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NEW
CLICKS HOLDINGS
LIMITED

ANNUAL REPORT 2008

2008

OUR VALUES

We are truly **passionate** about our customers
We believe in **integrity**, honesty and openness
We cultivate understanding through **respect** and dialogue
We are **disciplined** in our approach
We **deliver** on our goals

CONTENTS

GROUP HIGHLIGHTS

for the year ended 31 August 2008

distribution per share up

26.8%

diluted headline EPS up

28.1%

return on equity increases to

32.8%

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 519 stores across southern Africa. New Clicks has a growing presence in the healthcare market where Clicks operates the largest retail pharmacy chain in the country with 157 in-store dispensaries, while pharmaceutical wholesaler and distributor, New United Pharmaceutical Distributors (UPD), is South Africa's leading full-range pharmaceutical wholesaler.

turnover – continuing operations up

12.2%

FINANCIAL HIGHLIGHTS

Turnover*

Clicks	51%
UPD	40%
Musica	8%
The Body Shop	1%

Operating profit**

Clicks	63%
UPD	26%
Musica	8%
The Body Shop	3%

* Turnover of continuing operations, excluding intragroup sales elimination of R856 million
** Operating profit of continuing operations, excluding intragroup operating profit elimination of R3.7 million

		2008	2007	% change
Continuing operations				
Turnover	R'm	**11 281**	10 051	12.2
Comparable stores turnover growth	%	**9.2**	13.7	
Gross profit margin	%	**19.6**	18.9	
Operating profit	R'm	**592**	494	19.9
Operating profit margin	%	**5.2**	4.9	
Inventory days		**55**	53	
Total group				
Turnover	R'm	**11 331**	11 205	1.1
Operating profit	R'm	**599**	534	12.3
Headline earnings	R'm	**401**	357	12.3
Diluted headline earnings per share	cents	**131.9**	103.0	28.1
Distribution per share	cents	**61.1**	48.2	26.8
Return on total assets	%	**10.6**	9.3	
Return on shareholders' interest (ROE)	%	**32.8**	24.7	
Net asset value per share	cents	**394**	410	(3.9)

New Clicks share price performance vs General Retailers Index

GROUP AT A GLANCE

Keith Warburton
Chief financial officer

Bertina Engelbrecht
Group HR director

BOARD OF DIRECTORS

David Kneale
Chief executive officer

Group turnover	R11 331 million
Group operating profit	R599 million
Headline earnings	R401 million
Total employees	7 122
Total stores	519

Major fund managers

Investec Asset Management	15.5%
Stanlib Asset Management	9.0%
RMB Asset Management	8.4%
Old Mutual Investment Group	7.5%
Sanlam Investment Managers	7.1%
Oasis Asset Management	5.7%
Coronation Fund Managers	4.7%

CLICKS

Michael Harvey
Managing director

Turnover	R6 235 m
Operating profit	R375 m
Employees	5 422
Stores	326

Clicks is South Africa's leading specialist health, beauty and lifestyle retailer, focusing mainly on female consumers in the middle to upper income markets. Clicks has the largest retail pharmacy footprint in the country, with 157 in-store dispensaries.

UPD

Lynda van Niekerk
Managing director

Turnover	R4 864 m
Operating profit	R154 m
Employees	453

UPD is the largest full-range pharmaceutical wholesaler in the country and supplies retail pharmacies, private hospitals, dispensing doctors and retail health stores. It provides the distribution capability for the group's healthcare strategy.

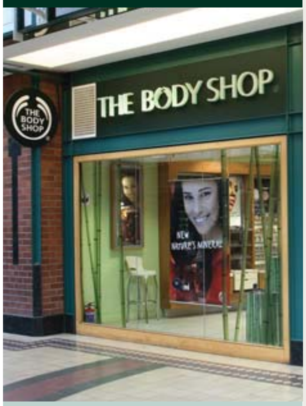
MUSICA

Ralph Lorenz
Managing director

Turnover	R941 m
Operating profit	R50 m
Employees	825
Stores	158

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

THE BODY SHOP



Carol Poolton
General manager

Turnover	R97 m
Operating profit	R16 m
Employees	104
Stores	35

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

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HISTORY

1968
August
Clicks founded by Jack Goldin

1968
August
First Clicks store opens in St Georges Street, Cape Town

1984
March
Acquisition of Discom, comprising 11 stores, for R700 000

1988
July
Jack Goldin sells control of the company to Score Food Group


Grocery star Score gets R50m Clicks

By Ian Smith

1995
August
ClubCard loyalty programme launched – first of its kind in Africa

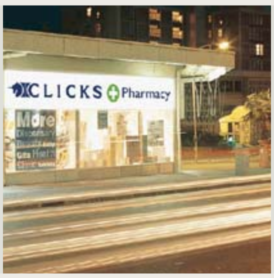
1995
November
The assets of the Clicks Group Limited are sold to a subsidiary of Malbak Limited, New Clicks Holdings Limited

... and subsequently acquires House and Price Attack and launches Priceline Pharmacy

2001
November
The Body Shop opens its first store in Africa, at Cavendish in Cape Town, through a franchise agreement with The Body Shop International

2004
January
Australian operations sold to a consortium of private equity investors for A$107 million

2004
March
First Clicks pharmacy opens in Sea Point, Cape Town



2006
July
Clicks opens its 100th dispensary in Knysna and introduces a ClubCard credit card

New Clicks Holdings goes back 40 years to 1968 when entrepreneurial retailer Jack Goldin opened the first Clicks store. While Clicks was conceived as a drugstore, regulations governing pharmacy ownership meant that it operated as a drugstore without the drugs until legislation was changed in 2003, enabling the business to fulfil its founding vision. These milestones outline the highlights of the group over the past four decades.

1971
June
Clicks expands outside the Western Cape

1979
March
Clicks Stores listed on the JSE with a market capitalisation of R10 million and 30 stores

1992
April
Acquisition of Musica, the country's leading music retail brand, for R1.2 million

1992
July
Control of the group moves to The Premier Group Limited

1996
March
New Clicks Holdings listed on the JSE with a market capitalisation of R880 million

1997
April
Malbak unbundles and the company has no controlling shareholder for the first time

1998
July
New Clicks expands to Australia with the acquisition of the 70-store Priceline chain for R176.5 million from Jack Goldin ...

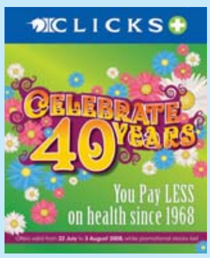
2003
January
Acquisition of wholesale distribution company, New United Pharmaceutical Distributors (UPD) at a cost of R281 million

2003
April
Legislation passed enabling dispensaries to be introduced into Clicks stores

2007
September
Sale of Discom to Edcon for R316 million

2008
July
The 150th Clicks Pharmacy opens at Hyde Park shopping centre, Johannesburg

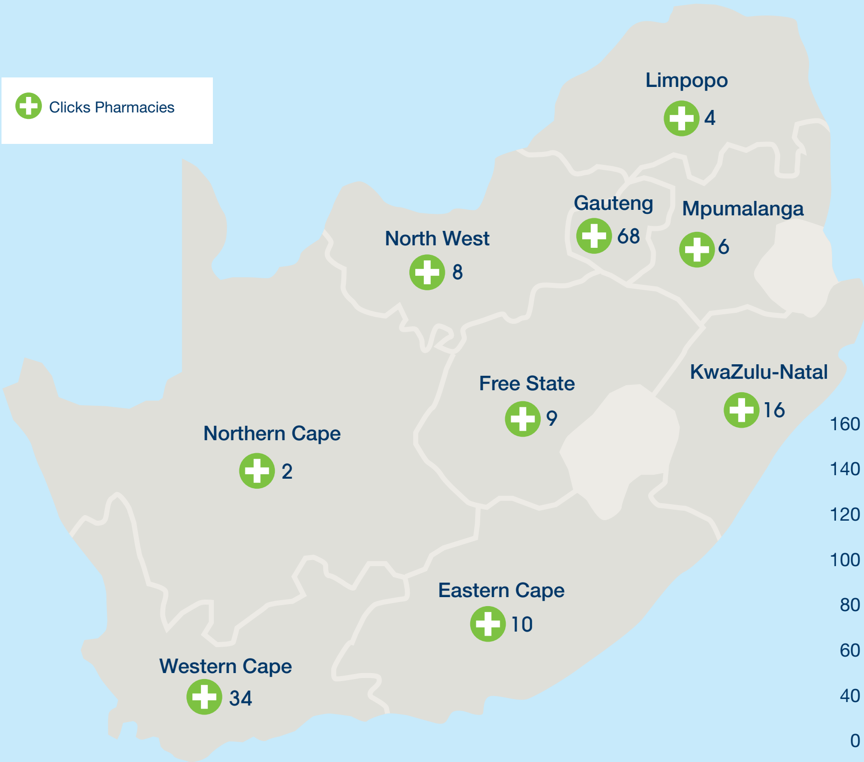
2008
August
Clicks celebrates its 40th birthday



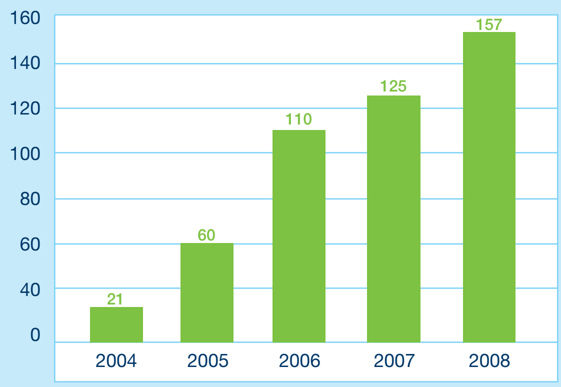
STORE LOCATIONS

	Clicks		Musica		The Body Shop		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
South Africa								
Eastern Cape	**23**	22	**17**	15	**2**	2	**42**	39
Free State	**15**	16	**7**	6	**1**	1	**23**	23
Gauteng	**122**	122	**47**	41	**16**	15	**185**	178
KwaZulu-Natal	**43**	43	**17**	17	**5**	4	**65**	64
Limpopo	**10**	10	**7**	8	**–**	–	**17**	18
Mpumalanga	**18**	18	**7**	7	**1**	1	**26**	26
Northern Cape	**5**	5	**4**	4	**–**	–	**9**	9
North West	**15**	14	**7**	6	**–**	–	**22**	20
Western Cape	**69**	64	**39**	37	**9**	9	**117**	110
Botswana	**–**	–	**2**	2	**–**	–	**2**	2
Namibia	**4**	4	**4**	4	**1**	1	**9**	9
Swaziland	**2**	2	**–**	–	**–**	–	**2**	2
Total	**326***	**320***	**158**	**147**	**35**	**33**	**519**	**500**

* Excludes 16 Clicks franchise stores in Zimbabwe



Growth in Clicks pharmacies



INVESTMENT CASE

New Clicks offers shareholders a sustainable investment proposition. The group's business model and market positioning continues to yield positive results and the organic growth strategy offers exciting prospects in the expanding healthcare market in South Africa. Despite the retail sector being under considerable pressure owing to the current slowdown in consumer spending, New Clicks has shown its resilience as a defensive stock.

MARKET POSITIONING

- Market-leading positions in all businesses
- Largely defensive business, with 75% of turnover being non-cyclical
- Predominantly cash-based retailer
- Clicks the first choice health and beauty retailer
- UPD the only national full-range pharmaceutical wholesaler in South Africa
- First mover advantage in corporate pharmacy – model proven internationally

GROWTH PROSPECTS

- Strong organic growth prospects, particularly in healthcare
- Clicks vision is to operate a pharmacy in every store
  - scope to open pharmacies in a further 50% of stores
  - 40 – 50 pharmacies planned per year
  - 20 – 30 new stores per year
  - corporate pharmacy still only 25% of market in SA
- Clicks private label programme offers differentiated products at higher margins
- Group positioned to capitalise on anticipated consolidation in retail pharmacy and pharmaceutical wholesaling and distribution

CUSTOMER PROPOSITION

- Strong, well-established brands serving middle and upper income markets
- National footprint of over 500 well-located stores
- As a value retailer Clicks is highly price competitive
- Largest pharmacy network in SA with over 150 in-store dispensaries
- Over 2.5 million customers on Clicks ClubCard loyalty programme

FINANCIAL MANAGEMENT

- Three-year compound growth of 32% per annum in diluted HEPS
- ROE more than doubled over past three years
- Culture of investing in growth of customer base, infrastructure and people
- Cash-generative business
- Active capital management programme enhancing earnings

This investment proposition should be considered together with the risks facing the group, as outlined in the Risk Management Report on page 46.

2008

GROUP STRATEGY AND TARGETS

Strategy

New Clicks follows a consistent strategic direction in its quest to enhance shareholder wealth and deliver value to all other stakeholders. The group strategy is complemented by strategic objectives or growth drivers which are identified at the start of each financial year. Management believes the achievement of these objectives will give the group a sustainable competitive advantage. A similar planning process is conducted within each business unit to ensure alignment with the group 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 to upper income groups.

Organised to be cost-effective and efficient

... with a particular focus on supply chain management, information technology, property and financial management.

PERFORMANCE AGAINST STRATEGIC OBJECTIVES IN 2008

The performance against the 2008 objectives is covered throughout the annual report, with specific achievements over the past year highlighted below.

1. Continue transition of Clicks to a health and beauty specialist

- 72.9% of sales in 2008 from health and beauty merchandise (2007: 70.3%)
- New store design and layout in 79 stores

2. Build UPD and Clicks pre-eminence in healthcare supply and pharmacy management

- Opened 32 pharmacies; now 157 pharmacies in Clicks stores
- Further market share gains for UPD
- Acquired 60% stake in Direct Medicines courier pharmacy
- Acquired pharmaceutical wholesaler, Kalahari Medical Distributors, in Botswana

3. Continue Musica's transition to entertainment and widen access to the brand

- Non-music sales now 46% of total sales (2007: 41%)
- Share gains in entertainment markets
- Grown store base by 11 to 158 stores nationally

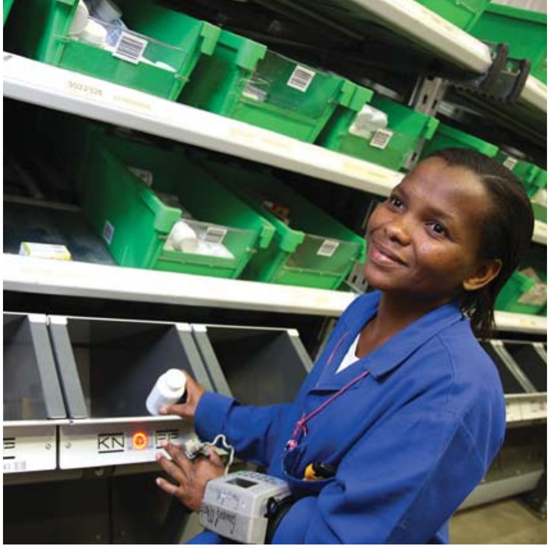
4. Build organisational capability to deliver sustained performance

- Strengthened human resources processes
- Reduced staff turnover from 23.4% to 21.2%
- Remuneration system linked to return on assets managed (ROAM) and other financial targets

5. Efficient capital and cash management

- ROE improves from 24.7% to 32.8%
- Continued share buy-back programme

40-50
pharmacies planned in 2009



Medium-term financial targets

New Clicks follows a three-year budget and planning cycle and sets medium-term financial targets to be achieved over each rolling three-year period. The group's incentive remuneration structure is aligned with these targets.

Following the completion of the three-year planning programme to 2011, the directors have revised certain of these targets to take account of changes in the business and improved prospects.

	Medium-term targets (2008 – 2010)	Performance in 2008	Medium-term targets (2009 – 2011)
Return on shareholders' interest (%)	30 – 35	**32.8**	35 – 40
Shareholders' funding to total assets (%)	32 – 37	**31.9**	30 – 35
Return on total assets (%)	9 – 13	**10.6**	10 – 13
Inventory days	55 – 60	**55**	55 – 60
Operating margin (%)			
• Group	5 – 6	**5.3**	5 – 6
• Clicks	*	**6.0**	6 – 7
• UPD	*	**3.2**	2.7 – 3
• Musica	*	**5.3**	5 – 6
• The Body Shop	*	**16.1**	14 – 16

* not previously disclosed

STRATEGIC OBJECTIVES FOR 2009

The group's focus areas remain largely unchanged for the 2009 financial year.
The action plans are summarised below and covered in more detail throughout the annual report.

1. Entrench Clicks as a health and beauty specialist

- Targeting 75% sales from health and beauty merchandise
- Aiming for 17.5% sales from private label and exclusive brands
- 20 – 25 new stores planned

2. Build UPD and Clicks pre-eminence in healthcare supply and pharmacy management

- 40 – 50 new pharmacies to be opened
- Implementing bespoke dispensary IT system in Clicks pharmacies
- Investing in distribution capacity for UPD
- Aim to relaunch and extend Link-branded product range to 100

3. Position Musica as an entertainment business

- Targeting non-music sales of more than 50%
- Expand gaming ranges and space allocation in all stores

4. Enhance organisational capability to deliver sustained performance

- Achieve level 4 BBBEE compliance by 2010
- R40 million committed to IT investment
- Implement Blueprint processes into distribution centres

5. Manage capital and cash efficiently

- Distribution cover to be reduced from 2.2 times to 2.0 times
- ROE target increased to 35% – 40%

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SEVEN-YEAR CONSOLIDATED INCOME STATEMENT for the year ended 31 August

R'm	3-year compound annual growth (post-IFRS %)	**Post-IFRS 2008**	Post-IFRS 2007	Post-IFRS 2006
Revenue		**11 851**	11 722	10 462
Turnover	9.1	**11 331**	11 205	10 001
Cost of merchandise sold	9.5	**(9 107)**	(8 982)	(8 047)
Gross profit	7.7	**2 224**	2 223	1 954
Other income	9.1	**501**	501	450
Expenses	5.0	**(2 126)**	(2 190)	(2 010)
Depreciation and amortisation	(1.4)	**(95)**	(98)	(103)
Occupancy costs	0.9	**(303)**	(336)	(317)
Employment costs	6.8	**(993)**	(1 040)	(942)
Other costs	5.5	**(735)**	(716)	(648)
Operating profit	22.1	**599**	534	394
Impairment of property, plant and equipment		**–**	–	(3)
Profit/(loss) on disposal of property, plant and equipment		**14**	27	(1)
Profit on sale of Discom		**24**	–	–
Profit on sale of operations		**1**	–	–
Impairment of loan		**–**	–	–
Goodwill amortisation		**–**	–	–
Goodwill impairment		**–**	–	(1)
Profit before financing costs	27.8	**638**	561	389
Net financing costs	1.3	**(51)**	(39)	(58)
Financial income		**19**	16	11
Financial expense		**(70)**	(55)	(69)
Profit before tax	31.7	**587**	522	331
Income tax expense	23.5	**(145)**	(141)	(84)
Profit for the year	34.9	**442**	381	247
Attributable to:				
Equity holders of the parent		**442**	381	247
Minority interest		**–**	–	–
		442	381	247
Adjustment for:				
Impairment of property, plant and equipment		**–**	–	3
(Profit)/loss on disposal of property, plant and equipment		**(12)**	(24)	1
Profit on sale of Discom		**(28)**	–	–
Profit on sale of operations		**(1)**	–	–
Goodwill amortisation		**–**	–	–
Goodwill impairment		**–**	–	1
Headline earnings	25.9	**401**	357	252
Headline earnings per share (cents)				
– undiluted	31.6	**134.4**	106.1	73.1
– diluted	32.0	**131.9**	103.0	71.0
Earnings per share (cents)				
– undiluted	41.2	**148.4**	113.2	71.4
– diluted	41.6	**145.6**	109.9	69.4
Number of shares in issue (m)		**324**	336	355
Weighted average number of shares (net of treasury shares) (m)		**298**	336	344
Weighted average diluted number of shares (net of treasury shares) (m)		**304**	346	354

Clicks operating profit up

26.7%

	Post-IFRS 2005	Pre-IFRS 2004	Pre-IFRS 2003	Pre-IFRS 2002
	9 108	8 582	7 896	5 913
	8 714	8 024	7 368	5 488
	(6 936)	(6 277)	(5 612)	(3 932)
	1 778	1 747	1 756	1 556
	386	540	528	425
	(1 835)	(1 854)	(1 902)	(1 662)
	(99)	(109)	(104)	(97)
	(295)	(308)	(399)	(359)
	(815)	(831)	(869)	(756)
	(626)	(606)	(530)	(450)
	329	433	382	319
	(6)	(13)	–	–
	–	(2)	(2)	–
	–	–	–	–
	–	3	26	–
	–	–	–	(33)
	–	(16)	(24)	(11)
	(17)	(258)	–	–
	306	147	382	275
	(49)	(60)	(84)	(67)
	8	18	–	–
	(57)	(78)	(84)	(67)
	257	87	298	208
	(77)	(105)	(84)	(61)
	180	(18)	214	147
	180	(18)	214	147
	–	–	–	–
	180	(18)	214	147
	4	9	–	–
	–	2	2	–
	–	–	–	–
	–	(3)	(19)	–
	–	16	24	11
	17	258	–	–
	201	264	221	158
	59.0	74.9	65.6	52.2
	57.4	72.9	64.5	49.7
	52.7	(5.2)	63.5	48.4
	51.3	(5.1)	62.5	46.1
	370	361	354	305
	340	354	338	302
	349	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 Clicks Retailers (previously Purchase Milton and 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 (and including) the 2004 financial year have been adjusted in accordance with this interpretation.
5. The goodwill impairment in 2004 related to the pharmacies acquired in that year.
6. As the group applied IFRS for the first time in financial year 2005, the seven-year review information incorporates IFRS-adjusted financial information for the 2005 to 2008 financial years only. Information in respect of earlier financial periods remains that reported in accordance with SA GAAP.
7. The income statements include the results of the Discom business unit disposed of during September 2007 as if part of continuing operations and not as discontinued operations.
8. For an explanation of terms used, please refer to the Definitions section on page 129 of this report.

