share comprising a final cash dividend of 3.6 cents per share and a distribution out of share premium of 29.6 cents per share to be paid on 18 December 2007.

Dividend policy

The board of directors has maintained the distribution cover at 2.2 times.

For further details refer to the Directors' Report on page 60 and shareholders' diary on page 110.

		2007 R'000	2006 R'000
28	**Cash flow information**		
28.1	**Operating profit before working capital changes**		
	Operating profit before financing costs	**560 051**	387 347
	Adjustment for:		
	Depreciation and amortisation	**104 401**	108 602
	Reversal of previous unrealised foreign exchange differences	**6 080**	(2 500)
	Unrealised foreign exchange gain	**(1 349)**	(6 080)
	Impairment of property, plant and equipment	**–**	3 159
	Goodwill impairment	**250**	1 254
	Operating lease accrual	**2 522**	15 639
	(Profit)/loss on disposal of property, plant and equipment	**(26 512)**	1 209
	Fair value adjustment – derivative	**(26 826)**	(8 323)
	Equity settled share option costs	**3 749**	5 623
		622 366	505 930
28.2	**Working capital changes**		
	Decrease/(increase) in inventories	**40 047**	(3 071)
	Increase in trade and other receivables	**(272)**	(312 202)
	Acquisition of derivative financial instruments	**–**	(3 965)
	Increase in trade and other payables	**411 613**	120 397
	Increase in employee benefits	**63 228**	44 849
	Increase/(decrease) in provisions	**6 194**	(674)
		520 810	(154 666)

	Group 2007 R'000	Group 2006 R'000
28 Cash flow information continued		
28.3 Tax received/(paid)		
Income tax receivable at the beginning of the year	**68 929**	24 530
Current tax provided	**(115 734)**	(26 902)
Income tax payable/(receivable) at the end of the year	**84 309**	(68 929)
	37 504	(71 301)
28.4 Proceeds from the issue of share capital		
Shares issued	**3 128**	74 583
Share issue expenses	**(726)**	(189)
	2 402	74 394
28.5 Cash and cash equivalents		
Cash on hand and at bank	**413 275**	40 111
Bank overdraft	**–**	(47 000)
	413 275	(6 889)
28.6 Discontinued operations		
Net cash effects of operating activities	**57 469**	64 525
Net cash effects of investing activities	**(7 030)**	(19 012)
Cash flow from discontinued operations	**50 439**	45 513
Cash flow from continuing operations	**369 725**	(98 810)
Net increase/(decrease) for the year in cash and cash equivalents	**420 164**	(53 297)

The net cash flows attributable to discontinued operations relates to the disposal of the Discom business unit as detailed in note 6.

29 Financial instruments

Treasury risk management

Executive management meet on a regular basis to analyse currency and interest rate exposures and re-evaluate treasury management strategies. The group entered into an interest rate swap agreement in respect of certain floating rate short-term borrowings. The group has fair valued these contracts and included the value in derivative financial instruments (note 17).

Foreign exchange risk management

The group is exposed to foreign currency risk as it imports merchandise. This risk is mitigated by entering into forward exchange contracts. These contracts are matched with anticipated future cash flows in foreign currencies.

The group does not use forward exchange contracts for speculative purposes.

At 31 August 2007, the group had open forward exchange contracts to purchase US$17.70 million, GBP1.04 million and EUR1.17 million within six months after year-end at rates varying between R7.07 and R7.31 to the US dollar, R14.11 and R14.48 to the UK pound and R9.62 and R9.77 to the Euro.

The group has fair valued these contracts (see note 17).

At 31 August 2007, if the currency had strengthened or weakened by 10% against the US dollar, considered by management to represent a reasonably possible change, with all other variables held constant, the profit for the year would have been R15 million higher/lower as a result of fair valuing the forward contracts.

Credit risk management

The group is exposed to credit risk in respect of its trade receivables, short-term cash investments and loan receivables.

Management have a formal credit policy in place. In respect of trade receivables, credit limits are assigned based on credit checks. Credit guarantee insurance also exists for certain significant trade receivable balances. Short-term cash investments are placed with large reputable financial institutions of high credit standing. Loans to third parties are advanced after comprehensive risk assessments have been performed.

The group's maximum exposure to credit risk is represented by the carrying value of its financial assets disclosed in the balance sheet as well as the financial guarantees referred to in note 33.