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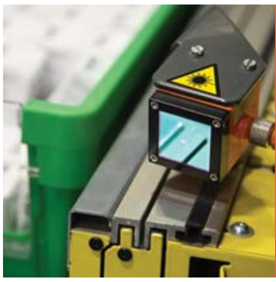
SEVEN-YEAR CONSOLIDATED BALANCE SHEET at 31 August

R'm	3-year compound annual growth (post-IFRS %)	**Post-IFRS 2008**	Post-IFRS 2007	Post-IFRS 2006
Assets				
Non-current assets		**1 253**	1 334	1 284
Property, plant and equipment	3.1	**734**	745	697
Investment property		**–**	–	7
Intangible assets		**302**	391	397
Goodwill		**86**	84	84
Deferred tax assets		**73**	45	24
Loans receivable		**58**	69	75
Current assets		**2 332**	2 676	2 399
Inventories	(1.6)	**1 371**	1 403	1 443
Trade and other receivables	18.9	**806**	793	793
Income tax receivable		**2**	3	86
Loans receivable		**8**	5	1
Cash and cash equivalents		**101**	413	40
Derivative financial assets		**44**	59	36
Total assets	2.5	**3 585**	4 010	3 683
Equity and liabilities				
Equity	(6.9)	**1 144**	1 296	1 593
Share capital		**3**	3	4
Share premium		**121**	436	816
Treasury shares		**(463)**	(259)	(70)
Share option reserve		**24**	24	20
Foreign currency translation reserve		**–**	–	–
Distributable reserve		**1 459**	1 092	823
Equity attributable to equity holders of the parent		**1 144**	1 296	1 593
Minority interest		**–**	–	–
Non-current liabilities		**372**	338	326
Interest-bearing borrowings		**62**	78	151
Employee benefits		**131**	65	28
Deferred tax liabilities		**81**	92	46
Operating lease liability		**98**	103	101
Current liabilities		**2 069**	2 376	1 764
Bank overdraft		**–**	–	47
Trade and other payables	9.1	**1 780**	1 902	1 490
Employee benefits		**104**	136	105
Provisions		**52**	48	41
Interest-bearing borrowings		**54**	203	63
Derivative financial liabilities		**3**	–	–
Income tax payable		**76**	87	18
Total equity and liabilities	2.5	**3 585**	4 010	3 683



Clicks pharmaceutical sales of

R1bn

Post-IFRS 2005	Pre-IFRS 2004	Pre-IFRS 2003	Pre-IFRS 2002
1 299	884	1 453	1 202
669	659	747	613
7	–	–	–
397	4	5	5
84	98	235	182
74	96	82	70
68	27	384	332
2 033	2 273	2 001	1 267
1 440	1 411	1 401	1 055
480	444	417	197
38	8	4	15
–	–	–	–
60	410	179	–
15	–	–	–
3 332	3 157	3 454	2 469
1 417	1 319	1 609	1 221
4	4	4	3
964	907	874	534
(250)	(123)	–	–
14	–	–	–
1	29	74	169
684	502	657	515
1 417	1 319	1 609	1 221
–	–	–	–
309	356	428	238
168	260	413	231
17	–	–	–
38	20	15	7
86	76	–	–
1 606	1 482	1 417	1 010
14	9	4	109
1 370	1 309	1 317	840
71	51	56	48
42	29	–	–
93	81	29	–
3	–	–	–
13	3	11	13
3 332	3 157	3 454	2 469

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 Clicks Retailers 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 (and including) 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 seven-year review information incorporates IFRS-adjusted financial information for the 2005 to 2008 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 rather than as part of non-current assets and liabilities held for sale. The Discom business unit was disposed of during September 2007.
7. The minority interest relating to the purchase of Kalahari Medical Distributors originated in the 2008 financial year and is less than R1 million, hence being displayed as zero.
8. The Discom and Clicks trademarks were reinstated in 2005 after the adoption of IFRS.
9. The share premium has been used for distributions to shareholders as well as share cancellations in the 2006, 2007 and 2008 financial years.
10. For an explanation of terms used, please refer to the Definitions section on page 129 of this report.

SEVEN-YEAR SALIENT FEATURES

for the year ended 31 August

			3-year compound annual growth (post-IFRS %)	**Post-IFRS 2008**	Post-IFRS 2007	Post-IFRS 2006
Cash flow						
Net cash effects of operating activities		R'm		**108**	1 023	118
Capital expenditure		R'm	0.8	**174**	155	162
Depreciation and amortisation		R'm	(0.6)	**103**	104	109
Performance						
Turnover growth		%		**1.1**	12.0	14.8
Comparable stores turnover growth		%		**9.2**	13.2	9.9
Gross profit growth		%		**0.1**	13.8	9.8
Gross profit margin		%		**19.6**	19.8	19.5
Operating margin		%		**5.3**	4.8	3.9
Inventory days				**55**	57	66
Current ratio		times		**1.1**	1.1	1.4
Return on total assets		%		**10.6**	9.3	7.2
Return on shareholders' interest		%		**32.8**	24.7	16.7
Interest-bearing debt, including cash, to shareholders' interest at year-end		%		**1.3**	(10.2)	13.8
Effective tax rate		%		**24.7**	27.0	25.5
Statistics						
Number of permanent employees				**7 122**	9 076	9 058
Number of stores	– company owned			**519**	665	664
	– franchised			**16**	17	15
Weighted retail trading area	– company owned	m^2		**194 888**	242 211	237 575
Share statistics						
Number of shares in issue (gross)		m		**324**	336	355
Number of shares in issue (net of treasury shares)		m		**290**	316	348
Weighted average number of shares (net of treasury shares)		m		**298**	336	344
Weighted average diluted number of shares (net of treasury shares)		m		**304**	346	354
Headline earnings per share	– undiluted	cents		**134.4**	106.1	73.1
	– diluted	cents	32.0	**131.9**	103.0	71.0
Distribution per share		cents	27.2	**61.1**	48.2	33.2
Distribution cover		times		**2.2**	2.2	2.2
Share price	– closing	cents	24.2	**1 550**	1 525	1 035
	– high	cents		**1 799**	1 689	1 121
	– low	cents		**1 185**	984	780
Net asset value per share at 31 August		cents	(1.8)	**394**	410	459
Net tangible asset value per share at 31 August		cents	(1.7)	**261**	260	320
Market capitalisation (gross) at 31 August		R'm	18.8	**5 024**	5 123	3 679
Market capitalisation (net of treasury shares) at 31 August		R'm	17.7	**4 500**	4 821	3 598
Price earnings ratio at 31 August		times	(4.9)	**11.8**	14.8	14.2
Volume of shares traded		m		**300.3**	316.1	226.9
Percentage of shares traded		%		**100.7**	94.1	65.9
Free float (including treasury shares)		%		**89.4**	96.7	97.1
Shareholders' return		cents		**86**	538	258
Increase/(decrease) in share price		cents		**25**	490	225
Distribution per share		cents		**61**	48	33
Other information						
Inflation rate (CPI)		%		**13.4**	6.7	5.4
Interest rates						
Prime overdraft rate	– closing	%		**15.5**	13.5	11.5
	– average	%		**14.7**	12.5	10.7
R153	– closing	%		**9.8**	9.3	8.7
	– average	%		**9.9**	8.4	7.7
FTSE/JSE Africa share indices						
All Share Index				**27 702**	28 660	21 954
General Retailers Index			4.0	**24 909**	31 715	23 521
Exchange rates						
Rand/US Dollar	– average rate	R/US$		**7.41**	7.20	6.48
	– closing rate	R/US$		**7.75**	7.16	7.19

ROE more than doubled since 2005

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:

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 Clicks Retailers 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 from (and including) the 2004 financial year have been adjusted in accordance with this interpretation.
5. As the group applied IFRS for the first time in the 2005 year, the seven-year review information incorporates IFRS-adjusted financial information for the 2005 to 2008 financial years only. Information in respect of earlier financial periods remains that reported in accordance with SA GAAP.
6. The income statements include the results of the Discom business unit disposed of during September 2007 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 page 129 of this report.

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

2008

BOARD OF DIRECTORS

[A] David Nurek
[B] Fatima Abrahams
[C] John Bester
[D] Peter Eagles

David Nurek (58)
Independent non-executive chairman
Dip Law, Grad Dip Company Law
Chairman of the Nominations and Remuneration 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 and Lewis Group, non-executive deputy chairman of Foschini and a non-executive director of Aspen Pharmacare, Sun International and Trencor.

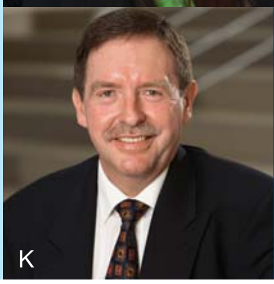
Fatima Abrahams (45)
Independent non-executive director
B Econ Hons (cum laude), M Com and D Com
Chairman of the Transformation committee
Appointed March 2008
Professor Abrahams is an academic, experienced company director and a registered industrial psychologist. She is currently a senior professor at the University of the Western Cape, having also served as dean of the Faculty of Economic and Management Sciences. Professor Abrahams is chairperson of TSIBA Education, a non-profit private higher educational institution, and is a non-executive director of Foschini and Lewis Group.

John Bester (62)
Independent non-executive director
B Com Hons, CA (SA), CMS (Oxon)
Chairman of the Audit committee (from 1 December 2008)
Appointed October 2008
John served as a partner of Ernst & Young for 10 years, has held financial director positions in commerce and industry and is currently the financial director of Personal Trust International. He is non-executive chairman of Barnard Jacobs Mellet Holdings and a non-executive director of Western Province Rugby.

Peter Eagles (60)
Non-executive director
B Sc (Pharm), B Sc Hons (Pharm), M Sc (Pharm) (UWC), Ph D (Chemistry) (UCT)
Appointed April 2006
An experienced academic and registered pharmacist since 1974, Professor Eagles has been a member of the South African Pharmacy Council for 14 years and has served as its president since 1998. He was appointed as the vice-chairman in 1995 and chairperson in 2003 of the South African Medicines Control Council. He has served as professor of pharmaceutical chemistry at the University of the Western Cape since 1992.

Bertina Engelbrecht (45)
Group human resources director
B Proc, LL M, admitted attorney
Appointed as a director in March 2008
An experienced human resources professional, Bertina joined New Clicks in July 2006 as group human resources director. She was previously general manager for Shell SA Energy and regional human resources manager for Shell Oil Products Africa. Prior to this Bertina was director of organisational effectiveness at Sea Harvest, managed her own consultancy practice and spent eight years with Transnet. Bertina was appointed as a non-executive director of Kagiso Investment Trust in July 2008.

Michael Harvey (39)
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.



[E] Bertina Engelbrecht
[F] Michael Harvey
[G] Fatima Jakoet
[H] David Kneale
[I] Robert Lumb
[J] Martin Rosen
[K] Keith Warburton

Fatima Jakoet (48)
Independent non-executive director
B Sc, CTA, CA (SA), Higher certificate in financial markets
Chairman of the Risk committee
Appointed March 2008

After spending six years in the auditing profession, Fatima lectured in financial accounting at the University of the Western Cape. Thereafter she spent a decade with the Eskom Group in positions from regional and corporate finance to general manager: telecommunications. After working in general management positions at Denel, she left the corporate environment to concentrate on investment opportunities and director responsibilities. Fatima is now a non-executive director of the SA Reserve Bank, Metropolitan Holdings, Impala Platinum and MTN West and Central Africa Region.

David Kneale (54)
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.

Robert Lumb (65)
Independent non-executive director
Adv Dip Tax Law, CA (SA)
Chairman of the Audit committee (until 30 November 2008)
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 HomeChoice Holdings and non-executive chairman of Metje & Ziegler.

Martin Rosen (58)
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.

Keith Warburton (50)
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.

2008

CHAIRMAN'S STATEMENT

David Nurek
Independent
non-executive chairman

Introduction

New Clicks continued to realise the benefits of a focused strategy and robust business model in an increasingly competitive retail environment. The group posted another good performance off a high base, with the strong real sales growth demonstrating the resilient nature of the business.

The key financial performance measure of diluted headline earnings per share increased 28.1% to 131.9 cents per share, continuing to benefit from the group's share buy-back programme. Shareholders were rewarded with a 26.8% increase in distributions to 61.1 cents per share for the year.

2008 has also been a year of milestones for the group. Clicks celebrated the 40th anniversary of its founding in August 1968 by the late Jack Goldin. Clicks has emerged as the country's leading pharmacy, health and beauty retailer and it was fitting that in this 40th birthday year we also marked the opening of the 150th Clicks pharmacy, just four years after the first pharmacy was introduced.

Investment proposition

New Clicks offers arguably one of the most compelling organic growth opportunities in the local retail sector, particularly as the group continues to expand its presence in the healthcare market.

While Clicks is already the largest retail pharmacy chain in the country, the goal is to open a dispensary in every Clicks store, providing the potential to more than double the current pharmacy base. At the same time the Clicks chain will be opening 20 to 30 new stores each year as it expands the store footprint to 400 in the medium term, creating further opportunities for in-store dispensaries.

Corporate pharmacy is still in its relative infancy in South Africa, but already accounts for an estimated 25% of the retail pharmacy market. This is still some way off the market presence in the United States and United Kingdom where corporate pharmacy has a share well in excess of 50%, and this highlights the growth opportunity for corporates within the local market.

UPD is the only full-range pharmaceutical wholesaler in the country, with a strong presence in the hospital and independent pharmacy markets, as well as being a major supplier to Clicks.

As Clicks and UPD occupy market-leading positions in retail pharmacy and pharmaceutical wholesaling respectively, both are therefore well positioned to benefit from the potential consolidation in their sectors.

The group also acquired two healthcare businesses during the year to accelerate growth in courier pharmacy and pharmaceutical distribution into neighbouring countries.

New Clicks is primarily a defensive stock with a high proportion of turnover in non-cyclical merchandise and as a cash retailer is not exposed to credit risk in the current environment. A detailed investment case is outlined on page 7 which highlights the group's favourable market positioning, customer offering and growth prospects.

Board of directors

Our board of directors was strengthened in March this year. Professor Fatima Abrahams and Fatima Jakoet were appointed as independent non-executive directors and Bertina Engelbrecht, the group human resources director, was appointed as an executive director.

These appointments have added a range of specialist skills to the board and have further enhanced board level transformation and gender diversity, in line with the group's overall transformation objectives. Black representation on our board is now 36%, with female directors comprising 27% of the board.

During the year Lucia Swartz and Roy Smither resigned from the board, while Rob Lumb stepped down after the year-end. We thank these directors for their service and wish them well in the future. We also welcomed John Bester to the board in October 2008 as an independent non-executive director.

150th
Clicks pharmacy
opened

"New Clicks offers one of the most compelling organic growth opportunities in the retail sector."

We noted with sadness the passing of Peter Swartz, a former deputy chairman of the group who served as a non-executive director for nine years.

The composition of the board committees was reviewed to embrace the skills of the newly-appointed directors, with new chairpersons being appointed for the audit (John Bester), risk (Fatima Jakoet) and transformation (Professor Fatima Abrahams) committees.

The board committee structure has also been revised, with the mandate of the risk committee being expanded to incorporate the functions of the governance committee. The risk committee will in future also be responsible for ensuring the group's compliance with the sustainability principles contained in King II.

Prospects

After seeing some early signs of improving economic prospects late in the financial year our economy has become more vulnerable with the turmoil in world markets and this could affect the outlook for interest rates, fuel prices and domestic inflation. While we are unlikely to escape unscathed from global recessionary pressures, there are several elements which are likely to sustain our domestic economic growth. All of this creates a challenging retail environment.

However, the group's business model is proving to be robust, the strategy is focused and the business objectives are clear and well understood by the highly competent management team.

The group's strategic objectives remain unchanged and the medium-term ROE target has been revised upwards to 35% – 40% to reflect improved prospects within the business.

The performance over the past year has shown that the group's brands are well positioned in the current trading environment.

In the absence of any marked deterioration in the trading conditions, shareholders can expect continued real growth in earnings in the 2009 financial year.

Acknowledgements

The group continues to benefit from a strong and stable management team which has an unwavering focus on delivering results to stakeholders. Thank you to David Kneale and his executive committee of Keith Warburton, Michael Harvey and Bertina Engelbrecht for their leadership of the group.

I would also like to thank my board colleagues for their support and advice, and welcome the directors appointed over the past year.

Once again I acknowledge the team effort of over 7 000 New Clicks people who have contributed to another year of good performance in 2008.

In closing I express my thanks to the group's stakeholders for their ongoing support, including our shareholders and the wider investor community, customers, suppliers, business partners, industry regulators and the media.

David Nurek
Independent non-executive chairman

CHIEF EXECUTIVE'S REPORT

David Kneale
Chief executive officer

Introduction

The strong performance of New Clicks over the past year reflects the resilience of our brands in an environment of increasing pressure on consumer confidence and spending. As our markets are primarily defensive and our products mainly needs based, we have benefited at a time when the overall retail sector has shown signs of strain.

It is pleasing to report that our brands all strengthened their market positions during the year and all recorded market share gains.

Delivering our strategic objectives

Achieving our medium-term goals of *delighting our customers*, employing *motivated* and *competent people* and *improving return on equity* will ultimately enable the group to deliver on its strategic objectives. Our confidence in the future is reflected in the investment we made over the past year in achieving these goals.

In *delighting our customers* we opened 32 new stores across Clicks, Musica and The Body Shop as well as 32 new pharmacies. Several stores were upgraded and relocated to improved trading environments. We also introduced new products and services and have remained price competitive in this environment.

We invested in the development of our *motivated and competent people* while continuing to make progress towards achieving our transformation target of 100% BEE compliance by 2010.

Improving return on equity (ROE) is our over-arching financial objective and the group exceeded its medium-term target of 30%, increasing the ROE from 24.7% to 32.8% for the year.

Healthcare reform

Regulatory uncertainty continues to prevail in the retail and wholesale pharmaceutical markets. Four years after the Department of Health (DoH) proposed a dispensing fee for retail pharmacy there is still no regulated fee and this needs to be finalised to bring much-needed stability to the pharmacy profession in our country. We confirm our support for the DoH's proposed four-tier fee structure which we believe will provide a fair return for retail pharmacists.

We also await clarity on the logistics fees for pharmaceutical wholesalers and the benchmarking of drug prices. In determining a fair logistics fee the DoH needs to recognise the vital role being played by wholesalers in providing a safe and efficient supply chain for scheduled medicines.

Allied to this is the need for definitive licencing criteria to be applied for the registration of pharmaceutical wholesalers. The absence of clear guidelines has led to a proliferation of wholesalers in recent years. It is our view that rules need to be applied to only license those wholesalers that comply with the highest standards of medicine holding and handling. This will inevitably result in much-needed consolidation of the medicines supply chain.

The granting of licences to retail pharmacies also needs to be streamlined to shorten the decision-making process.

We would also welcome regulatory reform to improve the medicine registration process. To accelerate the pace at which new, lower cost generic drugs can be brought to market, the authorities need to recognise the internationally accepted safety standards of the patent product rather than replicating this process for each new generic alternative.

New Clicks is actively engaging with the DoH to promote the role of the pharmacist as the gatekeeper to primary healthcare. Pharmacists are ideally positioned to provide more accessible and lower cost health advice, in line with the government's healthcare objectives. This will help to alleviate pressure on hospitals and doctors while lowering costs to consumers. Pharmacists are highly trained and need to be empowered to prescribe a broader range of scheduled medicines.

> "Our brands all strengthened their market positions ... and all recorded market share gains."

Wider participation in health insurance would also further the national healthcare agenda and reduce pressure on state resources.

New Clicks welcomes the appointment of the new health minister, Barbara Hogan, and is encouraged by her pragmatic approach to addressing the country's healthcare challenges. While a cautious approach has been adopted to legislation, we would urge that changes be made to the regulatory framework to ultimately improve the long-term health of the nation.

Plans for 2009

Our strategic objectives remain unchanged and have only been adapted to reflect the progress made over the past year (refer to page 9).

In 2009 we plan to entrench the positioning of Clicks as a health and beauty specialist. By investing in distribution capability, aggressively rolling out new Clicks pharmacies and integrating the courier pharmacy business Direct Medicines, we will build UPD and Clicks' pre-eminence in healthcare supply and pharmacy management. Musica is now positioned as an entertainment business and for the first time DVD and gaming are expected to contribute more than 50% of sales.

Capital expenditure of R246 million has been committed for 2009 for investment in systems, stores and facilities. Our store footprint will be expanded by the opening of 20 to 25 Clicks stores, 40 to 50 Clicks pharmacies, six Musica outlets and three stores for The Body Shop.

Confronting challenges

While we are positive on the outlook for 2009 we are also mindful of the challenges facing the group.

The current *regulatory framework* is inhibiting the ability of Clicks to register private label healthcare products while pharmacy licencing procedures are limiting our capacity to plan effectively.

South Africa faces a *scarcity of skills*, and this is particularly evident in the pharmacy sector. The shortage of pharmacists is a constraint to the growth of our pharmacy business. We are committed to building capacity to ensure a sustainable pharmacy profession and are working closely with universities to address the issues, as well as advancing the training of pharmacy assistants through our Pharmacy Healthcare Academy.

The *trading environment* remains challenging. Consumers have, out of necessity, become more discerning and look for value in these times, which is favourable for a value retailer such as Clicks. However, we can only expect to see an uplift in consumer spending once interest rates start to decline and are unlikely to see any benefit from this in the 2009 financial year.

We are expecting selling price *inflation* to remain in the mid-single-digit range in the year ahead but could be affected by the declining value of the Rand and other potential knock-on effects of the slowdown in the global economy.

In this environment of tighter consumer spending and uncertainty, *cost management* will be a critical focus area to ensure ongoing returns to shareholders.

Appreciation

Thank you to our chairman, David Nurek, for his guidance and support and to my fellow directors for their independent counsel and active participation in board level debate.

It has been pleasing to see how the collective efforts of our staff in the stores across the country, the distribution centres and at head office are translating into a sustained improvement in performance. Thank you for your contribution and I count on your commitment as we seize the opportunities and face the challenges in 2009.

David Kneale
Chief executive officer

CHIEF FINANCIAL OFFICER'S REPORT

Keith Warburton
Chief financial officer

Introduction

In its drive to enhance shareholder value by generating sustained earnings growth and financial returns, New Clicks delivered on its commitment to shareholders by achieving all its medium-term financial targets in the past year.

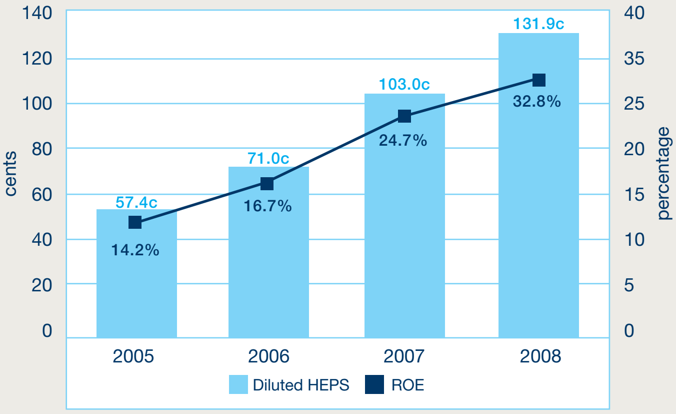
The business again showed its defensive and counter-cyclical qualities in the current economic environment, with approximately 75% of turnover being derived from healthcare and beauty merchandise within Clicks and UPD.

While trading conditions in South Africa became increasingly challenging during the year, overall group turnover for the first and second six-month periods was constant, with Clicks reporting a stronger second half turnover performance. However, the slowdown in consumer spending was evident in Musica and The Body Shop which offer more discretionary merchandise, with both businesses reporting slower second half sales growth.

Headline earnings increased 12.3% from R357 million to R401 million. Diluted headline earnings per share (HEPS) increased 28.1% to 131.9 cents per share (2007: 103.0 cents), continuing to benefit from the share buy-back programme.

The group has shown consistent improvement in financial performance over the past three years, more than doubling its ROE since 2005 from 14.2% to 32.8% while diluted headline earnings per share have shown a 32.0% three-year compound growth rate.

Three-year growth



Financial performance

The following review of the group's performance for the year ended 31 August 2008 should be read in conjunction with the annual financial statements on pages 59 to 120 , as well as the business unit segmental analysis which appears on pages 26 and 27.

Income statement

Turnover

The 12.2% increase in turnover from continuing operations to R11.3 billion (2007: R10.1 billion) was most pleasing in the current climate and reflected a high level of real sales growth as price inflation for the period measured 3.9%.

Clicks continued its strong performance and increased turnover by 12.1%, with real sales growth of 8.2%. Sales on a comparable store basis increased 10.2%. The key drivers of growth were the health and beauty merchandise categories which grew 19.5% and 13.0% respectively.

UPD increased turnover by 13.3%, benefiting from the growth of the Link pharmacy buying group, a new distribution contract and sales to hospital groups.

Musica increased turnover by 7.7% as trading slowed in the second half of the year. DVD sales grew 19.7% and gaming 26.2%, although CD sales declined 3.0%, mainly due to the impact of limited releases of popular local music. Sales of international CDs grew 1.1%.

The 17.5% growth in turnover in The Body Shop was driven primarily by new store openings and the Love Your Body loyalty programme.

"... the group achieved all medium-term targets in the past year."

Intragroup turnover from UPD to Clicks grew by 11.1%, although this growth is moderated by the relocation of certain front shop products previously supplied to Clicks by UPD to the Clicks distribution centre in the previous financial year.

The business unit trading performance is covered in the operational reviews on pages 28 to 33.

Total income

Total income, comprising gross profit and other income, from continuing operations grew by 14.8% to R2.7 billion with the total income margin improving from 23.5% in 2007 to 24.0%.

The retail income margin increased from 30.6% to 31.7%, with Clicks improving from 29.7% to 31.0%, mainly due to better buying and improved management of shrinkage and waste. The improvement in Musica's margin from 32.8% to 33.2% was attributable to well-managed buying margins and additional income recoveries.

UPD's total income margin was stable at 8.4% despite a growing level of ethical products in the sales mix. UPD has benefited from an increase in single exit pricing granted by the Department of Health to selected manufacturers in both 2007 and 2008.

Operating expenditure

The 13.5% growth in operating expenditure from continuing operations was contained below the growth in total income.

Operating expenditure includes the costs relating to the hedge on the employee incentive schemes, with the value of the hedge moving in line with market movements and the period to maturity reducing. When the mark-to-market value of the hedge is excluded, the increase in operating expenditure was held at 10.6%.

Depreciation and amortisation costs increased by 16.9% and reflect the increased investment in each of the businesses during the year.

Occupancy costs were well managed with an increase of 7.7%.

Employment costs increased 10.6% and includes the impact of the cost of opening 32 new stores, the appointment of pharmacy staff with the opening of a further 32 dispensaries in Clicks and people costs relating to the Clicks Blueprint programme.

The 11.2% increase in other operating costs (excluding the hedge mark-to-market) includes the impact of fuel price increases on UPD's delivery costs, as well as volume-related costs such as credit card commissions.

The mark-to-market costs for the derivative hedge moved from a credit to the income statement of R26.8 million in 2007 to a charge of R22.8 million in 2008, resulting in a year-on-year impact to total costs of R49.6 million.

Operating profit

The retail operating margin improved from 5.4% to 6.1% while UPD's margin was 3.2%, resulting in an overall increase in the margin to 5.2% (2007: 4.9% and 2006: 4.0%).

Clicks has shown a pleasing improvement in margin, growing from 4.3% in 2006 to 5.3% in 2007 and to 6.0% this year, driven by better buying and improved management of shrinkage and waste.

Despite pressure on transport costs, improved operating efficiencies in UPD resulted in a steady increase in operating profit in the second half of the year, with growth of 11.0% for the financial year. While UPD maintained its operating margin at 3.2% management believes this level is not sustainable and has set a medium-term target of 2.7% to 3.0%.

Musica experienced a flat first half, but tight cost control and good merchandise buying in the second half contributed to a 16.7% increase in operating profit for the year.

The improved margin and higher turnover growth translated into a 19.9% increase in operating profit from continuing operations to R592 million.

Interest

The net interest charge increased by 31.8% in the year to R51 million (2007: R39 million), primarily due to the impact of increased interest rates.

CHIEF FINANCIAL OFFICER'S REPORT
continued ...

Balance sheet

Inventory

Inventory levels in continuing operations increased 15.0% and the days cost of sales in inventory was 55 days.

Inventory levels for the retail businesses increased 8.4%, well below the level of turnover growth of 11.4%.

UPD's inventory levels rose 40.8% off a low base and inventory days cover moved from 22 to 28 days, in line with management's guidance, and are now at a more normalised level.

Cash utilisation

Normalised cash flow R'm	2008 normalised	2007 normalised
Cash generated by operations	**724**	622
Working capital changes	**(224)**	521
2006 impact of systems conversion on accounts payable	**–**	(215)
UPD accounts payable (2007: inventory)	**251**	(61)
Discom accounts payable	**100**	–
Net interest paid	**(43)**	(36)
Taxation paid	**(193)**	37
Utilisation of tax losses and refund of over-payments	**28**	(166)
Normalised free cash flow	**643**	702

Cash generated by operations before working capital changes increased by 16.3% to R724 million. The free cash flow (cash inflow from operating activities before distributions) of R264 million is impacted by one-off working capital funding impacts during the past two years, as well as timing differences attributed to cash tax payments after utilising tax losses. A normalised level of free cash flow for the year would be R643 million.

Shareholder distribution

Shareholders will receive a total distribution of 61.1 cents per share (2007: 48.2 cents), an increase of 26.8% on the previous year. The distribution cover ratio was maintained at 2.2 times headline earnings per share. The distribution will be paid partly as a cash dividend from retained income and the remainder as a capital reduction distribution out of share premium.

The board has taken a decision to reduce the distribution cover from 2.2 to 2.0 times earnings cover for the 2009 financial year.

Acquisitions

During the year the group announced two acquisitions to complement its growing healthcare interests. The group purchased a 90% shareholding in Kalahari Medical Distributors, a pharmaceutical wholesaler in Botswana, at a cost of R4.3 million with effect from 1 January 2008. Shortly before year-end the group announced the proposed acquisition of a 60% stake in courier pharmacy business, Direct Medicines, for a cash payment of R13.2 million. The group has an option to acquire the remaining 40% of the business after three years. Regulatory approvals were awaited at the time of the report.

Financial risk management

Through its business activities the group is exposed to a variety of financial risks, including market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The group's exposure to these risks and the policies for measuring and managing the risk are included in note 29 of the annual financial statements, with further detail on financial risk contained in the Risk Management Report on page 46.

Capital management

The group has an active capital management programme to enhance returns to shareholders and benefits to other stakeholders, and to maintain an optimal capital structure.

The group has a target to maintain the ratio of shareholders' funds to total assets in the range of 30% to 35%. This can be achieved by meeting the group's earnings targets, management of working capital, share buy-backs and distributions to shareholders.

During the year the group repurchased shares totalling R607 million, including R126 million acquired by forward agreement in the 2007 financial year. Since the commencement of the buy-back programme in May 2006 the group has acquired R1 219 million in shares at an average price of R13.91, representing 24.7% of the issued shares at the time of initiating the programme.

The share buy-back programme and related balance sheet restructuring has largely been completed. The group will continue to repurchase shares at a more modest rate as a mechanism to maintain shareholders' funding to total assets within the targeted range.

Shareholding

New Clicks has a diversified shareholder base which includes most of the country's leading fund managers. At year-end the top ten shareholders accounted for 70.3% of the shares (78.6% of the free float). Currently less than 10% of the group's equity is held offshore and management is actively seeking to increase its exposure to international fund managers to diversify the shareholder base. The percentage of shares traded increased from 94.1% in 2007 to 100.7%, while the volume traded declined from 316 million to 300 million.

Medium-term financial targets

After achieving the medium-term financial targets in the 2008 financial year, the group has revised the targets for return on total assets, shareholders' funding to total assets and ROE based on the expectations for continued improvement in performance (refer to Group Strategy and Targets on page 8). The revised targets are as follows:

	Achieved in 2008	2009 – 2011 target
ROE (%)	32.8	35 – 40
Shareholders' funding to total assets (%)	31.9	30 – 35
ROA (%)	10.6	10 – 13
Inventory days	55	55 – 60
Operating margin (%)	5.3	5 – 6

Outlook for 2009

While capital expenditure has been approximately R160 million per year over the last three years, the group is expecting this to increase to approximately R200 million per year for each of the next three years owing to the accelerated pace of the dispensary rollout in Clicks, as well as more planned store openings and refurbishments. Capital expenditure in the year ahead includes an investment of R40 million in information technology (IT), with one of the main projects being the implementation of a bespoke dispensary IT system in Clicks pharmacies.

An additional R50 million has been budgeted for the new financial year, with the majority committed to the upgrading of UPD's distribution facilities in Gauteng and Cape Town, bringing total capital expenditure for 2009 to R246 million.

We anticipate price inflation remaining in the mid-single-digit range, although above the 3.9% level reported for 2008. However, this could be impacted by several inflationary pressures related to the crisis in global financial markets and the recent depreciation of the Rand.

The group plans to open 30 to 35 new stores, with retail trading space expected to increase by approximately 5%.

Keith Warburton
Chief financial officer

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08

BUSINESS UNIT SEGMENTAL ANALYSIS
for the year ended 31 August 2008

R'm		Clicks 2008	Clicks 2007	Musica 2008	Musica 2007	The Body Shop 2008	The Body Shop 2007	Style Studio*** 2008	Style Studio*** 2007
Balance sheet									
Property, plant and equipment		**328**	254	**56**	37	**12**	12	**–**	1
Intangible assets (including goodwill)		**272**	272	**–**	–	**–**	–	**–**	–
Inventories		**868**	802	**141**	128	**9**	8	**–**	1
Other assets		**24**	26	**–**	–	**–**	–	**–**	–
Total assets		**1 492**	1 354	**197**	165	**21**	20	**–**	2
Income statement									
Turnover		**6 235**	5 562	**941**	873	**97**	83	**–**	8
Total income		**1 935**	1 654	**312**	287	**56**	49	**1**	4
Operating expenses		**(1 560)**	(1 358)	**(262)**	(244)	**(40)**	(35)	**–**	(4)
Operating profit*		**375**	296	**50**	43	**16**	14	**1**	–
Ratios									
Increase in turnover	%	**12.1**	14.3	**7.7**	12.1	**17.5**	26.3	**–**	21.2
Selling price inflation	%	**3.9**	2.8	**3.4**	(1.3)	**4.2**	5.3	**–**	–
Comparable stores turnover growth	%	**10.2**	14.3	**2.9**	10.0	**6.8**	19.3	**–**	–
Total income margin	%	**31.0**	29.7	**33.2**	32.8	**58.0**	59.4	**–**	46.0
Increase in operating profit	%	**26.7**	43.2	**16.7**	67.7	**13.0**	24.7	**48.6**	(66.7)
Operating profit margin	%	**6.0**	5.3	**5.3**	4.9	**16.1**	16.7	**–**	4.1
Inventory days		**70**	71	**79**	77	**82**	88	**–**	97
Number of stores									
– company owned		**326**	320	**158**	147	**35**	33	**–**	3
as at 31 August 2007/2006		**320**	303	**147**	145	**33**	29	**3**	3
opened		**15**	21	**15**	7	**2**	4	**–**	–
closed		**(9)**	(4)	**(4)**	(5)	**–**	–	**–**	–
sale of businesses		**–**	–	**–**	–	**–**	–	**(3)**	–
– franchised		**16**	16	**–**	–	**–**	–	**–**	–
Total leased area	m^2	**228 127**	223 505	**29 277**	26 051	**2 480**	2 381	**–**	302
Weighted retail trading area	m^2	**168 285**	165 662	**24 764**	21 700	**1 839**	1 604	**–**	265
Weighted annual sales per m^2	R	**37 052**	33 576	**37 985**	40 249	**52 723**	51 442	**–**	32 574
Number of permanent employees		**5 422**	5 435	**825**	755	**104**	98	**–**	7

* Operating profit is operating profit before financing costs as reported in the consolidated income statement adjusted to exclude goodwill impairment. profit on disposal of property, plant and equipment and profit on disposal of businesses
** Disclosed as discontinued operations in the consolidated income statement
*** The business was disposed of with effect from 3 September 2007

store base grows to

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Group Services 2008	Group Services 2007	Total retail continuing operations 2008	Total retail continuing operations 2007	UPD 2008	UPD 2007	Intragroup elimination 2008	Intragroup elimination 2007	Total continuing operations 2008	Total continuing operations 2007	Discom** 2008	Discom** 2007	Group 2008	Group 2007
217	274	613	578	121	121	–	–	734	699	–	46	734	745
29	17	301	289	87	86	–	–	388	375	–	100	388	475
–	–	1 018	939	359	255	(6)	(2)	1 371	1 192	–	211	1 371	1 403
596	770	620	796	748	753	(276)	(163)	1 092	1 386	–	1	1 092	1 387
842	1 061	2 552	2 602	1 315	1 215	(282)	(165)	3 585	3 652	–	358	3 585	4 010
–	–	7 273	6 526	4 864	4 295	(856)	(770)	11 281	10 051	50	1 154	11 331	11 205
–	–	2 304	1 994	410	365	(4)	2	2 710	2 361	15	363	2 725	2 724
–	–	(1 862)	(1 641)	(256)	(226)	–	–	(2 118)	(1 867)	(8)	(323)	(2 126)	(2 190)
–	–	442	353	154	139	(4)	2	592	494	7	40	599	534
–	–	11.4	14.2	13.3	11.2	11.1	17.4	12.2	12.6	(95.7)	7.0	1.1	12.0
–	–	3.8	2.3	3.9	2.0	–	–	3.9	2.1	–	4.1	3.9	2.3
–	–	9.2	13.7	–	–	–	–	9.2	13.7	–	10.1	9.2	13.2
–	–	31.7	30.6	8.4	8.5	–	–	24.0	23.5	31.2	31.5	24.1	24.3
–	–	25.0	21.0	11.0	21.0	–	–	19.9	11.8	(81.8)	17.9	12.3	35.8
–	–	6.1	5.4	3.2	3.2	–	–	5.2	4.9	14.5	3.5	5.3	4.8
–	–	71	72	28	22	–	–	55	53	–	93	55	57
–	–	519	503	–	–	–	–	519	503	–	162	519	665
–	–	503	480	–	–	–	–	503	480	162	179	665	659
–	–	32	32	–	–	–	–	32	32	–	8	32	40
–	–	(13)	(9)	–	–	–	–	(13)	(9)	–	(25)	(13)	(34)
–	–	(3)	–	–	–	–	–	(3)	–	(162)	–	(165)	–
–	–	16	16	–	–	–	–	16	16	–	1	16	17
–	–	259 884	252 239	–	–	–	–	259 884	252 239	–	68 238	259 884	320 477
–	–	194 888	189 231	–	–	–	–	194 888	189 231	–	52 980	194 888	242 211
–	–	37 318	34 492	–	–	–	–	37 318	34 492	–	21 772	37 318	31 710
318	658	6 669	6 953	453	494	–	–	7 122	7 447	–	1 629	7 122	9 076

OPERATIONAL REVIEW

Michael Harvey
Managing director

Clicks is a specialist health, beauty and lifestyle retailer appealing mainly to female consumers in the middle and upper income markets. The brand offers value for money in convenient and appealing stores. Clicks has the largest retail pharmacy network in the country with 157 in-store dispensaries.