		Group 2007 Maturity of interest-bearing asset/liability 1 year or less R'000	1 to 5 years R'000	Over 5 years R'000	Non-interest bearing R'000	Total R'000
	Interest terms					
29 Financial instruments continued						
Interest rate risk						
Assets						
Loans receivable	Variable in relation to prime	**1 832**	**25 079**	**–**	**–**	**26 911**
Loans receivable	Fixed	**2 784**	**22 803**	**–**	**–**	**25 587**
Loans receivable		**–**	**–**	**–**	**20 869**	**20 869**
Trade and other receivables		**–**	**–**	**–**	**792 126**	**792 126**
Cash and cash equivalents	Variable in relation to prime	**413 275**	**–**	**–**	**–**	**413 275**
Derivative financial assets		**–**	**–**	**–**	**59 391**	**59 391**
Total financial assets		**417 891**	**47 882**	**–**	**872 386**	**1 338 159**
Liabilities						
Interest-bearing loans and borrowings	Variable in relation to prime	**3 214**	**24 679**	**–**	**–**	**27 893**
Interest-bearing loans and borrowings	Fixed	**74 377**	**53 002**	**–**	**–**	**127 379**
Interest-bearing loans and borrowings	Variable in relation to JIBAR	**125 859**	**–**	**–**	**–**	**125 859**
Trade and other payables		**–**	**–**	**–**	**1 902 313**	**1 902 313**
Total financial liabilities (see note 22 and note 25)		**203 450**	**77 681**	**–**	**1 902 313**	**2 183 444**
Net financial liabilities		**214 441**	**(29 799)**	**–**	**(1 029 927)**	**(845 285)**

At 31 August 2007, if the interest rate had increased or decreased by 1%, considered by management to represent a reasonably possible change, with all other variables held constant, the profit would be R2.8 million higher/lower as a result of higher interest income on floating rate receivables.

Fair values of financial instruments

At 31 August 2007, the carrying amounts of trade and other receivables, cash and cash equivalents and trade and other payables approximate their fair values due to their short-term maturities.

Derivatives are carried at fair values determined by external, independent valuators.

As the terms of other financial instruments are consistent with similar financial instruments concluded at arm's length, management consider their carrying amounts to approximate their fair values.

	Company 2007 R'000	2006 R'000
30 Unlisted investment		
2 600 redeemable cumulative non-participating preference shares at 9.32% in Sechold Finance Services (Pty) Ltd	**260 000**	260 000
Less: current portion included in current assets	**(260 000)**	–
Long-term portion	**–**	260 000

The directors' valuation of the investment at 31 August 2007 is R260 million.

Offset of a financial asset and a financial liability

In the group financial statements, the group has offset the following financial asset:

New Clicks Holdings Limited ("NCH") purchased a R260 million preference share investment which carries a 9.32% dividend coupon rate and is redeemable on 22 August 2008. For security of the company's preference share investment, the finance company referred to in note 22 has pledged its loan receivable from a subsidiary of NCH in the event of a default in terms of the preference share arrangement. For security of the subsidiary company's loan, NCH has pledged its preference share investment to the finance company in the event of default of the loan.

This financial asset is offset by the financial liability referred to in note 22.

The dividend received of R24.2 million (2006: R24.2 million) has been offset against the interest expense on the financial liability referred to in note 22.

			Group 2007 R'000	2006 R'000
31	**Employee statistics**			
	Number of permanent employees		**9 076**	9 058
	Headline earnings per employee (R)		**39 326**	27 778
	Staff turnover:			
	Total employees at the beginning of the year		**9 058**	8 947
	Add:	Recruitments	**2 136**	2 252
			11 194	11 199
	Less:	Resignations	**(1 626)**	(1 683)
		Deaths	**(31)**	(35)
		Dismissals	**(319)**	(314)
		Retirements	**(28)**	(17)
		Retrenchments	**(114)**	(92)
	Total employees at the end of the year		**9 076**	9 058
32	**Capital commitments**			
	Capital expenditure approved by the directors			
	Contracted		**7 905**	13 294
	Not contracted		**168 095**	147 306
			176 000	160 600

To be financed from borrowings and internally generated funds.

33 **Financial guarantees**

The company has furnished guarantees to bankers in respect of gross liabilities of R678.1 million recognised on the balance sheets of certain subsidiary companies. The net liability recognised on the group balance sheet in respect of these liabilities is R92.3 million.

A subsidiary has provided a guarantee to their bankers, in respect of that subsidiary's owner driver scheme. Should the driver renege on repayments of the loan instalments, that subsidiary company would be required to settle any remaining obligation with the bank. The net amount owing by the owner drivers is R7.2 million at the balance sheet date.

The company has guaranteed a R50 million facility given to Intercare by their bankers as detailed in notes 14.2 and 22.1.

Group companies provide surety for other group companies to the value of R964 million with respect to facilities held with various banks. At year-end R6 million of these facilities had been drawn down by group companies.

A group subsidiary has issued a deed of suretyship on behalf of another subsidiary in relation to a trade payable in the amount of R355 million.

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

34 **Related party transactions**

Group

Transactions between group subsidiaries

During the year, in the ordinary course of business, certain companies within the group entered into transactions. These intra-group transactions have been eliminated on consolidation. For a list of the group's subsidiaries, see page 108.

Directors and key management

A number of directors of the company hold positions in other entities, where they may have significant influence over the financial or operating policies of these entities. Accordingly, the following is considered to be such an entity:

Director	*Entity*
DM Nurek	Investec Bank Limited ("Investec")

Transactions between the group and this entity have occurred under terms and conditions that are no more favourable than those entered into with third parties in arm's length transactions.

These transactions include:

i) Investec manages certain cash on call on behalf of group companies.

ii) Investec has provided funding to group companies.

iii) A group company has invested in an Investec Bank Limited group company. Refer to note 30.

iv) A group company has purchased a derivative instrument from Investec. Refer note 17.

Certain non-executive directors of the group are also non-executive directors of other public companies which transact with the group. Except as disclosed above, the relevant directors do not believe that they have control, joint control or significant influence over the financial or operating policies of those companies. Those entities are not disclosed above.

Executive directors' employment contracts do not provide for a defined period of employment, but do specify an eighteen-month notice period prior to termination by the group. During this notice period, all standard benefits accrue to the directors in question. Contracts do not provide for pre-determined compensation on termination other than that accorded to employees in terms of the group's remuneration policies.

Employee benefits paid to directors and key management personnel are detailed in note 4.

Shares held by directors and their related entities

The percentage of shares held by directors of the company and their related entities at the balance sheet date are disclosed in the Corporate Governance section on page 45 of this annual report.

Company

A schedule of the loans and investments in related parties is included on page 108.

The company received dividends to the value of R131.7 million (2006: R68.6 million) from New Clicks South Africa (Proprietary) Limited, a wholly-owned subsidiary, and in turn paid distributions on treasury shares held by that subsidiary to that subsidiary of R7.5 million (2006: R4.9 million).

In addition, the company paid distributions to the Share Trust on shares held by the Share Trust of R2.9 million (2006: R0.9 million). Details regarding distributions relating to treasury shares are included in note 27.

35 **Events subsequent to balance sheet date**

On 6 September 2007, agreement was reached to dispose of a 20% investment in the Boulevard Park Trust held by a subsidiary of the group, Crantock Investments (Proprietary) Limited. The sale of the investment in the trust is estimated to generate a profit of R20 million before tax.

On 7 September 2007 the sale of the Discom business unit to Edgars Consolidated Stores Limited ("Edcon") became unconditional. During September control of the Discom business unit was transferred to Edcon. Net proceeds of R210 million were received. It is estimated that profits of R21 million before tax will be recognised on this disposal.

36 **Borrowing powers**

In terms of the articles of association, the borrowing powers of the company are unlimited.

company income statement

for the year ended 31 August 2007

	Note	2007 R'000	2006 R'000
Dividends received – unlisted		155 935	92 809
Impairment of investment in The Link Investment Trust		–	(29 790)
Profit on disposal of property, plant and equipment		27 680	–
Profit before financing income		183 615	63 019
Finance income		959	–
Profit before tax		184 574	63 019
Income tax expense	7	4 761	4 932
Profit for the year		179 813	58 087

company balance sheet

at 31 August 2007

	Notes	2007 R'000	2006 R'000
Assets			
Non-current assets		384 631	861 085
Deferred tax asset	13	1 221	3 587
Interest in subsidiary companies (see page 108)		383 410	597 498
Unlisted investment	30	–	260 000
Current assets		260 000	18 600
Unlisted investment	30	260 000	–
Income tax receivable		–	18 600
Total assets		644 631	879 685
Equity		643 195	879 685
Share capital	19	3 360	3 555
Share premium	19	438 111	817 911
Distributable reserve		201 724	58 219
Current liabilities		1 436	–
Income tax payable		1 436	–
Total equity and liabilities		644 631	879 685

company statement of changes in equity

for the year ended 31 August 2007

	Number of shares '000	Share capital (Note 19) R'000	Share premium (Note 19) R'000	Distributable reserve R'000	Total R'000
Balance at 1 September 2005	370 260	3 703	966 197	168 233	1 138 133
Shares issued in respect of options	12 160	122	74 461	–	74 583
Share issue expenses written off	–	–	(189)	–	(189)
Shares cancelled	(26 932)	(270)	(182 990)	(99 525)	(282 785)
Profit for the year	–	–	–	58 087	58 087
Distributions to shareholders (see note 27)	–	–	(39 568)	(68 576)	(108 144)
Balance at 31 August 2006	**355 488**	**3 555**	**817 911**	**58 219**	**879 685**
Shares issued in respect of options	**469**	**5**	**3 123**	**–**	**3 128**
Share issue expenses written off	**–**	**–**	**(726)**	**–**	**(726)**
Shares cancelled	**(20 000)**	**(200)**	**(286 800)**	**–**	**(287 000)**
Profit for the year	**–**	**–**	**–**	**179 813**	**179 813**
Distributions to shareholders (see note 27)	**–**	**–**	**(95 397)**	**(36 308)**	**(131 705)**
Balance at 31 August 2007	**335 957**	**3 360**	**438 111**	**201 724**	**643 195**

During the year the company bought back 20 000 000 of its own ordinary shares of one cent each from a subsidiary for a consideration of R287 million and subsequently cancelled these shares. Of the total cost, R0.2 million was deducted from share capital and R286.8 million from share premium.