Review of the year

The strong volume growth in Clicks over the past year highlighted the defensive qualities of the business in a tightening economy. The growth was driven by sales in the health (up 19.5%) and beauty (up 13.0%) merchandise categories which collectively accounted for 72.9% of sales, confirming that Clicks has become the first choice pharmacy, health and beauty retailer.

Health is now the largest contributor to sales in Clicks, with prescription and over-the-counter (OTC) medication, as well as baby merchandise, growing strongly. Pharmaceutical sales passed the R1 billion mark for the first time in a year.

General merchandise, which accounted for the remaining 27.1% of sales, was impacted by slower discretionary spending but continues to be an area of strategic focus for the business.

Clicks expanded its national pharmacy presence to 157 following the opening of 32 new in-store dispensaries. The introduction of dispensaries into Clicks stores continues to drive sales volumes, with a marked increase in front shop sales in the first three years. Clicks has grown its share of the retail pharmacy market from 9.3% to 10.7% over the past year despite the increasing market presence of other listed retail chains and a national independent pharmacy group.

The centralised patient registry, which enables customers to access prescription medication from any Clicks pharmacy in the country, now holds over 835 000 customer profiles.

Market research undertaken by AC Nielsen showed that 33% of South African consumers rated Clicks as the first choice for health and beauty products, double its next competitor. Consumer awareness of Clicks pharmacies increased to 42% and Clicks is the preferred destination for prescription and OTC medication for 19% of the population.

Clicks made a significant investment in stores during the year. After opening 15 new stores to increase the store base to 326, a further 79 stores were also converted to the new Blueprint design which emphasises Clicks' health and beauty specialism. A programme was introduced to review store disciplines and compliance processes. This was completed in 103 stores, resulting in improved operating efficiencies. This programme will be continued into the new financial year.

Private label and exclusive brands offer competitive prices for customers and higher margins for Clicks. Private label merchandise also exceeded R1 billion in sales for the first

2.5m
active ClubCard members

private label sales of
R1bn

time and comprised 16.3% (2007: 15.1%) of total turnover. Within each of the merchandise categories, private label made up 31.1% of general merchandise sales, 18.4% of beauty and 3.4% of health.

Customer loyalty is increasingly relevant in times of economic pressure. Membership of the ClubCard loyalty programme increased by over 300 000 to 2.5 million active members over the year, with more than half of the new members from the emerging market. ClubCard holders generated 69% of front shop sales and 64% of dispensary business.

Focus for 2009

Clicks plans to expand its presence in the retail market by growing the store base to 400 in the medium term. The positive response from customers to the Clicks pharmacy offering will see the introduction of a smaller format convenience store model for Clicks in the year ahead and this will allow the brand to expand by between 20 and 30 stores a year.

The long-term goal is to offer a pharmacy in every store and Clicks has an aggressive plan to open 40 to 50 pharmacies each year.

The acquisition of a majority stake in courier pharmacy business Direct Medicines will enable Clicks to broaden its coverage in the retail pharmacy market and accelerate a national pharmacy presence. Once all regulatory approvals for the acquisition have been received the business will be rebranded as Clicks Direct Medicines.

Clicks will continue to differentiate its offering in the market. Private label and exclusive brands provide a unique product differentiation and the business is targeting to grow sales to 17.5% for 2009 and to reach 20% within the next three years.

Market share (%)	2008	2007
Retail pharmacy market*	**10.7**	9.3
Front shop health products**	**37**	37
Beauty products**	**25**	25

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

Clicks is committed to continuous improvement in the business and is striving for excellence in all areas of operation:

- The Clicks customer proposition is a key point of difference and management will focus on improving service, systems and processes to develop skills in stores.
- Supply chain and distribution will be enhanced through the implementation of the Blueprint process in the three distribution centres around the country. Product availability has been targeted to increase from the current 93% level to 95% in the new year.
- Adopting the highest standards and achieving best practice in pharmacy patient care.

Great people make great retail brands. Clicks has performed well in recent years and management recognises the need for ongoing investment in training and development to ensure that this performance is sustained into the future.

OPERATIONAL REVIEW

Lynda van Niekerk
Managing director

UPD is the country's leading national full-range 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 12 100 product lines – 6 300 scheduled and 5 800 front shop lines – are held to meet customer needs.

Review of the year

A focused growth strategy has seen UPD entrench its leadership position and grow its share of the pharmaceutical distribution market from 25.6% to 26.4%.

Sales to hospitals accounted for 26.4% of total turnover, with UPD supplying the majority of pharmaceutical product to the Life Healthcare and Medi-Clinic private hospital groups. Services to independent pharmacy contributed 28.6%, Clicks pharmacies 17.0%, Link pharmacies 17.1%, with turnover from third-party distribution contracts doubling and contributing 4.9% of sales.

UPD continued to expand its offering to independent community pharmacy through the Link buying group. As a means of creating increased loyalty UPD offers value-adding services to enable these pharmacies to be more competitive. At year-end 309 pharmacies were contracted to the Link initiative, buying an average of 49% of supplies from UPD.

UPD's revenue base was further diversified. The business was awarded the distribution contract for pharmaceutical supplier Pharmaplan. Kalahari Medical Distributors, a pharmaceutical wholesaler in Botswana, was purchased by UPD in January 2008 and contributed R30 million to turnover in the financial year.

Owing to increasing cost pressures, UPD has focused on service levels to its more loyal and profitable customers. Shortly before year-end a minimum order value of R2 500 was introduced along with standardised service levels to drive efficiencies in the business. Rising transport costs necessitated a review of delivery routes and frequency of deliveries and this will result in UPD drivers travelling almost 6.6 million fewer kilometres in the year ahead.

market share grows to 26.4%

The investment in UPD's automated distribution system in 2007 has started to realise cost savings, with an 8% reduction in headcount over the past year.

A stock rationalisation programme was undertaken and all products were evaluated based on profitability and relevance to retail pharmacy. This reduced the number of lines in stock by more than 6 000.

UPD's selling price inflation measured 3.9%, including a 6.5% price increase granted to manufacturers by the Department of Health in the second half of the year.

Focus for 2009

UPD plans to further enhance the loyalty of Link pharmacies by achieving a minimum of 60% buying loyalty in the year ahead. The range of Link-branded products will be relaunched and extended to at least 100 products.

The range of front shop products will be further rationalised.

This stock rationalisation programme has created additional space in the distribution centres and R30 million has been committed to upgrading 6 000 m^2 at Lea Glen and 2 500 m^2 in Cape Town. This includes the upgrading of the receiving and dispatching facilities, increasing cold chain capacity and extending air-conditioning.

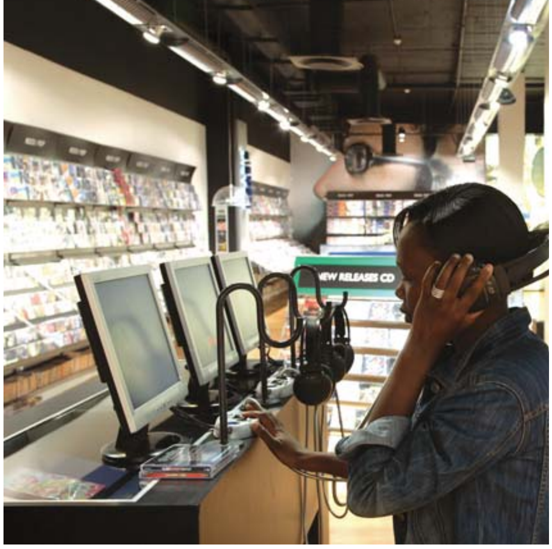
In the year ahead UPD plans to diversify its revenue base even further and is aggressively targeting third-party distribution contracts to grow this area of the business. The New Clicks acquisition of courier pharmacy business Direct Medicines will add a new revenue stream as all medication dispatched to patients across the country will be supplied by UPD.

Market share (%)	2008	2007
Total private pharmaceutical market (value)*	**26.4**	25.6
Total private pharmaceutical market (volume)*	**23.8**	22.6

* IMS

2008

OPERATIONAL REVIEW



Ralph Lorenz
Managing director

MUSICA
A WORLD AWAITS

Musica is the largest retailer of entertainment-related merchandise in the country, targeting consumers in the middle and upper income groups. The merchandise range includes gaming, DVDs, CDs, cellular and lifestyle products.

Review of the year

Musica has continued its successful transition from music to entertainment, with sales of non-music products (mainly gaming and DVD) increasing from 41% to 46% of total turnover for the year.

The focus on broader entertainment products is reflected in the 19.7% increase in DVDs and 26.2% in gaming.

DVD sales growth was aided by good-quality releases in the first half and strong promotions in the second half. Gaming sales were boosted by the introduction of Nintendo Wii and Nintendo DS during the year, as well as the launch of the Wii Fit balance board. Additional trading space was allocated to the DVD and gaming categories in 63 stores during the year.

CD sales declined 3.0%, although this is better than the trend experienced in most developed markets. Sales were further impacted by a lack of new releases, particularly by local artists. However, Musica still increased its share of the CD market over the period to 41%.

Musica was voted the *Coolest CD Store* for the third consecutive year in the Sunday Times Generation Next survey. This survey reflects the views of customers in the youth market and indicates the power of the Musica brand.

The store footprint was increased to 158 with the opening of 15 stores, while six were relocated to improved quality trading space in similar areas. A new megastore was opened in Cavendish Connect in Cape Town.

Focus for 2009

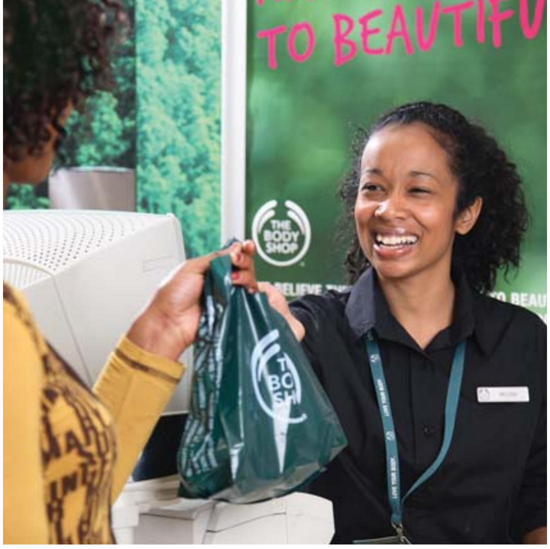
Management is targeting to achieve more than 50% of sales from non-music products in the 2009 financial year. A new brand identity and positioning statement, "A World Awaits", has been introduced to reflect the shift away from music to an entertainment offering.

Musica continues to be positioned as a gaming software specialist and gaming ranges and space will be expanded in all stores. Gaming has an estimated 44% share of the local entertainment market and presents a real growth opportunity for the brand.

The economic environment will remain challenging for Musica, with the pressure on discretionary spending expected to extend well into the new year. Recognising this, Musica will be adopting a more conservative approach to store expansion and plans to open six new stores.

Market share (%)	2008	2007
CD	**41**	38
DVD	**22**	20
Gaming software	**9**	9

Per RISA/GfK/supplier data



35%
of sales from
Love Your Body
programme

THE BODY SHOP™

Carol Poolton
General manager

The Body Shop is a global brand of naturally-inspired luxury toiletries, cosmetics, gifting and grooming. Founded by the late Dame Anita Roddick in 1976, The Body Shop has become one of the most recognisable brands in the world. New Clicks operates The Body Shop in southern Africa under an exclusive licence agreement and serves mainly female consumers in the upper and middle income markets.

Review of the year

The strong sales performance in The Body Shop was driven by continued product innovation, the Love Your Body loyalty programme and new store openings. The South African business was recognised for its sales performance at this year's annual franchise conference of The Body Shop International.

Following a buoyant Christmas trading period growth slowed in the second half in line with general retail trends.

Gifting sales increased by 38% through distinctive Christmas and Mother's Day gifting ranges, while new product launches lifted bath and body sales by 22%. Skincare merchandise grew by 24%.

The Love Your Body loyalty programme continues to support growth, with membership exceeding 50 000 and accounting for almost 35% of sales. The average basket size of loyalty card holders continues to be more than 50% higher than non-card holders.

The store base was increased to 35 with the opening of new stores in Eastgate and Gateway, with both stores showing strong sales performance.

Ongoing customer service training remains a key focus while the in-store experience has been enhanced through more appealing merchandising, greater stock depth and improved visual elements.

Supply problems resulting from changes in the manufacturing base of The Body Shop International impacted product availability locally. These distribution challenges were resolved in the second half of the year and targeted availability levels will be restored in time for the Christmas trading period.

Focus for 2009

The Body Shop is being relaunched internationally with the new brand philosophy of "Nature's way to beautiful". This will see the brand adopt a more premium positioning while retaining the heritage of natural, ethically-sourced products. The brand relaunch is being supported by innovative new product.

Love Your Body remains core to the brand's strategy of rewarding loyal customers and the programme will be enhanced in the upcoming year. Three new stores are planned for the 2009 financial year and a strong pipeline of new products will support sales growth.

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CORPORATE GOVERNANCE REPORT

Introduction

New Clicks is committed to adopting sound corporate governance practices throughout its business to protect the interests of the group and its 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 also recognises that sustainable development is a core component of corporate governance and embraces practices which contribute to the long-term sustainability of the business and society. The group's progress on social, economic and environmental management is contained in the Sustainability Report on pages 48 to 56.

Enhancing corporate governance

Governance processes and structures are regularly reviewed to reflect internal developments and to ensure alignment with best practice. During the year governance structures were enhanced in the following ways:

- The board of directors was strengthened with the appointment of three black female directors (two independent non-executive directors and an executive director).
- These appointments further enhanced board transformation and gender diversity, with black representation now 36% and female directors comprising 27% of the board.
- Following a review of the board committee structure, the mandate of the risk committee has been enhanced to incorporate governance and sustainability.
- A legal compliance officer was appointed during the year.
- An information technology audit was undertaken to ensure legislative compliance and the maintenance of superior governance standards.

Board of directors

Board composition

New Clicks has a unitary board structure with 11 directors, including four full-time executive directors and seven non-executive directors. Biographical details of the directors appear on pages 16 and 17.

The following changes were made to the board during the year:

- Professor Fatima Abrahams and Fatima Jakoet were appointed as independent non-executive directors and Bertina Engelbrecht, the group human resources director, was appointed as an executive director (1 March 2008).
- Lucia Swartz retired as a director and did not stand for re-election at the last annual general meeting (29 January 2008).
- Roy Smither resigned from the board (31 January 2008).
- Subsequent to the year-end, Robert Lumb resigned as a director with effect from 30 November 2008 and John Bester was appointed to the board as an independent non-executive director effective 1 October 2008.

Six of the seven 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 currently classified as independent. The consulting contract with Professor Eagles is due to come to an end in the 2009 financial year.

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 range of sectors, including accounting, finance, 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. Additional meetings are convened to consider specific business issues which may arise between scheduled meetings.

Board charter

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

- Approving 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 (AGM). Directors appointed during the year are required to have their appointments ratified at the following AGM.

Executive directors are subject to an 18-month notice period in terms of their conditions 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. This includes visits to stores and distribution centres.

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

The responsibilities of the group executive include:

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

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

CORPORATE GOVERNANCE REPORT
continued ...

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 executive management. The current company secretary, Allan Scott, has elected to retire with effect from 31 March 2009.

Board evaluation

An annual questionnaire-based evaluation is undertaken by the directors which includes an assessment of the performance of the board, the chairman, the chief executive officer, individual directors and all board committees. The results of these reviews are discussed with each director and the chairmen of the board sub-committees. One of the key issues to emerge out of the evaluation process was the need to address the structure and composition of the board committees, which has resulted in several changes as outlined below.

Board and committee structure

The board revised the committee structure with effect from 1 October 2008. The mandate of the risk committee has been expanded to incorporate the functions of the governance committee which has been disbanded. The risk committee will also be responsible for ensuring the group's compliance with the sustainability principles contained in King II.

The composition of the board committees has also been reviewed to embrace the skills of the newly-appointed directors, with new chairpersons being appointed for the audit, risk and transformation committees. All board committees are chaired by independent non-executive directors.

The committees all have clearly-defined mandates which are reviewed annually and the directors confirm that the committees have functioned in accordance with these written terms of reference during the financial year.

* Will assume chairmanship of the committee on 1 December 2008 following the resignation of Robert Lumb effective 30 November 2008.

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 the relevant legislation;
- 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.

Nominations committee

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

Functions

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

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.

Risk committee

Role: Assess risk management processes and procedures adopted by management and ensure compliance with governance and sustainability principles contained in King II.

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 internal audit is aligned with risk management processes;
- Identify emerging areas of risk;
- Ensure ongoing compliance with good governance principles;
- Identify areas of governance non-compliance and propose remedial action; and
- Oversee the group's sustainability management practices.

Transformation committee

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

Functions

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

CORPORATE GOVERNANCE REPORT
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Board attendance

	Board	Audit	Remuneration	Risk	Governance	Nominations	Transformation
Number of meetings	4	4	2	3	1	5	2
David Nurek	4	4	2	–	1	5	2
Fatima Abrahams ^	2/2	–	1/1	–	–	3/3	1/1
Peter Eagles	4	–	2	3	–	–	2
Bertina Engelbrecht ^	2/2	–	–	–	–	–	1/1
Michael Harvey	4	–	–	–	–	–	2
Fatima Jakoet ^	1/2	2/2	–	2/2	1	–	–
David Kneale	4	–	–	3	1	–	2
Robert Lumb	4	4	–	3	–	4/5	–
Martin Rosen	4	–	2	3	–	–	–
Roy Smither #	2/2	1/1	–	1/1	–	–	–
Lucia Swartz *	0/1	–	0/1	–	–	1/1	1/1
Keith Warburton	4	–	–	3	1	–	–
Attendance at meetings							
2008 (%)	95	100	88	100	100	93	100
2007 (%)	87	85	100	79	100	100	100

^ Appointed 1 March 2008 # Resigned 31 January 2008 * Retired 29 January 2008

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 Management 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 head of internal audit reports to the chief financial officer who in turn reports to the chief executive officer. The head of internal audit 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.