company statement of cash flows

for the year ended 31 August 2007

	2007 R'000	2006 R'000
Cash effects of operating activities		
Cash generated by operations	155 935	105 025
Interest received	959	–
Tax received/(paid)	17 641	(12 668)
Cash inflow from operating activities before distributions	174 535	92 357
Distributions paid to shareholders	(131 705)	(108 144)
Net cash effects of operating activities	42 830	(15 787)
Cash effects of investing activities		
Purchase of treasury shares from subsidiary company	(287 000)	(282 785)
Proceeds from disposal of property, plant and equipment	27 680	–
Decrease in loans receivable	214 088	224 178
Net cash effects of investing activities	(45 232)	(58 607)
Cash effects of financing activities		
Proceeds from the issue of share capital	3 128	74 583
Share issue expenses	(726)	(189)
Net cash effects of financing activities	2 402	74 394
Net movement in cash and cash equivalents	–	–
Cash and cash equivalents at the beginning of the year	–	–
Cash and cash equivalents at the end of the year	–	–

notes to the company statement of cash flows

for the year ended 31 August 2007

	2007 R'000	2006 R'000
Cash generated by operations		
Profit before tax and finance income	183 615	63 019
Profit on sale of property, plant and equipment	(27 680)	–
Impairment of investment in The Link Investment Trust	–	29 790
	155 935	92 809
Decrease in dividends receivable	–	12 216
	155 935	105 025
Tax received/(paid)		
Income tax receivable at the beginning of the year	18 600	13 894
Current tax provided	(2 395)	(7 962)
Income tax payable/(receivable) at the end of the year	1 436	(18 600)
	17 641	(12 668)

interest in subsidiary companies

at 31 August 2007

Name of company/entity and nature of business	Country of incorporation	Ordinary issued share capital	Shares at cost less amounts written off 2007 R'000	Shares at cost less amounts written off 2006 R'000	Amount owing by subsidiaries 2007 R'000	Amount owing by subsidiaries 2006 R'000
Directly held						
i) **Trading**						
New Clicks South Africa (Proprietary) Limited	South Africa	R500	**272 439**	272 439	**98 003**	312 091
The Link Investment Trust	South Africa	–	**–**	–	**–**	–
ii) **Property owning**						
Elsdon Investments (Proprietary) Limited	South Africa	R2	**3 911**	3 911	**–**	–
Crantock Investments (Proprietary) Limited	South Africa	R1	**44**	44	**–**	–
Optimprops 93 (Proprietary) Limited	South Africa	R100	**13**	13	**–**	–
Flamborough Investments (Proprietary) Limited	South Africa	R1	*****	*	**–**	–
Clicks Centurion (Proprietary) Limited	South Africa	R10	*****	*	**9 000**	9 000
Indirectly held						
i) **Trading**						
Safeway (Swaziland) (Proprietary) Limited	Swaziland	E2	**–**	–	**–**	–
Clicks Stores (Lesotho) (Proprietary) Limited	Lesotho	M1 000	**–**	–	**–**	–
The Clicks Organisation (Botswana) (Proprietary) Limited	Botswana	BWP 3000	**–**	–	**–**	–
Safeway (Namibia) (Proprietary) Limited	Namibia	N$100	**–**	–	**–**	–
The Clicks Group Finance Company (Proprietary) Limited	South Africa	R999	**–**	–	**–**	–
New United Pharmaceutical Distributors (Proprietary) Limited	South Africa	R10	**–**	–	**–**	–
Multicare Pharmaceutical Benefits Management (Proprietary) Limited	South Africa	R4 000	**–**	–	**–**	–
Multicare Western Cape (Proprietary) Limited	South Africa	R100	**–**	–	**–**	–
Purchase Milton & Associates (Proprietary) Limited	South Africa	R200	**–**	–	**–**	–
Milton & Associates (Proprietary) Limited	South Africa	R200	**–**	–	**–**	–
Leon Katz (Proprietary) Limited	South Africa	R200	**–**	–	**–**	–
J & G Purchase & Associates (Proprietary) Limited	South Africa	R220	**–**	–	**–**	–
ii) **Name protection and dormant**						
7 companies (2006 – 23 companies)		–	**–**	–	**–**	–
iii) **Holding**						
Musica (Africa) Holdings Limited	South Africa	R240 816	**–**	–	**–**	–
Clicks Stores Holdings (Proprietary) Limited	South Africa	R68	**–**	–	**–**	–
Multicare Health Centres (Proprietary) Limited	South Africa	R1 000	**–**	–	**–**	–
			276 407	276 407	**107 003**	321 091
Shares at cost less amounts written off			**276 407**	276 407		
Amounts owing by subsidiary companies			**107 003**	321 091		
Interest in subsidiaries			**383 410**	597 498		

All subsidiary companies are wholly-owned with the exception of The Link Investment Trust.

New Clicks Holdings has a 56% interest in The Link Investment Trust.

The loan to The Link Investment Trust is interest free, unsecured and is repayable in annual instalments, not exceeding 10% of the underlying profit of the entity.

The loan and investment in The Link Investment Trust have been impaired in the prior year based on the fact that the carrying value of the loan and investment exceeds the present value of management's best estimate of likely future cash flows discounted at the group's risk-adjusted pre-tax weighted average cost of capital of 15%.