Legislative and regulatory compliance

Legislative and regulatory compliance is monitored by an in-house legal adviser and a contracted legal compliance officer who was appointed during the year to focus on compliance with existing and new legislation. Emphasis has been placed on reviewing the following legislation:

- Pharmacy Act and Good Pharmacy Practice Rules
- National Health Amendment Bill
- Medicines and Related Substances Control Amendment Bill
- Regulations amending the Medicines and Related Substances Control Act
- Electronic Communications and Transactions Act
- Regulation of Interception of Communications Act
- Companies Bill
- Consumer Protection Bill

The Companies Bill is expected to be enacted towards the end of 2009, although it is anticipated that the bill will change in various respects from its current status before being enacted. The legal department has focused on the amendments relating to directors' and officers' duties and the additional burden which will be placed on directors and officers in terms of personal liability to shareholders and other third parties.

A comprehensive information technology compliance audit was undertaken which included a review of all legislative requirements, with a specific focus on patient confidentiality in pharmacies. The audit highlighted that the group is largely compliant.

The Consumer Protection Bill will be enacted shortly and role-players will have 12 months to implement its far-reaching provisions. Workshops will be conducted for the areas of the business likely to be affected by the new legislation. The legal department will provide ongoing support throughout the implementation of the new legislation.

Two cases of non-compliance resulted in penalties being imposed on the group during the year:

- Musica was found guilty of negligence in not taking reasonable steps to verify the authenticity of certain gaming controllers and memory cards sold in two stores in March 2007. A fine of R170 000 was imposed under the Counterfeit Goods Act. Musica was found not guilty on the charge of having intentionally sold counterfeit goods. The case arose out of Musica being supplied with counterfeit controllers and memory cards by Dolphin Enterprises. Dolphin was found guilty and fined for supplying counterfeit goods. Legal proceedings have been instituted against Dolphin to recover damages.
- A fine of R68 000 was levied on the Clicks Group Medical Scheme for late submission of annual financial statements to the Council of Medical Schemes.

As a result of the Musica case the group obtained a compliance opinion from external attorneys and their recommendations have been implemented. In addition, a verification process has been adopted for approving new suppliers for Clicks and Musica to ensure the business only deals with reputable suppliers and that all goods are genuine.

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 News Service (SENS).

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

Directors are required to obtain written clearance from the chairman prior to dealing in the company's shares. The chairman is required to obtain approval from the chairman of the audit 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.

CORPORATE GOVERNANCE REPORT
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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.

	2008	2007
Reported incidents*	87	126
Incidents investigated**	87	126
Resultant dismissals/resignations	21	25
Employees counselled	8	16
Other disciplinary action	13	9

* Discom no longer included in 2008
** 15 cases under investigation at year-end

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 of 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 59 to 120 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 in terms of the Corporate Laws Amendment Act by:

- Confirming the nomination 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;
- 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.

The board, on the recommendation of the audit committee, has undertaken to introduce a periodic review of the appointment of the external auditors as a good governance practice. The first review will be undertaken during the 2009 financial year. KPMG and other major auditing firms will be invited to participate in this process. Any decision on the appointment of auditors for the 2010 financial year will follow the necessary regulatory and shareholder approval process.

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 R54 000 for non-audit services.

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

New Clicks aims to create a performance-based culture within the group and is committed to attracting, developing and retaining high-performing individuals. The remuneration strategy aligns the compensation of senior executives with the creation of shareholder value. A significant portion of remuneration is therefore performance-based to encourage practices which will optimise company performance.

The remuneration committee of the board is ultimately responsible for ensuring the group has a competitive remuneration strategy which is aligned with the group's strategy and performance goals. The functions and composition of the committee are outlined in the Corporate Governance Report.

Annual benchmarking exercises are conducted to ensure 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.

Remuneration structure

Executive directors

The remuneration package of executive directors consists of three components:

- Basic salary and benefits (including retirement fund, medical aid and car allowance);
- Short-term incentive bonus; and
- Long-term incentive schemes.

Salaries are set at competitive market rates 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.

Participation in the annual short-term incentive scheme is dependent on the achievement of financial targets which are set by the board. Targets are based on the group's return on net assets (RONA) and a bonus of 40% of total cost of employment is paid on the achievement of an on-target performance. This process is reviewed by the board remuneration committee.

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

Management

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

An annual salary increase is paid to all staff, with the average increase for the 2008 financial year being 8.0%.

Staff

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

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.

While Musica and The Body Shop do not form part of the bargaining unit, their staff receive similar wage adjustments.

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

For UPD staff, a one-year wage agreement was concluded with an increase of 8.5%. All UPD staff receive a guaranteed 13th cheque.

All staff receive discounts on purchases at group stores.

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 in 2000.

REMUNERATION REPORT continued ...

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 their 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 commensurate increase in operating profit.

A total of R42 million (2007: R46 million) was approved to be paid to employees for the 2008 financial year. UPD and Musica did not achieve the required performance targets and consequently no bonuses were paid to the staff in these businesses.

Long-term incentive schemes

The group currently has two long-term incentive schemes which align executive remuneration with the creation of shareholder value.

Phantom share scheme

Following a board decision to review the use of share options, a phantom share scheme was introduced in April 2005 which is linked to the performance of the share price. Under this scheme share appreciation rights have been allocated to the four executive directors and two senior employees. A total of 3 550 000 rights were outstanding at year-end.

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 and were outstanding at the year-end:

Director	Number of three-year rights	Number of five-year rights	Total
Tranche 1			
Michael Harvey*	–	1 000 000	1 000 000
David Kneale*	–	750 000	750 000
Keith Warburton*	–	825 000	825 000
Tranche 2			
Bertina Engelbrecht	200 000	200 000	400 000
David Kneale	75 000	75 000	150 000

* Three-year rights in tranche 1 matured in April 2008

The benefit accruing from the rights varies according to the performance of the share price on the vesting date:

Tranche 1: Allocated April 2005		Tranche 2: Allocated May 2006	
Share price on vesting date (R)	Exercise price (R)	Share price on vesting date (R)	Exercise price (R)
Three-year rights		**Three-year rights**	
All rights have now vested		Above 16.04	10.55
		Above 18.23	5.27
		Above 20.61	0.01
Five-year rights		**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 R15.4 million. Further details on the hedging instrument and the cost of the hedge are contained in notes 17 and 23 of the annual financial statements.

Long-term incentive scheme

A revised long-term incentive scheme was introduced in September 2006. Under this scheme share appreciation rights are allocated to participants and these rights are cash-settled at the end of the three-year performance period.

The value of the rights is linked to the group's diluted headline earnings per share multiplied by a fixed internal price earnings ratio based on the three-year performance of New Clicks (refer to note 23).

The allocation of long-term incentive share rights 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 year.

At year-end 9 166 803 rights (held by 44 employees) were outstanding from the first allocation in September 2006 and 6 292 125 rights (38 employees) were outstanding from the September 2007 allocation.

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

Director	Tranche 1 (allocation) 1 Sept 2006	Tranche 2 (allocation) 1 Sept 2007
Bertina Engelbrecht	528 169	396 845
Michael Harvey	669 014	502 670
David Kneale	1 671 127	1 255 617
Keith Warburton	704 225	529 126

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 6 911 (2007: 7 867) at year-end, with the decline in membership reflecting the resignation of the Discom staff from the fund when the business was sold. Total assets of the funds amounted to R759.1 million (2007: R696.1 million).

Medical aid

In May 2008 the company took a decision to introduce an alternative to the existing Clicks Group Medical Scheme for all permanent employees. The decision was based on several factors, including the structure of the current medical aid benefit, the limited day-to-day benefit cover and the limited scope of the current medical aid scheme. A number of options on the Discovery Health Medical Scheme have been made available to permanent employees. Membership of Discovery is actively encouraged and employees joining the scheme receive a subsidy from the company. By year-end 275 employees had joined the Discovery Health Medical Scheme.

The Clicks Group Medical Aid Scheme is administered on behalf of New Clicks by Old Mutual. The fund had 1 427 principal members (2007: 1 848) at the group's year-end and a solvency ratio of 28.5% (2007: 9.95%).

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

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REMUNERATION REPORT continued ...

Directors' remuneration

Executive directors' remuneration – 2008

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**
Bertina Engelbrecht[1]	731	663	61	23	1 478	–	2 005	233
Michael Harvey	1 607	875	167	194	2 843	228	5 079	(2 267)#
David Kneale	4 054	1 801	364	86	6 305	–	12 686	(1 525)#
Keith Warburton	1 894	885	176	131	3 086	–	5 347	(1 870)#
Total	8 286	4 224	768	434	13 712	228	25 117	(5 429)#

1 Appointed as an executive director on 1 March 2008 # The credits reflect the impact of the mark-to-market revaluation

In addition to the remuneration reflected above, the following amounts were paid to executive directors under the phantom share scheme: Michael Harvey, R5.742 million; David Kneale, R4.207 million; and Keith Warburton, R3.506 million. The expense has been recognised over the vesting period from 7 April 2005.

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

* The fair value of equity-settled options granted is the annual expense 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.

Non-executive directors' remuneration

Director (R'000)	2008 Directors' fees	2008 Consultancy fees	2008 Total	2007 Directors' fees	2007 Consultancy fees	2007 Total
David Nurek	529	–	529	483	–	483
Fatima Abrahams[1]	91	–	91	–	–	–
Peter Eagles*	196	600	796	183	566	749
Fatima Jakoet[1]	94	–	94	–	–	–
Robert Lumb	299	–	299	272	–	272
Eliot Osrin[2]	–	–	–	82	–	82
Martin Rosen	169	–	169	158	–	158
Roy Smither[3]	78	–	78	162	–	162
Lucia Swartz[4]**	75	–	75	170	–	170
Total	1 531	600	2 131	1 510	566	2 076

During the year David Nurek disposed of 400 000 shares which were acquired through the share option scheme and realised a gain of R3.48 million.

1 Appointed 1 March 2008 2 Retired 30 January 2007 3 Resigned 31 January 2008 4 Retired 29 January 2008

* 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 R402 000 was paid directly to Professor Eagles and R198 000 to UWC

** Lucia Swartz's directors' fees were paid to her employer, Sappi Limited.

Total directors' remuneration (R'000)	2008	2007
Executive directors	**13 712**	11 008
Non-executive directors	**2 131**	2 076
Total directors' remuneration	**15 843**	13 084

Directors' shareholdings

Shares						
		2008			2007	
Director	**Direct beneficial shares**	**Indirect beneficial shares**	**Total**	Direct beneficial shares	Indirect beneficial shares	Total
David Nurek	**–**	**129 682**	**129 682**	–	29 682	29 682
Fatima Abrahams	**–**	**–**	**–**	–	–	–
Peter Eagles	**–**	**–**	**–**	–	–	–
Bertina Engelbrecht	**–**	**–**	**–**	–	–	–
Michael Harvey	**100 000**	**–**	**100 000**	100 000	–	100 000
Fatima Jakoet	**–**	**–**	**–**	–	–	–
David Kneale	**105 200**	**–**	**105 200**	100 000	–	100 000
Robert Lumb	**–**	**40 000**	**40 000**	–	20 000	20 000
Martin Rosen	**2 000**	**–**	**2 000**	2 000	–	2 000
Keith Warburton	**–**	**5 000**	**5 000**	–	5 000	5 000
Total	**207 200**	**174 682**	**381 882**	202 000	54 682	256 682

Issued shares = 324 139 225. Percentage of issued share capital held by directors is 0.12%.

Share options				
Director	**Number of options**	**Allocation date**	**Option price (Rands)**	**Expiry date**
David Nurek	500 000	September 2000	9.30	September 2010
Michael Harvey	375 000	August 2003	6.30	August 2013

Non-executive director fees 2009

The fee structure for non-executive directors has been adjusted for the 2009 financial year and is subject to retrospective approval by shareholders at the annual general meeting in January 2009.

Board position	Proposed fees for 2009 (R)	Fees paid for 2008(R)
Chair of the board	355 000	325 000
Board member	111 000	102 000
Chair: Audit committee	100 000	90 000
Audit committee member	50 000	45 000
Chair: Remuneration committee	58 000	53 000
Remuneration committee member	29 000	26 500
Chair: Risk committee	90 000	81 000
Risk committee member	45 000	40 500
Chair: Nominations committee	58 000	53 000
Nominations committee member	29 000	26 500
Chair: Transformation committee	58 000	53 000
Transformation committee member	29 000	26 500

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RISK MANAGEMENT REPORT

Risk management philosophy

New Clicks strives to achieve an appropriate balance between risk and reward, recognising that certain risks need to be taken to grow revenue and improve returns to investors while consciously protecting the group and its stakeholders against avoidable risks.

Business risks 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 35% to 40% 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 regularly by executive management who are responsible for the identification and management of risks. This includes evaluating the status of major risks, the likelihood of occurrence and the potential impact of the risk on the business. Emerging risks, such as legislative changes and the general economic environment, 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.

Short-term operational risks

The group also faces short-term operational risks, some of which are specific to the retail industry:

- Impact of economic downturn on retail sales owing to lower consumer spending following multiple interest rate rises, escalating energy and food prices, and increased crime-related losses;
- Inflationary cost pressures owing to rising electricity and fuel costs;
- Disruptions to power supply which results in shopping malls being closed for the duration of the power outage; and
- Increasing competitor activity.

These risks are managed on an ongoing basis within each of the operating businesses.

Financial risk

The group has a comprehensive financial risk management programme which focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the group's financial performance. It is recognised that the failure to manage financial risks could impact negatively on profitability and ultimately lead to the destruction of shareholder value.

Through its business activities the group is exposed to a variety of financial risks, including market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The group's exposure to these risks and the policies for measuring and managing the risk are included in notes 29 and 30.

While the group is largely debt free it has a need for short-term funding facilities on an ongoing basis. The recent turmoil in global financial markets has raised issues on the continued availability of these funding arrangements which are generally subject to review or cancellation at short notice. The majority of the group's funding lines are provided by six major South African financial institutions, with limited facilities provided by one international bank.

Insurance

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

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

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 • Short and long-term incentive schemes in place
Environment	Adopting environmentally-friendly business practices and complying with regulations will assist with sustainability of business and reduce reputational risk	• Ensuring regulatory compliance • Focus on reducing electricity usage • Group-wide recycling programme • Commissioned audit of carbon footprint • Participation in carbon disclosure project
Transformation	Compliance with BEE regulations is fundamental to the sustainability of the business	• External rating conducted in 2008 • Transformation strategy developed with defined three-year targets and integrated into operations • Targeting 100% BBBEE compliance by 2010
Crime	High levels of crime result in loss of revenue, assets and stock, risk to staff and increase costs relating to crime detection and prevention	• Target high levels of operational compliance • Appropriate levels of insurance cover • Adopt zero tolerance policy on crime • Processes at distribution centres reviewed to counter syndicated criminal activities • 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 • Business continuity plans developed for head office • 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 offered to staff • HIV/AIDS testing and counselling provided by Clicks clinics
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, particularly in healthcare businesses • Strengthened in-house legal department • Crisis communications plan developed

2008

SUSTAINABILITY REPORT

Bertina Engelbrecht
Group human resources director

Sustainability management practices have been increasingly integrated into the business over the past year as the group strives to achieve a balance between generating returns for shareholders and meeting the long-term needs of the business, society and the environment.

Introduction

New Clicks believes sustainable development will create enduring prosperity for its major stakeholders in the following ways:

- Enhancing wealth for **shareholders**;
- Improving long-term opportunities for **employees**;
- Creating an increasingly compelling offer for **customers**; and
- Empowering and uplifting **communities**.

The group continues to expand its reporting on social, economic and environmental sustainability and has introduced a broader range of performance metrics relating to employees, transformation and environmental impact. Management plans to provide targets for non-financial performance in future.

market share growth in all businesses

R5.6m
donated to New Clicks Foundation

Sustainable progress in 2008

In the 2007 annual report the group outlined ten sustainability priorities for the year ahead and has made pleasing progress in most areas:

Sustainability priorities for 2008	Performance against priorities in 2008
• Investigate inclusion in JSE Socially Responsible Investment (SRI) Index	• New Clicks will be assessed for inclusion in the 2008 index
• Continued participation in Best Company to Work For survey	• Ranked 12th in the large company category in 2008 survey
• Ongoing improvement in earnings and shareholder value	• 28.1% growth in diluted headline earnings per share
• Entrench employee wellness programme	• Utilisation of programme increased from 18.4% to 19.1%, compared to consumer services sector rate of 10.4%
• Continued engagement with trade unions	• Ongoing engagement resulted in improved quality of relationships
• Ongoing progress with transformation and measure independently	• External rating has been commissioned
• Increase social investment through the New Clicks Foundation	• R5.6 million donated to New Clicks Foundation as well as R4.2 million in product donations
• Expand primary care clinic network in Clicks stores	• Number of clinics increased to 97
• Build sustainable pharmacy profession through Pharmacy Healthcare Academy	• Over 700 pharmacists and assistants trained during the year, with 45% black participants
• Continue to grow market share and increase customer loyalty	• Continued market share growth in all businesses

2008

SUSTAINABILITY REPORT continued ...

Sustainability indicators		2008	2007	2006	2005
Financial performance					
Headline earnings	Rm	**401**	357	252	201
Diluted headline earnings per share	cents	**131.9**	103.0	71.0	57.4
Return on shareholders' interest	%	**32.8**	24.7	16.7	14.2
Return on total assets	%	**10.6**	9.3	7.2	6.0
Distributions per share	cents	**61.1**	48.2	33.2	29.7
Change in market capitalisation	Rm	**(321)**	1 223	840	98
Wealth created through cash value added	Rm	**2 115**	2 112	1 780	1 593
Trading performance					
Total leased trading area	m^2	**197 530**	252 239	241 551	253 688
Number of stores		**519**	500	482	484
In-store dispensaries		**157**	125	110	60
In-store clinics		**97**	92	81	40
Market share					
– Clicks: front shop health	%	**37**	37	35	*
– Clicks: retail pharmacy	%	**10.7**	9.3	*	*
– Clicks: beauty	%	**25**	25	25	*
– Musica: CD	%	**41**	38	*	*
– Musica: DVD	%	**22**	20	*	*
– Musica: Gaming software	%	**9**	9	*	*
– UPD: private wholesale distribution	%	**26.4**	25.6	24.9	*
Employees					
Permanent staff		**7 122**	9 076	9 058	8 947
Staff turnover	%	**21.2**	23.4	23.9	20.2
Skills development % payroll	%	**3.6**	2.76	1.13	n/a
Employee wellness utilisation	%	**19.1**	18.4	–	–
Transformation					
Employment equity					
– Black staff % of total staff	%	**84.2**	86.9	82.6	85.0
– Black senior and top management	%	**18**	24	22	–
– Black middle management	%	**35**	37	35	–
– Black junior management	%	**80**	86	73	–
– Black directors	%	**36**	22	20	25
– Women % of total staff	%	**62**	60	60	–
– Women senior and top management	%	**36**	43	28	–
– Women middle management	%	**53**	58	59	–
– Women junior management	%	**62**	63	60	–
– Women directors	%	**27**	9	10	13
Transformation rating	Level	**6**	7	*	*
Corporate social investment (CSI)	Rm	**9.8**	0.4	0.4	0.7
Environmental indicators					
Carbon emissions (CO_2)	Tons	**127 014**	*	*	*
Electricity consumption	kWh	**90 617 049**	*	*	*

* Not previously disclosed or measured

Economic sustainability

Value added statement
for the year ended 31 August 2008

	2008* R'm	2007* R'm
Turnover	**11 331**	11 205
Other income and finance income	**520**	517
Paid to suppliers for goods and services	**(9 736)**	(9 610)
Value added	**2 115**	2 112
Applied as follows:		
Employees – salaries, wages and other benefits	**1 047**	1 091
Lessors for use of premises	**303**	336
Lenders for monies borrowed	**70**	55
Providers of capital – cash distributions**	**27**	26
Tax	**187**	120
Corporate tax	**182**	116
Property taxes	**5**	4
Reinvested in the group	**481**	484
Deferred tax	**(37)**	25
Depreciation and amortisation	**103**	104
Retained income	**415**	355
Distribution of value added	**2 115**	2 112

* To provide comparative information the results of Discom have been included as part of continuing operations in 2008 and 2007

** Does not include cash distributions paid via share premium of R148.7 million (2007: R95.4 million)

2008		2007
49.5%	Employees – salaries, wages and other benefits	51.7%
14.3%	Lessors for use of premises	15.9%
3.4%	Lenders for monies borrowed	2.6%
1.3%	Providers of capital – cash distributions**	1.2%
8.8%	Tax	5.7%
22.7%	Reinvestment in the group	22.9%

SUSTAINABILITY REPORT continued ...

Social sustainability

People strategy

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

Employee turnover analysis

Permanent staff	2008	2007
Staff complement at the start of the year	**9 076**	9 058
Add: Recruitments	**1 602**	2 136
Less: Disposal of Discom	**(1 636)**	–
Resignations	**(1 562)**	(1 626)
Deaths	**(41)**	(31)
Dismissals	**(260)**	(319)
Retirements	**(34)**	(28)
Retrenchments	**(23)**	(114)
Staff complement at the end of the year	**7 122**	9 076
Staff turnover (%)	**21.2**	23.4

Employment equity

The group is committed to creating a diverse workforce which reflects the demographics of South Africa. The promotion and advancement of previously disadvantaged people and the empowerment of women remains a priority.

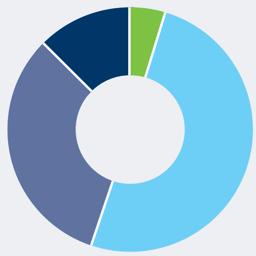
The commitment to both employment equity and women empowerment was demonstrated by the appointment of three black females to the board (two independent non-executive directors and an executive director) during the year.

The group was awarded a certificate of excellence in the Top Women Awards hosted by Topco Media in the category for the top engendered company in the tertiary sector.

Employee profile

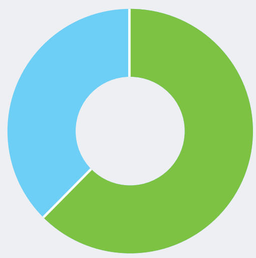
Race

4% Asian
51% African
30% Coloured
15% White



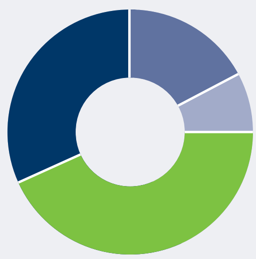
Gender

63% Female
37% Male



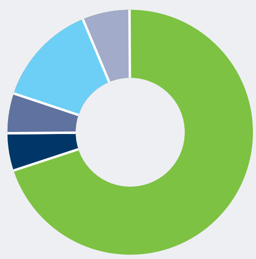
Age

43% under 30
32% 30 – 39 years
18% 40 – 49 years
7% over 50 years



Service

68% 0 – 5 years
12% 6 –10 years
8% 11 – 15 years
6% 16 – 20 years
6% over 20 years



Best Company to Work For survey

The 2008 Deloitte Best Company to Work For survey attracted 119 companies across 20 industries and New Clicks was ranked 12th out of 16 participants in the large company category (more than 2 500 employees).

Based on a sample of 10% of employees, the 2008 survey rated the dimensions of management style, HR policies and procedures, change management and values and culture most favourably. Areas where employees would like to see improvements are diversity and transformation, performance management, innovation and training and development.

Skills development

The group invested R26.7 million in learning and skills development during the year, equating to 3.6% of basic payroll costs.

A total of 2 607 staff members attended training courses, with black employees accounting for 35% of the total employees trained.

New Clicks' role in addressing the skills development challenge includes participation in the Wholesale and Retail sector education and training authority (SETA) standards generating body and involvement with the South African Pharmacy Council (SAPC) through the New Clicks Pharmacy Academy.

- ***Pharmacy skills development***

The Pharmacy Healthcare Academy has been instrumental in the development of pharmacists and pharmacists' assistants for Clicks and external bodies. The academy is registered with the SAPC and offers a range of courses including pharmacist assistant training, learnership programmes, internship courses and continuing professional development programmes for registered pharmacists. Over the past year the academy has focused on increasing the intake of black learners.

- ***Retail management skills development***

Store manager development was identified as one of the key areas of skills development for the group. In response to this need a programme was initiated through the Cape Peninsula University of Technology, with 45 store managers from Clicks, Musica and The Body Shop participating in the first course.

Employee wellness

The Employee Wellness Programme (EWP) has been entrenched across the business in its second year of operation, with employees embracing the counselling and advisory services offered. Utilisation has increased from 18.4% in 2007 to 19.1%, compared to the benchmark for the consumer services sector of 10.4%.

Employee wellness programme	2008	2007
Total engagement rate of counselling and advisory services	**21.6%**	20.5%
Employees on HIV management programme	**55**	58
Cost of programme	**R3.0 million**	R2.6 million

The EWP consists of the following components:

- ***Counselling and advisory services***

The philosophy of the EWP is to encourage and support behaviour that results in staff being healthy and making the right lifestyle choices. Employees and their family members are offered free, confidential, professional counselling and advice, 24 hours a day in all official languages. The EWP supports employees who have lost or are at risk of losing their "wellness balance", and also strongly advocates prevention by encouraging employees to tackle issues as soon as they arise.

	2008	2007
Employee utilisation	**1 309**	1 590
Family utilisation	**74**	58
Individual utilisation	**1 383 (19.1%)**	1 648 (18.4%)
Group utilisation (trauma, family)	**181 (2.5%)**	190 (2.1%)
Managerial use of EWP	**226 (16.3%)**	300 (18.2%)
Manager referrals	**23 (1.7%)**	19 (1.2%)
High-risk cases	**34**	37

SUSTAINABILITY REPORT continued ...

- ***HIV management and treatment programme***

Testing in the workplace has proved to be an effective means of encouraging staff members to ascertain their HIV status, particularly as the voluntary counselling and testing is integrated into general health screenings.

This HIV prevention strategy is complemented by an outsourced HIV management programme administered by Qualsa. The programme offers free treatment and monitoring for HIV-positive employees and counselling for the employees and their families.

New Clicks is leading an initiative to extend HIV testing to store staff in co-operation with other retailers. The project is being piloted in two shopping centres in the Western Cape and a national pilot project is planned for the 2009 financial year.

- ***Lifecare education***

A range of training interventions are offered, including how to deal with people in crisis, HIV/AIDS in a broader social context, dealing with tuberculosis and financial health training.

- ***Health awareness and screenings***

The EWP provides 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.

***Investing in the Future* award winner**

New Clicks was acknowledged for the second consecutive year in the Mail & Guardian *Investing in the Future* awards when it received a special commendation in the company partnership award category. The award recognises the role played by the group in creating a co-operative joint venture among major retail groups to provide employees with better access to healthcare in the workplace.

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 currently represents 39% of full-time permanent employees in the bargaining unit and 29% of all Clicks employees. Clicks signed a two-year wage agreement with SACCAWU in July 2007 and will negotiate a wage settlement again in July 2009.

UPD negotiates with CEPPAWU (Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union) which is the majority union representing 35% of UPD's permanent employees. A one-year wage agreement was reached this year.

The group has focused on building and enhancing relationships with representative unions and no trading days were lost to industrial action during the financial year.

Transformation

The group's transformation strategy is aligned with the Department of Trade and Industry's (DTI) codes of good practice and targets have been set for 2010. New Clicks has commissioned an external verification of its transformation status.

Transformation rating

Category	Possible score	2008*	2007*
Ownership	23	**0**	0
Management	11	**7.9**	5
Employment equity	18	**7.2**	11
Skills development	15	**9.7**	11
Preferential procurement	20	**11.7**	1
Enterprise development	15	**12**	12
Socio-economic development	5	**5**	2
Total	107	**53.5**	42

* Based on a self-assessment

Enterprise development

Funding the sale of Style Studio

New Clicks funded an empowerment company to purchase Style Studio, the professional hair care retail business piloted by the group when the business was sold in September 2007.

New Clicks provided an interest-bearing loan to the purchasers which is repayable over five years. The group has also retained a 20% stake in Style Studio which may be purchased by the other shareholders any time after the repayment of the loan.

Our transformation target is to achieve

100%

BBBEE compliance by 2010

UPD supporting owner-drivers

UPD operates an innovative enterprise development initiative which provides employment to 59 owner-drivers who are drawn from previously disadvantaged backgrounds.

These drivers service over 80 delivery routes across the country, and the value of the contract is approximately R42 million.

To ensure the sustainability of this initiative, a management company has been appointed to co-ordinate and liaise with the owner-drivers and UPD.

Preferential procurement

New Clicks has encouraged and supported suppliers in obtaining verified BBBEE ratings. The group's preferential procurement spend for the 2008 financial year was 46%, based on those suppliers with verified ratings.

Improving the preferential procurement rating is challenging as the extension of the implementation date of the BBBEE codes of good practice by the DTI has resulted in many suppliers deferring their rating process. Capacity constraints also prevent some suppliers from providing the required information to support their rating process.

Corporate social investment

New Clicks made an increased commitment to corporate social investment (CSI) in the year under review with a contribution of R5.6 million to the New Clicks Foundation. This was complemented by additional funding and product donations from the business units to the value of R4.2 million.

The Foundation was strengthened with the appointment of business unit executives to the board of trustees and the appointment of a CSI co-ordinator.

Through its funding the Foundation supports community upliftment and the empowerment of vulnerable individuals. The majority of the funding was allocated to specific projects which are aligned with one of the group's business units in the areas of healthcare, arts and culture.

- Clicks continued its drive for greater awareness of cancer through support of the Cancer Association of South Africa (CANSA);
- Musica strengthened its long-standing relationship with DeafSA by raising awareness of hearing impairment;
- The Body Shop joined forces with the Children on the Edge (COTE) project to support child-headed households; and
- UPD donated product worth R3.5 million to a range of organisations nationally involved in HIV/AIDS, care of the aged and animal welfare.

Through the Woodstock Upliftment Project, staff continued to arrange fund-raising support for organisations in the Woodstock area where the group's head office is located.

Customers

Primary care clinics

Clicks supports the government's vision of making healthcare more affordable and accessible. In addition to its national network of over 150 pharmacies Clicks operates primary care clinics which provide a professional, convenient and affordable alternative for basic medical advice and health checks. Services offered in the clinics include:

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

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.

Activities over the past year included:

- Interim and final results presentations to investors in Cape Town which were also broadcast nationally on subscriber television;
- Results presentations being webcast to broaden access to investors locally and offshore;
- Post-results roadshows to sell-side analysts and institutional investors in Cape Town and Johannesburg;

SUSTAINABILITY REPORT continued ...

- 95 meetings held between management and local and international fund managers and analysts, as well as several store visits arranged for analysts;
- A first-time roadshow to fund managers in the United States; and
- Management attended and presented at broker and industry conferences locally and abroad.

Environmental sustainability

New Clicks recognises that companies can make a meaningful contribution to sustainable development by reducing the environmental impact of their business operations. While there are currently no regulations or mandatory targets governing carbon emissions or energy efficiency in South Africa, this is likely to change in the next few years.

The group participated voluntarily in the carbon disclosure project (CDP) for the first time in 2008. The CDP aims to assess the potential risks and opportunities relating to climate change and greenhouse gas (GHG) emissions by listed companies and understand the impact on the value of investments.

Shortly before year-end the group commissioned an independent audit of its carbon footprint based on internationally recognised GHG protocols.

The overall annual footprint for New Clicks is 127 014 tons of carbon.

This is the first step in a programme to reduce the group's environmental impact. A strategy with targets for the reduction of emissions will be developed following a review of the carbon footprint analysis.

Committed to energy saving

- Clicks voluntarily discontinued selling energy inefficient incandescent light bulbs and provided customers with energy saving bulbs in exchange for their old bulbs;
- All new fluorescent lighting is electronic, reducing electricity consumption by an estimated 30%;
- Biodegradable carrier bags are used by The Body Shop;
- Transport networks for deliveries are being optimised to reduce fuel consumption; and
- An employee-led "green project" is considering energy saving opportunities at the head office building.

Recycling

Over the past year 942 tons (2007: 795 tons) of cardboard and paper were recycled. This included 632 tons from the three Clicks distribution centres, 130 tons from stores and 180 tons from the head office.

The group has recycling contracts with major vendors and uses local black empowerment companies for recycling at stores.

Recycling at head office has been outsourced to the Oasis Association, a non-profit community-based organisation that creates work opportunities for people with intellectual disabilities and promotes the re-use of goods and materials.

Occupational health and safety

A health and safety policy covers employees, contractors and customers and recognises the responsibility to limit the impact on the environment.

The group aims to create and maintain a healthy and safe work environment and minimise the risk of personal injury or damage to equipment and company property.

All health and safety processes are being re-engineered to ensure compliance with the Occupational Health and Safety Act and the international Occupational Health and Safety Standard (OHSAS) 18001.

Sustainability priorities for 2009

- Improve rating in JSE SRI Index
- Improve quality of employee commitment
- Maintain CSI focus through the New Clicks Foundation and business units
- Ongoing progress on transformation
- Build sustainable pharmacy profession through Healthcare Academy
- Expand the primary care clinic network in Clicks stores
- Continue to grow market share and increase customer loyalty
- Overall improvement in earnings and shareholder value

GLOBAL REPORTING INITIATIVE INDEX

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

GRI reference	Core GRI indicator	Page	Description
Vision and strategy			
1.1	Vision and strategy	8	Group strategy and targets
1.2	Key impacts, risks and opportunities	46, 48	Risk management report; Sustainability report
Organisational profile			
2.1 – 2.10	Organisational profile	1, 3	Group highlights; Group at a glance
Report parameters			
3.1 – 3.4	Report profile	59 – 120 ibc	Annual financial statements; Corporate information
3.5 – 3.11	Report scope and boundary	59 – 120	Annual financial statements
3.12	GRI Index content	48	Sustainability report
3.13	Assurance	–	External assurance not sought
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	51	Value added statements
EC2	Financial implications of climate change	–	Not assessed
EC3	Defined benefit plan obligations	59 – 120	Annual financial statements
EC4	Financial assistance from government	–	Not applicable
EC6	Spending on locally-based suppliers	–	Not reported
EC7	Hiring of local labour	–	Not applicable
EC8	Infrastructure investments and services	–	Not applicable
Environmental performance indicators			
EN1	Materials usage	48	Sustainability report
EN2	Percentage of materials recycled	48	Sustainability report
EN2 – 4	Energy consumption	48	Sustainability report
EN8 – 10	Total water consumption	–	Not reported
EN11 – 12	Biodiversity	–	Not assessed
EN16 – 23	Emissions, effluent and waste	48	Sustainability report
EN26 – 27	Products and services	–	Not assessed
EN28	Compliance	34	Corporate governance report
Social performance indicators			
Labour practices			
LA1	Total workforce	48	Sustainability report
LA2	Employee turnover	48	Sustainability report
LA4 – 5	Labour relations	48	Sustainability report
LA7 – 8	Occupational health and safety	48	Sustainability report
LA10	Training and education	48	Sustainability report
LA13 – 14	Diversity and equal opportunity	–	Not assessed
Human rights			
HR1 – 2	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
Society			
SO1	Community	–	Not assessed
SO2 – 4	Corruption	–	Not assessed
SO5 – 6	Public policy	–	Not assessed
Product responsibility			
PR1	Customer health and safety	–	Not assessed
PR3	Product and service labelling	–	Not assessed
PR6	Marketing and communications	–	Not assessed
PR9	Compliance	34	Corporate governance report

ANNUAL FINANCIAL STATEMENTS CONTENTS

DIRECTORS' REPORT

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 2008.

Nature of business

The company is an investment holding company listed in the Consumer 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 over 500 stores in southern Africa. The company's subsidiaries cover the 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 R442 million (2007: R381 million).

Share capital

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

10 000 000	cancelled on 13 February 2008
1 818 017	cancelled on 12 August 2008
11 818 017	

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

17 033 064	held by a subsidiary of the company as treasury shares at 1 September 2007
32 087 282	general repurchases between 8 November 2007 and 29 August 2008 by a subsidiary of the company
(6 296 282)	shares utilised pursuant to the company's obligations to deliver ordinary shares to Share Trust participants in respect of share options granted
(10 000 000)	shares bought back into the company and cancelled on 13 February 2008
(1 818 017)	shares bought back into the company and cancelled on 12 August 2008
(3 400 000)	shares sold to the Share Trust on 12 August 2008
27 606 047	held by a subsidiary of the company as treasury shares at 31 August 2008

Distributions to shareholders

Interim

The directors approved a distribution of 18.8 cents per share comprising an interim cash dividend of 3.7 cents per share and a capital reduction distribution out of share premium of 15.1 cents per share in lieu of a dividend (collectively "the distribution"). The distribution was paid on 23 June 2008 to shareholders registered on 20 June 2008.

Final

The directors have approved a distribution of 42.3 cents per share comprising a final cash dividend of 3.7 cents per share and a capital reduction distribution out of share premium of 38.6 cents per share in lieu of a dividend, payable on 15 December 2008 to shareholders registered on 12 December 2008.

Events subsequent to balance sheet date

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

Directors and secretary

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

Appointments

On 1 March 2008 Professor Fatima Abrahams and Fatima Jakoet were appointed as independent non-executive directors and Bertina Engelbrecht was appointed as an executive director. John Bester was appointed as an independent non-executive director on 1 October 2008.

Resignations

Lucia Swartz retired as a non-executive director at the annual general meeting held on 29 January 2008. Roy Smither resigned as a non-executive director on 31 January 2008. Rob Lumb will be resigning from the board effective from 30 November 2008.

Retirement and re-election of directors

In accordance with the company's articles of association Messrs M Rosen, DA Kneale, MJ Harvey and JA Bester, Professor F Abrahams and Mesdames B Engelbrecht and F Jakoet retire by rotation at the forthcoming annual general meeting. The retiring directors, being eligible, offer themselves for re-election.

Directors' interest in shares

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

DIRECTOR'S REPORT continued ...

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 120.