All other loans are interest free, unsecured and no fixed dates of repayment have been determined.

* values less than R1 000

analysis of shareholders

at 31 August 2007

Public and non-public shareholders	Number of holders	Percentage of holders	Number of shares	Percentage of shares
Public shareholders	3 653	99.8%	324 730 493	96.7%
Non-public shareholders				
Shares held by directors	6	0.2%	256 682	0.1%
The New Clicks Holdings Share Trust	1	0.0%	2 808 925	0.8%
Treasury stock held by New Clicks South Africa (Pty) Limited	1	0.0%	8 161 142	2.4%
Total non-public shareholders	8	0.2%	11 226 749	3.3%
Total shareholders	3 661	100.0%	335 957 242	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 5% or more of the issued share capital at 31 August 2007:

Major beneficial shareholders	Number of shares	Percentage of shares
Public Investment Corporation	40 859 439	12.2%
Investment Solutions	24 121 393	7.2%
Trakprops 141 (Pty) Limited	20 836 659	6.2%
Sanlam	16 853 911	5.0%
	102 671 402	30.6%

Major fund managers	Number of shares	Percentage of shares
Sanlam Investment Managers	53 245 775	15.8%
Coronation Fund Managers	36 254 382	10.8%
Allan Gray Limited	35 638 297	10.6%
Investec Asset Management	31 857 195	9.5%
RMB Asset Management	28 728 000	8.6%
Old Mutual Investment Group	25 063 054	7.5%
Oasis Asset Management	18 049 787	5.4%
Stanlib Asset Management	17 841 927	5.3%
	246 678 417	73.5%

Distribution of registered shareholdings	Number of holders	Percentage of holders	Number of shares	Percentage of shares
1 - 1 000	1 747	47.7%	529 873	0.1%
1 001 - 10 000	1 248	34.1%	4 430 663	1.3%
10 001 - 100 000	375	10.2%	13 680 398	4.1%
100 001 - 1 000 000	221	6.1%	75 534 933	22.5%
1 000 001 shares and over	70	1.9%	241 781 375	72.0%
	3 661	100.0%	335 957 242	100.0%

Classification of registered shareholdings	Number of holders	Percentage of holders	Number of shares	Percentage of shares
Mutual funds	187	5.1%	119 030 552	35.4%
Pension funds	211	5.8%	89 519 455	26.6%
Insurance companies	33	0.9%	36 630 822	10.9%
Banks	102	2.8%	23 373 648	7.0%
Private companies	79	2.2%	21 814 661	6.5%
Investment companies	27	0.7%	20 486 738	6.1%
Own holdings	1	0.0%	8 688 392	2.6%
Individuals	2 490	68.0%	6 983 196	2.1%
Nominees and trusts	406	11.1%	2 957 840	0.9%
Other	125	3.4%	6 471 938	1.9%
	3 661	100.0%	335 957 242	100.0%

shareholders' diary

Dates for 2007/8

2007 annual general meeting	29 January 2008
Preliminary profit announcements	
Interim to February 2008	April 2008
Final to August 2008	October 2008
Publication of 2008 annual report	November 2008
Distributions	
2007 Final distribution	
Last day to trade to be eligible	7 December 2007
Date of distribution	18 December 2007
2008 Interim distribution	
Last day to trade to be eligible	June 2008
Date of distribution	June 2008
2008 Final distribution	
Last day to trade to be eligible	December 2008
Date of distribution	December 2008

STRATE Charity Shares

Shareholders with small or odd-lot holdings, or those who find the cost of selling their shares exceeds the market value of their shares, may wish to consider donating the shares to charity. An independent non-profit organisation called STRATE Charity Shares has been established to administer this process. In terms of this initiative, investors may donate their holdings, whether or not they have been converted to an electronic record of ownership in STRATE, to one or more nominated charities. The value of any shares donated may be deducted from taxable income, as the scheme is registered under section 18A of the Income Tax Act in South Africa.

For further details, queries and/or donations, contact the STRATE Share Care toll-free helpline on 0800 202 363 or +27 (0)11 373 0038, or e-mail charityshares@computershare.co.za.

notice of annual general meeting

Notice is hereby given that the twelfth annual general meeting of shareholders of New Clicks Holdings Limited will be held at the Auditorium, Investec, 5th floor, 36 Hans Strijdom Avenue, Foreshore, Cape Town on Tuesday, 29 January 2008 at 11:00, at which the resolutions set out below will be considered and, if deemed fit, passed with or without amendment.

1. **Ordinary resolution number 1**
   To receive and consider for adoption the annual financial statements of the company and the group for the year ended 31 August 2007.

2. **Election of director**
   Ordinary resolution number 2
   To consider the re-election as a director of the company of DM Nurek who retires in accordance with the company's articles of association and being eligible, offers himself for re-election.
   David Nurek (57), the chairman of the board, is an independent non-executive director and was appointed to the board in June 1997. He is chairman of the Governance, Nominations, Remuneration and Transformation committees and is also a member of the Audit committee. David is regional chairman of Investec's Western Cape business and global head of legal risk for the Investec Group. David also serves as a non-executive director for a number of listed companies.