The interest of the company in the aggregate income after taxation before goodwill amortisation and impairment of its subsidiaries is R443 million (2007: R237 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 2008, 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 company and group annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the annual financial statements

The group annual financial statements were approved by the board of directors on 14 November 2008 and are signed on its behalf by:

DM Nurek
Chairman

DA Kneale
Chief executive officer

Cape Town
14 November 2008

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
14 November 2008

INDEPENDENT AUDITOR'S REPORT

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 2008, 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 120, and the directors' report as set out on pages 59 and 60.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the consolidated and separate financial position of New Clicks Holdings Limited at 31 August 2008, 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
14 November 2008

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

CONSOLIDATED INCOME STATEMENT
for the year ended 31 August 2008

	Notes	2008 R'000	2007 R'000
Continuing operations			
Revenue	1	**11 799 096**	10 529 632
Turnover	1	**11 281 156**	10 051 373
Cost of merchandise sold		**(9 070 132)**	(8 153 049)
Gross profit		**2 211 024**	1 898 324
Other income	1	**499 209**	462 393
Expenses		**(2 118 071)**	(1 866 889)
Depreciation and amortisation	3	**(95 378)**	(81 587)
Occupancy costs	4	**(306 488)**	(284 605)
Employment costs	5	**(986 128)**	(891 262)
Other costs	6	**(730 077)**	(609 435)
Operating profit		**592 162**	493 828
Profit on disposal of property, plant and equipment		**13 925**	29 402
Profit on disposal of business		**1 244**	–
Goodwill impairment	12	**–**	(250)
Profit before financing costs		**607 331**	522 980
Net financing costs	2	**(51 184)**	(38 827)
Financial income	1	**18 731**	15 866
Financial expense		**(69 915)**	(54 693)
Profit before taxation		**556 147**	484 153
Income tax expense	8	**(147 377)**	(129 965)
Profit for the year from continuing operations		**408 770**	354 188
Discontinued operations			
Profit for the year from discontinued operations	7	**33 538**	26 320
Total profit for the year		**442 308**	380 508
Attributable to:			
Equity holders of the parent		**442 435**	380 508
Minority interest		**(127)**	–
		442 308	380 508
Earnings per share (cents)			
Continuing operations	9	**137.1**	105.4
Discontinued operations	9	**11.3**	7.8
Total	9	**148.4**	113.2
Diluted earnings per share (cents)			
Continuing operations	9	**134.6**	102.3
Discontinued operations	9	**11.0**	7.6
Total	9	**145.6**	109.9

CONSOLIDATED BALANCE SHEET

at 31 August 2008

	Notes	2008 R'000	2007 R'000
ASSETS			
Non-current assets		**1 252 989**	1 188 408
Property, plant and equipment	10	**734 485**	698 964
Intangible assets	11	**302 141**	291 339
Goodwill	12	**85 811**	83 950
Deferred tax assets	13	**72 482**	45 404
Loans receivable	14	**58 070**	68 751
Current assets		**2 332 333**	2 821 971
Inventories	15	**1 370 889**	1 191 847
Trade and other receivables	16	**805 935**	792 126
Income tax receivable		**1 962**	2 446
Loans receivable	14	**8 064**	4 616
Cash and cash equivalents		**101 139**	413 275
Derivative financial assets	17	**44 344**	59 391
Assets held for sale	18	**–**	358 270
Total assets		**3 585 322**	4 010 379
EQUITY AND LIABILITIES			
Equity		**1 144 479**	1 296 188
Share capital	19	**3 242**	3 360
Share premium	19	**121 461**	435 991
Treasury shares	19	**(463 622)**	(258 548)
Share option reserve	20	**23 832**	23 786
Foreign currency translation reserve	21	**39**	(11)
Distributable reserve		**1 459 381**	1 091 610
Equity attributable to equity holders of the parent		**1 144 333**	1 296 188
Minority interest		**146**	–
Non-current liabilities		**371 753**	331 676
Interest-bearing borrowings	22	**61 460**	77 681
Employee benefits	23	**130 866**	64 943
Deferred tax liabilities	13	**81 334**	91 692
Operating lease liability	24	**98 093**	97 360
Current liabilities		**2 069 090**	2 382 515
Trade and other payables	25	**1 780 089**	1 902 313
Employee benefits	23	**104 262**	127 383
Provisions	26	**51 546**	47 610
Interest-bearing borrowings	22	**54 180**	203 450
Income tax payable		**75 956**	86 755
Derivative financial liabilities	17	**3 057**	–
Liabilities held for sale	18	**–**	15 004
Total equity and liabilities		**3 585 322**	4 010 379

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 August 2008

	Notes	2008 R'000	2007 R'000
Cash effects of operating activities			
Operating profit before working capital changes	28.1	**723 773**	622 366
Working capital changes	28.2	**(224 230)**	520 810
Cash generated by operations		**499 543**	1 143 176
Interest received		**18 773**	15 187
Interest paid		**(61 385)**	(51 570)
Taxation (paid)/received	28.3	**(192 609)**	37 504
Cash inflow from operating activities before distributions		**264 322**	1 144 297
Distributions paid to shareholders	27	**(156 793)**	(121 286)
Net cash effects of operating activities		**107 529**	1 023 011
Cash effects of investing activities			
Investment in property, plant and equipment to maintain and expand operations		**(156 757)**	(154 622)
Investment in intangible assets		**(17 543)**	–
Acquisition of additional goodwill		**–**	(250)
Proceeds from disposal of business	28.7	**316 356**	–
Acquisition of business	28.8	**(1 725)**	–
Proceeds from disposal of property, plant and equipment		**35 286**	47 453
Decrease in loan receivables		**7 522**	3 437
Net cash effects of investing activities		**183 139**	(103 982)
Cash effects of financing activities			
Proceeds from the issue of share capital	28.4	**–**	2 402
Share cancellation expenses		**(383)**	–
Purchase of treasury shares		**(607 041)**	(557 576)
Proceeds from disposal of treasury shares		**43 972**	120 930
Interest-bearing borrowings repaid		**(39 352)**	(64 621)
Net cash effects of financing activities		**(602 804)**	(498 865)
Net (decrease)/increase in cash and cash equivalents	28.6	**(312 136)**	420 164
Cash and cash equivalents at the beginning of the year		**413 275**	(6 889)
Cash and cash equivalents at the end of the year	28.5	**101 139**	413 275

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2008

	Net number of shares in issue (Note 19) '000	Share capital (Note 19) R'000	Share premium (Note 19) R'000
Balance at 1 September 2006	347 613	3 555	815 791
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)	–	–
Disposal of treasury shares	17 981	–	–
Total recognised income and expenses for the year	–	–	–
Foreign currency translation reserve	–	–	–
Share option reserve	–	–	–
Profit for the year	–	–	–
Distributions to shareholders	–	–	(95 397)
Balance at 31 August 2007	316 115	3 360	435 991
Acquisition of subsidiary	**–**	**–**	**–**
Treasury shares cancelled	**–**	**(118)**	**(165 484)**
Share cancellation expenses written off	**–**	**–**	**(383)**
Net cost of own shares purchased	**(25 790)**	**–**	**–**
Treasury shares purchased	**(32 086)**	**–**	**–**
Disposal of treasury shares	**6 296**	**–**	**–**
Total recognised income and expenses for the year	**–**	**–**	**–**
Foreign currency translation reserve	**–**	**–**	**–**
Share option reserve	**–**	**–**	**–**
Profit for the year	**–**	**–**	**–**
Distributions to shareholders	**–**	**–**	**(148 663)**
Balance at 31 August 2008	**290 325**	**3 242**	**121 461**

Share option reserve (Note 20) R'000	Treasury shares (Note 19) R'000	Foreign currency translation reserve (Note 21) R'000	Distributable reserve R'000	Equity attributable to equity holders of the parent R'000	Minority interest R'000	Total equity R'000
20 037	(69 624)	618	823 572	1 593 949	–	1 593 949
–	–	–	–	3 128	–	3 128
–	–	–	–	(726)	–	(726)
–	287 000	–	–	–	–	–
–	(475 924)	–	(86 581)	(562 505)	–	(562 505)
–	(683 435)	–	–	(683 435)	–	(683 435)
–	207 511	–	(86 581)	120 930	–	120 930
3 749	–	(629)	380 508	383 628	–	383 628
–	–	(629)	–	(629)	–	(629)
3 749	–	–	–	3 749	–	3 749
–	–	–	380 508	380 508	–	380 508
–	–	–	(25 889)	(121 286)	–	(121 286)
23 786	(258 548)	(11)	1 091 610	1 296 188	–	1 296 188
–	–	–	–	–	273	273
–	165 602	–	–	–	–	–
–	–	–	–	(383)	–	(383)
–	(389 816)	–	(47 394)	(437 210)	–	(437 210)
–	(481 182)	–	–	(481 182)	–	(481 182)
–	91 366	–	(47 394)	43 972	–	43 972
46	–	50	442 435	442 531	(127)	442 404
–	–	50	–	50	–	50
46	–	–	–	46	–	46
–	–	–	442 435	442 435	(127)	442 308
–	19 140	–	(27 270)	(156 793)	–	(156 793)
23 832	(463 622)	39	1 459 381	1 144 333	146	1 144 479

OPERATIONAL SEGMENTAL ANALYSIS

Segmental income statement for the year ended 31 August 2008

	Retail*	
	2008 R'000	2007 R'000
Segment revenue	**7 510 603**	6 747 274
Turnover	**7 272 820**	6 526 896
Cost of merchandise sold	**(5 207 036)**	(4 753 053)
Gross profit	**2 065 784**	1 773 843
Other income	**237 783**	220 378
Segment expenses	**(1 861 955)**	(1 640 855)
Depreciation and amortisation	**(84 797)**	(75 113)
Occupancy costs	**(289 079)**	(271 706)
Employment costs	**(864 659)**	(776 796)
Other costs	**(623 420)**	(517 240)
Operating profit	**441 612**	353 366
Profit/(loss) on disposal of property, plant and equipment	**13 948**	29 402
Profit on disposal of business	**1 244**	–
Goodwill impairment	**–**	(250)
Segment result from continuing operations	**456 804**	382 518
Discontinued operations***		
Net financing costs		
Financial income***		
Financial expense		
Profit before taxation		
Income tax expense***		
Total profit for the year		

Segmental cash flow information for the year ended 31 August 2008

Continuing operations		
Capital expenditure	**(162 647)**	(104 321)
Depreciation and amortisation	**92 023**	81 169
Non-cash items:		
Fair value adjustment – derivative	**22 808**	(26 826)
Foreign exchange loss/(gain)	**3 057**	(1 349)
Goodwill impairment	**–**	250
(Profit)/loss on disposal of property, plant and equipment	**(13 948)**	(29 402)
Operating lease accrual	**(5 574)**	2 522
Equity-settled share option costs	**46**	3 749

* Retail includes the results of Clicks, Musica, The Body Shop and Style Studio
** Distribution includes the results of UPD
*** Discontinued operations differs to the amount disclosed on the income statement as it excludes financial income and taxation which have been included in the individual line items

Distribution**		Intragroup elimination		Group	
2008	2007	**2008**	2007	**2008**	2007
R'000	R'000	**R'000**	R'000	**R'000**	R'000
5 137 493	4 546 164	**(867 731)**	(779 672)	**11 799 193**	10 529 632
4 864 586	4 295 013	**(856 250)**	(770 536)	**11 281 156**	10 051 373
(4 727 082)	(4 181 162)	**863 986**	781 166	**(9 070 132)**	(8 153 049)
137 504	113 851	**7 736**	10 630	**2 211 024**	1 898 324
272 907	251 151	**(11 481)**	(9 136)	**499 209**	462 393
(256 116)	(226 034)	**–**	–	**(2 118 071)**	(1 866 889)
(10 581)	(6 474)	**–**	–	**(95 378)**	(81 587)
(17 409)	(12 899)	**–**	–	**(306 488)**	(284 605)
(121 469)	(114 466)	**–**	–	**(986 128)**	(891 262)
(106 657)	(92 195)	**–**	–	**(730 077)**	(609 435)
154 295	138 968	**(3 745)**	1 494	**592 162**	493 828
(23)	–	**–**	–	**13 925**	29 402
–	–	**–**	–	**1 244**	–
–	–	**–**	–	**–**	(250)
154 272	138 968	**(3 745)**	1 494	**607 331**	522 980
				30 922	37 071
				(51 087)	(38 827)
				18 828	15 866
				(69 915)	(54 693)
				587 166	521 224
				(144 858)	(140 716)
				442 308	380 508
(11 653)	(43 271)			**(174 300)**	(147 592)
10 581	6 474			**102 604**	87 643
–	–			**22 808**	(26 826)
–	–			**3 057**	(1 349)
–	–			**–**	250
23	–			**(13 925)**	(29 402)
–	–			**(5 574)**	2 522
–	–			**46**	3 749

OPERATIONAL SEGMENTAL ANALYSIS continued ...

Segmental balance sheet at 31 August 2008

	Retail	
	2008	2007
	R'000	R'000
SEGMENT ASSETS		
Segment non-current assets	**1 216 754**	1 056 915
Property, plant and equipment	**613 254**	577 848
Intangible assets	**300 811**	289 359
Goodwill	**–**	–
Deferred tax assets	**71 510**	44 369
Intragroup loans	**173 109**	76 588
Loans receivable	**58 070**	68 751
Segment current assets	**1 334 722**	1 903 718
Inventories	**1 017 984**	939 108
Trade and other receivables	**161 848**	153 226
Income tax receivable	**1 962**	2 446
Loans receivable	**8 064**	4 616
Cash and cash equivalents	**100 520**	386 661
Derivative financial assets	**44 344**	59 391
Assets held for sale	**–**	358 270
Total segment assets	**2 551 476**	2 960 633
SEGMENT EQUITY AND LIABILITIES		
Segment equity	**863 835**	1 137 040
Share capital	**3 242**	3 360
Share premium	**121 461**	435 991
Treasury shares	**(463 622)**	(258 548)
Share option reserve	**23 832**	23 786
Foreign currency translation reserve	**39**	(11)
Distributable reserve	**1 178 883**	932 462
Equity attributable to equity holders of the parent	**863 835**	1 137 040
Minority interest	**–**	–
Segment non-current liabilities	**353 562**	323 416
Interest-bearing borrowings	**59 609**	76 635
Intragroup loans	**–**	–
Employee benefits	**117 724**	61 105
Deferred tax liabilities	**78 136**	88 316
Operating lease liability	**98 093**	97 360
Segment current liabilities	**1 334 079**	1 500 177
Trade and other payables	**1 064 269**	1 050 234
Employee benefits	**96 273**	116 764
Provisions	**51 546**	47 610
Interest-bearing borrowings	**51 276**	201 895
Income tax payable	**67 658**	68 670
Derivative financial liabilities	**3 057**	–
Liabilities held for sale	**–**	15 004
Total segment equity and liabilities	**2 551 476**	2 960 633

	Distribution		Intragroup elimination		Group	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000	**2008 R'000**	2007 R'000
	209 344	208 081	**(173 109)**	(76 588)	**1 252 989**	1 188 408
	121 231	121 116	**–**	–	**734 485**	698 964
	1 330	1 980	**–**	–	**302 141**	291 339
	85 811	83 950	**–**	–	**85 811**	83 950
	972	1 035	**–**	–	**72 482**	45 404
	–	–	**(173 109)**	(76 588)	**–**	–
	–	–	**–**	–	**58 070**	68 751
	1 106 015	1 006 335	**(108 404)**	(88 082)	**2 332 333**	2 821 971
	358 506	254 596	**(5 601)**	(1 857)	**1 370 889**	1 191 847
	746 890	725 125	**(102 803)**	(86 225)	**805 935**	792 126
	–	–	**–**	–	**1 962**	2 446
	–	–	**–**	–	**8 064**	4 616
	619	26 614	**–**	–	**101 139**	413 275
	–	–	**–**	–	**44 344**	59 391
	–	–	**–**	–	**–**	358 270
	1 315 359	1 214 416	**(281 513)**	(164 670)	**3 585 322**	4 010 379
	286 245	161 005	**(5 601)**	(1 857)	**1 144 479**	1 296 188
	–	–	**–**	–	**3 242**	3 360
	–	–	**–**	–	**121 461**	435 991
	–	–	**–**	–	**(463 622)**	(258 548)
	–	–	**–**	–	**23 832**	23 786
	–	–	**–**	–	**39**	(11)
	286 099	161 005	**(5 601)**	(1 857)	**1 459 381**	1 091 610
	286 099	161 005	**(5 601)**	(1 857)	**1 144 333**	1 296 188
	146	–	**–**	–	**146**	–
	191 300	84 848	**(173 109)**	(76 588)	**371 753**	331 676
	1 851	1 046	**–**	–	**61 460**	77 681
	173 109	76 588	**(173 109)**	(76 588)	**–**	–
	13 142	3 838	**–**	–	**130 866**	64 943
	3 198	3 376	**–**	–	**81 334**	91 692
	–	–	**–**	–	**98 093**	97 360
	837 814	968 563	**(102 803)**	(86 225)	**2 069 090**	2 382 515
	818 623	938 304	**(102 803)**	(86 225)	**1 780 089**	1 902 313
	7 989	10 619	**–**	–	**104 262**	127 383
	–	–	**–**	–	**51 546**	47 610
	2 904	1 555	**–**	–	**54 180**	203 450
	8 298	18 085	**–**	–	**75 956**	86 755
	–	–	**–**	–	**3 057**	–
	–	–	**–**	–	**–**	15 004
	1 315 359	1 214 416	**(281 513)**	(164 670)	**3 585 322**	4 010 379

ACCOUNTING POLICIES

New Clicks Holdings Limited is a company domiciled in South Africa. The consolidated financial statements as at and for the year ended 31 August 2008 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"), 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, except where the group has adopted the IFRS statements, IFRIC interpretations and amendments that became effective during the year. These had however no impact on the reported results of the prior years. Refer to the recent accounting developments on page 81.

The financial statements were approved by the directors on 14 November 2008.

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

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

Significant accounting estimates and assumptions

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

Allowance for net realisable value of inventories

The group evaluates its inventory to ensure 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. Allowance for slow moving and obsolete inventories is assessed by each business as part of their ongoing financial reporting. Obsolescence is assessed based on comparison of the level of inventory holding to the projected likely future sales.

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 rebates actually received may vary from that accrued in the financial statements.

Impairment of financial assets

At each balance sheet date, the group assesses whether objective evidence exists that a financial asset or group of financial assets is impaired.

Trade receivables: An allowance for impairment loss is made against accounts that in the estimation of management may be impaired. The impairment is assessed monthly with a detailed formal review of balances and security being conducted at the 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.

Impairment of non-financial assets

Goodwill, intangible assets and property, plant and equipment are considered for impairment at least annually. An asset is impaired when its carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use.

Goodwill: Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable pre-tax discount rate that is reflective of the cash-generating unit's risk profile in order to calculate the present value.

Property, plant and equipment: Property, plant and equipment is depreciated over its useful life taking into account residual values, where appropriate. Assessments of useful lives and residual values are performed annually after considering factors such as technological innovation, maintenance programmes, relevant market information and management consideration. In assessing residual values, the group considers the remaining life of the asset, its projected disposal value and future market conditions.

Income taxes

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

Provision for employee benefits

Post-retirement defined benefits are provided for certain existing and former employees. Actuarial valuations are performed to assess the financial position of the relevant funds and are based on assumptions which include mortality rates, healthcare inflation, the expected long-term rate of return on investments, the discount rate and current market conditions.

Measurement of share-based payments

The cumulative expense recognised in terms of the group's share-based payment schemes reflects the extent, in the opinion of management, to which the vesting period has expired and the number of rights to equity instruments granted that will ultimately vest. At the end of each reporting date, the unvested rights are adjusted by the number forfeited during the period to reflect the actual number of instruments outstanding. Management is of the opinion that this represents the most accurate estimate of the number of instruments that will ultimately vest.

Basis of consolidation

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

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

The group has established a special purpose entity (SPE) – New Clicks Holdings Share Trust. The group does not have any direct or indirect shareholdings in this entity. A SPE is consolidated if, based on an evaluation of the substance of its relationship with the group and the SPE's risks and rewards, the group concludes that it controls the SPE. SPEs controlled by the group were established under terms that impose strict limitations on the decision-making powers of the SPEs' management and that result in the group receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to risks incidental to the SPEs' activities, or retaining the majority of the residual or ownership risks related to the SPE or its assets.

The identifiable assets, liabilities and contingent liabilities of companies acquired are assessed and included in the balance sheet at their fair values as at the date of acquisition up to the effective date of disposal.

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

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

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 South African Rand, 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 at rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to functional currency at the rates of exchange ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

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

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to South African Rand at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to South African Rand at exchange rates at the dates of the transactions.

Exchange differences arising from the translation of foreign operations are taken directly to the Foreign Currency Translation Reserve ("FCTR"). When a foreign operation is disposed of, the related amount in the FCTR is transferred to the income statement.