3 **Election of director**
   Ordinary resolution number 3
   To consider the re-election as a director of the company of PFK Eagles who retires in accordance with the company's articles of association and being eligible, offers himself for re-election.
   Professor Peter Eagles (59) is a non-executive director and was appointed to the board in April 2006. He is a member of the Risk, Remuneration and Transformation committees. Peter is professor of pharmaceutical chemistry at the University of the Western Cape and provides consultancy services to the group on its professional pharmacy and healthcare strategy.

4. **Ordinary resolution number 4**
   To approve the proposed fees, payable to directors, as disclosed on page 45, for the year to 31 August 2008.

5. **Ordinary resolution number 5**
   To renew the directors' authority over the unissued share capital of the company until the next annual general meeting, subject to this authority being limited to issuing shares in terms of the company's obligations under the staff share incentive scheme.

6. **Ordinary resolution number 6**
   General authority to make distributions to shareholders by way of a reduction in share premium.

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

   "Resolved that the directors of the company be hereby authorised, by way of a general authority to distribute, on a pro rata basis, to all shareholders of the company any share capital and reserves of the company in terms of section 90 of the Companies Act, No 61 of 1973, as amended, the company's articles of association and Listings Requirements of the JSE Limited provided that:

   - the general authority shall be valid until the next annual general meeting of the company or for 15 months from the passing of this ordinary resolution (whichever period is shorter);
   - any general distribution of share premium by the company shall not exceed 20% (twenty percent) of the company's issued share capital and reserves, excluding minority interests.

   The directors of the company are of the opinion that, were the company to enter into a transaction to distribute share capital and/or reserves totalling 20% (twenty percent) of the current issued share capital and reserves of New Clicks:

   - the company and its subsidiaries ("the group") will be able in the ordinary course of business to pay its debts for a period of 12 months after the date of notice of the annual general meeting;
   - the assets of the company and the group, fairly valued, will be in excess of the liabilities of the company and the group for a period of 12 months after the date of the notice of the annual general meeting;
   - the issued share capital and reserves of the company and the group will be adequate for ordinary business purposes

for a period of 12 months after the date of the notice of the annual general meeting; and

- the working capital available to the company and the group will be adequate for the ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting.

7. **Special resolution number 1**
General authority to repurchase shares

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

"Resolved that, the company hereby approves, as a general approval contemplated in sections 85 and 89 of the Companies Act, No 61 of 1973, as amended ("the Companies Act"), the acquisition by the company or any of its subsidiaries from time to time of the issued shares of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, but subject to the articles of association of the company, the provisions of the Companies Act and the Listings Requirements of the JSE Limited ("JSE") 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 counter party;
- this general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- a press announcement will be published as soon as the company and/or its subsidiaries has repurchased ordinary shares constituting, on a cumulative basis, 3% (three percent) of the initial number of ordinary shares, and for each 3% (three percent) in aggregate of the initial number of shares repurchased thereafter, containing full details of such repurchases;
- acquisitions by the company and its subsidiaries of shares in the capital of the company may not, in the aggregate, exceed in any one financial year 15% (fifteen percent) of the company's issued share capital of the class of the repurchased shares from the date of the grant of this general authority;
- in determining the price at which the company's shares are acquired by the company or its subsidiaries in terms of this general authority, the maximum premium at which such shares may be acquired will be 10% (ten percent) of the weighted average of the market price at which such shares are traded on the JSE for the 5 (five) business days immediately preceding the date the repurchase transaction is effected;
- in the case of a derivative (as contemplated in the Listing Requirements of the JSE) the price of the derivative shall be subject to the limits set out in section 5.84(a) of the Listings Requirements;
- the company's sponsor has confirmed the adequacy of the company's working capital for purposes of undertaking the repurchase of shares in writing to the JSE upon when the company entered the market to proceed with the repurchase;
- the company remains in compliance with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread after such repurchase;
- the company and/or its subsidiaries do not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period; and
- the company only appoints one agent at any point in time to effect repurchases on its behalf."

The directors, having considered the effects of the repurchase of the maximum number of ordinary shares in terms of the aforegoing general authority, are of the opinion that for a period of 12 (twelve) months after the date of this notice of the annual general meeting:

- the company and the group will be able, in the ordinary course of business, to pay its debts for a period of 12 months after the notice of the annual general meeting;

- the consolidated assets of the company and group, fairly valued in accordance with generally accepted accounting practice, will exceed the consolidated liabilities of the company and group for a period of 12 months after the date of the notice of the annual general meeting; and
- the company and the group's ordinary share capital, reserves and working capital will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting.

Reason and effect of Special Resolution Number 1

The reason for special resolution number 1 is to grant the directors of the company and subsidiaries of the company a general authority in terms of the Companies Act and the JSE Listings Requirements to acquire the company's shares, subject to the terms and conditions set out in the resolution. The passing and registration of this special resolution will have the effect of authorising the directors of the company and subsidiaries of the company to acquire shares issued by the company.

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of this general authority:

- Directors and management - see pages 12 and 13 of the annual report;
- Major beneficial shareholders - see page 109 of the annual report;
- Directors' interests in ordinary shares - see page 45 of the annual report; and
- Share capital of the company - see page 91 of the annual report.

Litigation statement

In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names appear on page 12 and 13 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or had in the recent past, being at least the previous 12 (twelve) months, a material effect on the group's financial position or an appropriate negative statement.

Directors' responsibility statement

The directors, whose names appear on pages 12 and 13 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information.

Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report and up to the date of this notice.

8. **To transact such other business as may be transacted at an annual general meeting.**

All shareholders of ordinary shares in the company ("shares") are entitled to attend, speak and vote at the annual general meeting. If you hold certificated shares (i.e. have not dematerialised your shares in the company) or are registered as an "own name" dematerialised shareholder (i.e. have specifically instructed your Central Securities Depository Participant ("CSDP") to hold your shares in your own name on the company's sub-register), then:

- you may attend and vote at the annual general meeting; alternatively
- you may appoint a proxy to represent you at the annual general meeting by completing the attached form of proxy and return it to the registered office of the company.

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, Share Transactions Totally Electronic ("STRATE")) held through a CSDP or broker and are not registered as an "own name" dematerialised shareholder, you are subject to the mandate between yourself and your CSDP or broker:

- if you wish to attend the annual general meeting you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from it; alternatively

- if you are unable to attend the general meeting but wish to be represented at the meeting, you must contact your CSDP or broker, as the case may be, and furnish it with your voting instructions in respect of the annual general meeting and/or request it to appoint a proxy. You should not complete the attached form of proxy. The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, as the case may be, within the time period required by your CSDP or broker, as the case may be.

CSDPs, brokers or their nominees, as the case may be, recorded in the company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of STRATE should, when authorised in terms of their mandate or instructed to do so by the person on behalf of whom they hold the dematerialised shares, vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the company's transfer secretaries or registered office of the company not less than 24 hours prior to the time appointed for the holding of the meeting. (excluding Saturdays, Sundays and public holidays).

On a poll the holders of ordinary shares are entitled to 1 vote per ordinary share.

By order of the board

AA Scott
Company Secretary

12 November 2007

NEW
CLICKS HOLDINGS
LIMITED

Reg. No. 1996/000645/06
Share code: NCL • ISIN: ZAE000014585

Form of Proxy

For use by certificated New Clicks shareholders and "own name" dematerialised New Clicks shareholders only, at the annual general meeting of shareholders of the company to be held on Tuesday, 29 January 2008 at 11:00 at the Auditorium, Investec, 5th Floor, 36 Hans Strijdom Avenue, Foreshore, Cape Town.

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

of (address) ____

____

being the registered holder of ____________ ordinary shares (see note 1) in New Clicks Holdings 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 on my/our behalf, as indicated below, at the annual general meeting to be held on Tuesday, 29 January 2008 at 11:00 and at any adjournment thereof.

	Number of shares		
	For	Against	Abstain
1. Adoption of the financial statements			
2. Election of director Mr DM Nurek			
3. Election of director Professor PFK Eagles			
4. Approval of proposed directors' fees for the year to August 2008			
5. Directors' control over unissued shares (limited to shares obligated under the employee share scheme)			
6. General authority to make distributions to shareholders by way of a reduction in share premium			
7. General authority to repurchase shares (special resolution)			

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 2004 (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) or at the registered office of the company, Cnr Searle and Pontac Streets, Cape Town, no later than 24 hours before the commencement of the meeting or posted to the company secretary at PO Box 5142, Cape Town 8000, to arrive no later than 24 hours before the commencement of the meeting. (excluding Saturdays, Sundays and public holidays).
4. A proxy need not be a shareholder of the company.
5. If this proxy is signed under the power of attorney or on behalf of a company, such powers of authority, unless previously registered with the company, must accompany it.
6. If you are a dematerialised shareholder and are not an own name dematerialised shareholder and you are unable to attend the annual general meeting, you must contact your Central Securities Depository Participant ("CSDP") or broker, as the case may be, and furnish it with your voting instructions in respect of the annual general meeting in accordance with the mandate between yourself and the CSDP or broker, as the case may be. You should not complete the attached form of proxy. If your CSDP or broker does not obtain your voting instructions from you in respect of the annual general meeting, it will be obliged to act in terms of your mandate, or if your mandate is silent, to abstain from voting. The instruction must be provided within the time period required by your CSDP or broker, as the case may be.

definitions

Average shareholders' funds to total assets	The average ordinary shareholders' interest divided by the total assets at the year end.
Cash flow	
Financing activities	Activities that result in changes to the capital structure of the group.
Investing activities	Activities relating to the acquisition, holding and disposal of capital assets and long-term investments.
Operating activities	Activities that are not financing or investing activities that arise from the operations conducted by the group.
Comparable stores turnover growth	Sales growth expressed as a percentage of growth for stores that have been operating for the full period during the current and previous financial years.
Continuing operations	The operations of the group excluding the discontinued operations.
Current ratio	Current assets at year-end divided by current liabilities at year-end.
Discontinued operations	A component of the group that either has been disposed of or is classified as held for sale and represents a separate major line of business. In the current year, this comprises the Discom business unit, which was disposed of during the 2008 financial year.
Distribution cover	Undiluted headline earnings per share for the year divided by the distribution per share for the year.
Distribution per share	Distribution per share is the actual interim cash dividend and capital distribution paid and the final cash dividend and capital distribution declared, expressed as cents per share.
Earnings per share	
Basic earnings per share	Profit for the year divided by the weighted average number of shares in issue for the year.
Diluted earnings per share	Profit for the year divided by the weighted average diluted number of shares in issue for the year.
Headline earnings per share	Headline earnings divided by the weighted average number of shares in issue for the year.
Diluted headline earnings per share	Headline earnings divided by the weighted average diluted number of shares in issue for the year.
Effective tax rate	The tax charge in the income statement as a percentage of profit before tax.
Free float	The number of shares that are freely tradable on the JSE Limited, excluding treasury shares and shares held by directors and employee share schemes.
Gross profit margin	Gross profit expressed as a percentage of turnover.
Headline earnings	Profit for the year adjusted for the after tax effect of goodwill impairment and certain other capital items.
IFRS	International Financial Reporting Standards, as adopted by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Reporting Interpretations Committee ("IFRIC") of the IASB.
	New Clicks Holdings' consolidated financial statements are prepared in accordance with IFRS.
Interest-bearing debt, including cash, to shareholders' interest at year-end	Interest-bearing debt (including bank overdraft), net of cash balances, at the end of the year divided by equity at the end of the year.
Inventory days	Cost of sales for the year divided by closing inventory at year end.
JIBAR	Johannesburg Inter-Bank Agreement Rate, which is the rate that South African banks charge each other for wholesale money.
Market capitalisation	The market price per share at year-end multiplied by the number of shares in issue at year-end.

Net asset value per share	Net assets at year-end divided by the number of shares in issue at year-end (net of treasury shares).
Net tangible asset value per share	Net assets at year-end less intangible assets such as goodwill and trademarks, divided by the number of shares in issue at year-end (net of treasury shares).
Operating profit	Operating profit before financing costs as reported in the consolidated income statement, adjusted to exclude goodwill impairment, impairment of property, plant and equipment and profit/loss on disposal of property, plant and equipment.
Operating profit margin	Operating profit expressed as a percentage of turnover.
Ordinary shareholders' interest	Ordinary share capital and share premium (reduced by the cost of treasury shares), and other reserves comprising equity.
Percentage of shares traded	The number of shares traded on the JSE Limited during the year as a percentage of the weighted average number of shares in issue.
Price earnings ratio	The market price per share at year-end divided by diluted headline earnings per share for the year.
Return on assets managed (ROAM)	Operating profit expressed as a percentage of average property, plant and equipment, inventory, investment properties, intangible assets and trade and other receivables for the year. Trade and other receivables, are not allocated to retail business units.
Return on shareholders' interest (ROE)	Headline earnings expressed as a percentage of the average ordinary shareholders' interest for the year.
Return on total assets (ROA)	Headline earnings expressed as a percentage of the average total assets for the year.
Segmental reporting	
Operational segment	A distinguishable type of operation within the group.
Business unit segment	A distinguishable trading brand or component of the group.
Selling price inflation	The change in the weighted average selling price of a sample of products for the year relative to the previous year expressed as a percentage of the weighted average selling price of the same sample of products for the previous year. Only products sold in both the current and previous years are included in the sample.
Treasury shares	Ordinary shares in New Clicks Holdings Limited held by a group company in terms of an approved share repurchase programme or by the New Clicks Holdings Share Trust.
Weighted average number of shares	The number of shares in issue, increased by shares issued during the year and reduced by treasury shares purchased or shares cancelled during the year, weighted on a time basis for the period during which they have participated in the income of the group.
Weighted average diluted number of shares	The weighted average number of shares adjusted for the effects of all dilutive potential ordinary shares.

notes

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review of the year

corporate information

New Clicks Holdings Limited
Registration number:1996/000645/06
JSE share code: NCL
ISIN: ZAE000014585

Registered address
Cnr Searle and Pontac Streets
Cape Town 8001

Postal address
PO Box 5142
Cape Town 8000

Website
www.newclicks.co.za

Company secretary
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Business address: Cnr Searle and Pontac Streets, Cape Town 8001
Postal address: PO Box 5142, Cape Town 8000
e-mail address: allan.scott@newclicks.com

Auditors
KPMG Inc.

Principal bankers
The Standard Bank of South Africa

JSE sponsor
Investec Bank Limited

Transfer secretaries
Computershare Investor Services 2004 (Proprietary) Limited
Business address: 70 Marshall Street, Johannesburg 2001
Postal address: PO Box 61051, Marshalltown 2107
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Designed by motiv
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