Financial instruments

Financial instruments are initially recognised at fair value plus directly attributable transaction costs except for financial instruments that are classified as being carried at fair value through profit 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. The subsequent measurement of each financial instrument is explained in more detail below.

Off-set

Financial assets and financial liabilities are off-set 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 categorised as loans and receivables. These financial assets originate by the group providing goods, services or money directly to a debtor and are subsequent to initial measurement measured at amortised cost using the effective interest rate method less any accumulated 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 categorised in the balance sheet as loans and receivables and subsequent to initial recognition measured at amortised cost.

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 and employee benefits. In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes. Subsequent to initial recognition, derivatives are measured at fair value. The gain or loss arising from a change in fair value on remeasurement is recognised in the income statement 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.

The fair value of option contracts is 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. Subsequent to initial measurement, the financial assets are measured 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 subsequent to initial measurement measured at 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 when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

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

Financial liabilities

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

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met, only when the sale is highly probable and expected to be completed within one year from classification and the asset is available for immediate sale in its present condition.

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

Discontinued operations

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

Property, plant and equipment

Recognition and measurement

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

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.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Installation and other costs, which comprise materials and direct labour costs necessarily incurred in order to acquire property, plant and equipment, are also included in cost.

When parts of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Borrowing costs are expensed as incurred.

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

Subsequent costs

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 flow to the group and its cost can be measured reliably. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of the 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 the disposal of the asset at the end of its estimated useful life. Residual values and useful lives are reassessed annually. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Leases

Finance leases are leases whereby substantially all the risks and rewards of ownership are passed on to the lessee. Assets acquired in terms of finance leases are capitalised and depreciated over the shorter of the useful life of the asset or the lease period, with a corresponding liability in the balance sheet. The asset and liability is initially recognised at the lower of the fair value and the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Related finance costs are charged to income using the effective interest method over the period of the lease.

Leases of assets under which substantially all of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Minimum lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Contingent rental escalations, such as those relating to turnover, are expensed in the year in which the escalation is determined.

Intangible assets (other than goodwill)

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

Intangible assets which have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment. Intangible assets that are assessed as having a finite useful life, are amortised over their useful lives on a straight-line basis from the date they become available for use and tested for impairment if indications exist that they may be impaired. Intangible assets with indefinite useful lives are not amortised and tested for impairment annually.

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

Capitalised system development costs	5 to 10 years
Trademarks	on the basis of the anticipated benefits expected from each trademark

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, including contingent liabilities, 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 immediately 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 is valued on the weighted average cost basis and is stated at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition and is stated net of purchase incentives. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to complete and sell the product. The cost of merchandise sold includes normal shrinkage, wastage and inventory losses. Obsolete, redundant and slow moving inventories are identified on a regular basis and are written down to their net realisable value. The carrying amount of inventory is recognised as an expense in the period in which the related revenue is recognised.

Impairment of assets

Non-financial assets

The carrying amounts of the group's non-financial assets other than inventories (see accounting policy note for inventories), and deferred tax assets (see accounting policy note for deferred tax), are reviewed at each 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 on a pro rata basis comprising the cash-generating unit provided that each identifiable asset is not reduced to below its recoverable amount.

Recoverable amount

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

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

Reversal of impairment losses

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

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

An impairment loss in respect of goodwill is never reversed.

Financial assets

At each balance sheet date, an assessment is made as to whether objective evidence exists that a financial asset or a group of financial assets are impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss.

Share capital

Ordinary share capital

Ordinary share capital represents the par value of ordinary shares issued, 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 the group in terms of an approved share repurchase programme or are held by the Share Incentive Trust are classified as treasury shares. The cost of these shares is deducted from equity and the number of shares is deducted from the weighted average number of shares. Dividends received on treasury shares are eliminated on consolidation.

When treasury shares are sold or reissued, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

Upon settlement (take-up) of the share options by employees, the difference between the proceeds received from the employees and the cost price of shares is accounted for directly in accumulated profits.

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.

Capital distributions received on treasury shares are recorded as a reduction in the cost of the treasury shares.

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

Employee benefits

Short-term employee benefits

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

Accruals for employee entitlements to wages, salaries, bonuses, 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 long-term 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 benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

The group operates a retirement scheme comprising a number of defined contribution funds in South Africa, the assets of which are held in separate trustee-administered funds. The retirement 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. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

Post-retirement medical aid benefits – defined benefit plans

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

The group's obligation to provide post-retirement medical aid benefits to certain employees is calculated by estimating the amount of future benefit that qualifying employees have earned in return for their service in the current and prior periods. This benefit is discounted to determine its present value, using a discount rate based on the market yields, at the 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.

When the calculation results in a benefit to the group, the recognised asset is limited to the net total of any unrecognised past service costs and present value of any future refunds from the plan or reductions in the future contributions to the plan.

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

The group recognises actuarial gains or losses from defined benefit plans immediately in 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 and until settlement date by an independent expert, using the Binomial option pricing model. Any change in the fair value of the liability is recognised in the income statement.

Long-term incentive scheme

The group grants cash-settled appreciation rights to management of the group in terms of a long-term incentive scheme. The liability which is not expected to be settled within twelve months is discounted to present value using market yields, at the balance sheet date, on high-quality bonds with maturity dates that most closely match the terms of maturity of the group's related liabilities. Any difference between projected performance and actual performance is recognised through an actuarial loss/(gain) based on the projected unit credit method which is recognised in the income statement.

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 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.

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 measured at the fair value of the consideration received or receivable net of returns, trade discounts and volume rebates, and is stated exclusive of value-added and general sales tax. Revenue from sales is recognised when the significant risks and rewards of ownership are transferred to the buyer, there is no continuing managerial involvement, costs can be measured reliably, and receipt of the future economic benefits is probable.

Financial income

Financial income comprises interest income, dividend income and changes in fair value of financial assets at fair value through profit or loss. Interest income 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 off-set 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 and long-term employee benefits, 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 taxes

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 is the expected tax payable on the taxable profit for the current 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 is recognised using the balance sheet 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, except the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted at the reporting date.

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

Deferred tax assets are recognised for all deductible temporary differences and tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Secondary Tax on Companies

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

Segment reporting

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.

Segmental capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets.

Earnings per share

The group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the dilutive effects of all share options granted to employees.

Recent accounting developments

Standards, amendments and interpretations effective for 2007/08 with no significant impact on the group:

- IFRS 7 'Financial Instruments: Disclosures'
- Amendments to IAS 1 'Presentation of Financial Statements: Capital Disclosures'
- IFRIC 10 'Interim Financial Reporting and Impairment'
- IFRIC 11 'Scope of IFRS 2: Group and Treasury Share Transactions'

The impact of adopting IFRIC 11 has resulted in an additional investment in subsidiary being recognised in the company financial statements with a corresponding increase in equity of R23.8 million. This interpretation had no impact at a group level.

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

IFRS 8 'Operating Segments' – Extends the scope of segmental reporting, requiring additional disclosure and will be effective for financial periods beginning on or after 1 January 2009.

The group is still evaluating the effect of this standard.

IAS 1 (amended) 'Presentation of Financial Statements' – The standard separates owner and non-owner changes in equity. The statement of changes in shareholders' equity will only include details of transactions with owners. All non-owner changes in equity will be presented as a single line. A statement of comprehensive income is also introduced which presents all items of income and expense recognised either in a single statement, or two linked statements. The standard will be effective for financial periods beginning on or after 1 January 2009.

The group is still evaluating these disclosures and whether one or two statements will be presented.

IAS 23 (amended) 'Borrowing costs' – The revised IAS 23 eliminates the option of immediate recognition as an expense of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset and will be effective for financial periods beginning on or after 1 January 2009.

The group has evaluated the effect of this standard and does not expect the adoption thereof to impact the group financial statements.

IAS 32 and IAS 1 (amendments) 'Puttable Financial Instruments and Obligations Arising on Liquidation' – IAS 32 now requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires certain disclosures relating to puttable instruments classified as equity. The amendments will be effective for financial periods beginning on or after 1 January 2009.

The group has evaluated the effect of adopting these amendments and does not expect the adoption thereof to impact the group financial statements.

IFRS 2 (amendment), 'Share Based Payment: Vesting Conditions and Cancellations' – The standard restricts the definition of a vesting condition and specifies when an award is accounted for as a cancellation due to failure to meet a non-vesting condition. The amendments will be effective for financial periods beginning on or after 1 January 2009.

The group is still evaluating the effect of adopting this standard.

IFRS 3 (as revised in 2008) 'Business Combinations' and IAS 27 (amendment) 'Consolidated and Separate Financial Statements' – The standard applies to all transactions and events that meet the definition of a business combination. IAS 27 was revised to require that a change in ownership interest of a subsidiary is accounted for as an equity transaction and the accounting for losses incurred by a subsidiary as well as the loss of control of a subsidiary was changed. These standards become effective for financial periods beginning on or after 1 July 2009 with prospective application.

The group is still evaluating the effect of adopting this standard on all future business combinations in future reporting periods.

IFRIC 12 'Service Concession Arrangements' – The IFRIC provides guidance on the accounting by operators for public-to-private service concession arrangements and will be effective for financial periods beginning on or after 1 January 2008.

The group has evaluated this IFRIC and concluded adoption of the IFRIC is not expected to have a significant impact on the group.

IFRIC 13 'Customer Loyalty Programmes' – The IFRIC addresses the accounting by an entity that grants award credits to its customers and will be effective for financial periods beginning on or after 1 January 2008.

The group has evaluated the effect of this standard and expects that adoption of this standard would reduce turnover in 2008 by an estimated R90 million and reduce cost of sales by an estimated R86 million. Opening retained earnings for the financial year would be reduced by R3.5 million net of tax.

IFRIC 14, IAS 19, 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction' – The IFRIC applies to all post-employment benefit plans and other long-term employee benefit plans and will be effective for financial periods beginning on or after 1 January 2008.

The group is still evaluating the effect of this standard on the group's post-employment defined benefit plans and other long-term employee benefit plans as set out in note 23, however, initial assessments indicate that the impact is not expected to be material.

IFRIC 15 'Agreements for the Construction of Real Estate' – The objectives of the Interpretation are to clarify the definition of a construction contract and the articulation between IAS 11 and IAS 18 and to provide guidance on how to account for revenue when the agreement for the construction of real estate falls within the scope of IAS 18 and will be effective for financial periods beginning on or after 1 January 2009.

The group has evaluated this IFRIC and concluded adoption of the IFRIC is not expected to have a significant impact on the group.

IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' – The IFRIC applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39 and will be effective for financial periods beginning on or after 1 October 2008.

The group has evaluated this IFRIC and concluded adoption of the IFRIC is not expected to have a significant impact on the group.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2008

		Group 2008 R'000	Group 2007 R'000
1	**Revenue from continuing operations**		
	Turnover	**11 281 156**	10 051 373
	Financial income	**18 731**	15 866
	Other income	**499 209**	462 393
	Distribution and logistics fees	**291 270**	241 045
	Franchise fees	**–**	1 125
	Rental income	**4 676**	3 464
	Cost recoveries and other	**203 263**	216 759
		11 799 096	10 529 632
2	**Financial income and expense**		
	Recognised in profit or loss		
	Interest income on bank deposits	**7 904**	4 738
	Change in fair value of financial assets designated at fair value through profit or loss	**5 875**	6 211
	Interest income on loans and receivables measured at amortised cost	**5 049**	4 917
	Financial income	**18 828**	15 866
	Interest expense on financial liabilities measured at amortised cost	**66 378**	51 492
	Change in fair value of financial assets designated at fair value through profit or loss	**3 537**	3 201
	Financial expenses	**69 915**	54 693
	Net finance cost	**(51 087)**	(38 827)
	Less: Discontinued operations (see note 7)	**(97)**	–
	Continuing operations	**(51 184)**	(38 827)
3	**Depreciation and amortisation**		
	Depreciation on property, plant and equipment	**95 908**	98 290
	Amortisation of intangible assets	**6 740**	6 111
	Total depreciation and amortisation	**102 648**	104 401
	Depreciation included in cost of merchandise sold	**(7 226)**	(6 056)
	Depreciation and amortisation included in expenses	**95 422**	98 345
	Less: Discontinued operations (see note 7)	**(44)**	(16 758)
	Continuing operations	**95 378**	81 587
4	**Occupancy costs**		
	Lease charges		
	Operating leases	**297 890**	321 498
	Turnover rental expense	**12 447**	16 833
	Movement in operating lease accrual (see notes 18 and 24)	**(5 574)**	2 522
	Movement in provision for onerous contracts (see note 26)	**(2 184)**	(4 926)
	Total occupancy costs	**302 579**	335 927
	Less: Discontinued operations (see note 7)	**3 909**	(51 322)
	Continuing operations	**306 488**	284 605

		Group 2008 R'000	Group 2007 R'000
5	**Employment costs**		
	Directors' emoluments	**15 843**	13 084
	Non-executive	**2 131**	2 076
	Fees	**1 531**	1 510
	Consulting services	**600**	566
	Executive	**13 712**	11 008
	Salary and bonus	**12 510**	9 989
	Other benefits	**1 202**	1 019
	Cash-settled share appreciation rights costs (see note 23)	**(6 160)**	28 033
	Equity-settled share option costs (see note 20)	**46**	3 749
	Long-term incentive scheme (see note 23)	**54 528**	26 800
	Staff salaries and wages	**847 252**	875 343
	Contributions to defined contribution plans	**55 716**	56 196
	Leave-pay costs	**10 533**	10 863
	Bonuses	**67 980**	74 255
	Increase in liability for defined benefit plans (see note 23)	**1 065**	2 767
	Total employment costs	**1 046 803**	1 091 090
	Employment costs included in cost of merchandise sold	**(53 324)**	(50 889)
	Employment costs included in expenses	**993 479**	1 040 201
	Less: Discontinued operations (see note 7)	**(7 351)**	(148 939)
	Continuing operations	**986 128**	891 262
	For further detail of directors' emoluments refer to the Remuneration Report on page 41.		
	Included in total employment costs are the following aggregate amounts (including directors' emoluments) relating to transactions with key management personnel:		
	Salaries and bonuses	**17 223**	16 751
	Other benefits	**15 394**	2 113
	Fees and consulting services	**2 131**	2 077
		34 748	20 941
6	**Other costs**		
	Other operating costs include:		
	Auditors' remuneration	**3 321**	3 427
	Audit fees	**3 267**	2 981
	Other services and expenses	**54**	446
	Fees paid for outside services		
	Technical services	**20 521**	31 114
	Foreign exchange losses – realised	**1 476**	5 369
	Foreign exchange losses/(gains) – unrealised (see note 17)	**3 057**	(1 349)
	Share option hedge losses/(gains) – realised	**10 665**	–
	Share option hedge losses/(gains) – unrealised	**12 143**	(26 826)
	Impairment of trade and other receivables	**9 023**	13 597
	Water and electricity	**34 336**	31 346
	Retail	**33 159**	30 189
	Distribution	**1 177**	1 157

		Group	
		2008 R'000	2007 R'000
7	**Discontinued operations**		
	Turnover	**50 140**	1 153 507
	Cost of merchandise sold	**(36 383)**	(828 873)
	Gross profit	**13 757**	324 634
	Other income*	**1 905**	38 748
	Expenses	**(8 385)**	(323 421)
	Depreciation and amortisation	**(44)**	(16 758)
	Occupancy costs	**3 909**	(51 322)
	Employment costs	**(7 351)**	(148 939)
	Other costs	**(4 899)**	(106 402)
	Operating profit	**7 277**	39 961
	Loss on disposal of property, plant and equipment	**(4)**	(2 890)
	Profit on disposal of business	**23 649**	–
	Operating profit before financing costs	**30 922**	37 071
	Finance income	**97**	–
	Profit before tax	**31 019**	37 071
	Income tax on discontinued operations (see note 8)	**2 519**	(10 751)
	Profit for the year from discontinued operations	**33 538**	26 320

On 7 September 2007 the sale of the Discom business unit to Edgars Consolidated Stores Limited ("Edcon") became unconditional.

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		Group	
		2008 R'000	2007 R'000	2008 R'000	2007 R'000
8	**Income tax expense**				
	Continuing operations				
	South African normal tax				
	Current tax				
	Current year	**–**	–	**143 646**	101 888
	Prior-year underprovision	**–**	–	**1 261**	20
	Capital gains tax				
	Current year	**–**	2 395	**3 399**	2 799
	Prior-year underprovision	**–**	–	**3 286**	–
	Deferred tax				
	Current year	**18**	2 366	**(3 446)**	24 812
	Prior-year overprovision	**–**	–	**(2 086)**	(1 653)
	Change in tax rate	**–**	–	**(1 961)**	–
	Foreign tax				
	Current tax				
	Current year	**–**	–	**3 254**	2 346
	Withholding tax	**–**	–	**618**	–
	Deferred tax				
	Current year	**–**	–	**(344)**	30
	Prior-year overprovision	**–**	–	**(250)**	(277)
		18	4 761	**147 377**	129 965

	Company 2008 R'000	Company 2007 R'000	Group 2008 R'000	Group 2007 R'000
8 **Income tax expense** (continued)				
Discontinued operations				
South African normal tax				
Current tax				
Current year	–	–	12 345	8 486
Capital gains tax				
Current year	–	–	14 315	–
Deferred tax				
Current year	–	–	(29 349)	2 067
Foreign tax				
Current tax				
Current year	–	–	170	195
Deferred tax				
Current year	–	–	–	3
	–	–	(2 519)	10 751
Total income tax expense	18	4 761	144 858	140 716
Reconciliation of rate of tax (%)				
Standard rate – South Africa	28.00	29.00	28.00	29.00
Adjusted for:				
Capital gains tax	–	1.45	2.71	0.21
Change in tax rate	–	–	(0.33)	–
Disallowable expenditure	–	–	1.56	0.39
Exempt income and allowances	(28.00)	(28.85)	(3.90)	(2.63)
Foreign tax rate variations	–	–	0.11	0.01
Foreign withholding tax	–	–	0.11	–
Goodwill impairment	–	–	–	0.04
Prior-year overprovision	–	–	(0.15)	(0.37)
Secondary tax on companies deferred	0.05	0.98	–	0.35
Sale of business	–	–	(3.52)	–
Other	–	–	0.08	–
Effective tax rate	0.05	2.58	24.67	27.00

Subsidiaries of the group have estimated computed tax losses of R37.9 million (2007: R56.9 million) available for set-off against future taxable income of those subsidiaries. A deferred tax asset of R10.6 million (2007: R16.5 million) has been recognised in respect of the total computed tax losses (see note 13).

	Group	
	2008	2007
	R'000	R'000
9 **Earnings per share**		
Reconciliation of headline earnings		
Profit attributable to equity holders of the parent	**442 435**	380 508
Adjustments:		
Profit from discontinued operations	**(33 538)**	(26 320)
Profit before tax from discontinued operations (see note 7)	**(31 019)**	(37 071)
Tax relating to discontinued operations	**(2 519)**	10 751
Earnings from continuing operations attributable to equity holders of the parent	**408 897**	354 188
Profit attributable to equity holders of the parent	**442 435**	380 508
Adjustments:		
Profit on disposal of property, plant and equipment	**(12 412)**	(23 836)
Profit before tax	**(13 921)**	(26 512)
Tax	**1 509**	2 676
Profit on disposal of businesses	**(29 162)**	–
Profit before tax	**(24 893)**	–
Tax	**(4 269)**	–
Goodwill impairment	**–**	250
Headline earnings	**400 861**	356 922
Earnings per share – continuing operations	**137.1**	105.4
Earnings per share – discontinued operations	**11.3**	7.8
Earnings per share	**148.4**	113.2
Headline earnings per share	**134.4**	106.1
Diluted earnings per share – continuing operations	**134.6**	102.3
Diluted earnings per share – discontinued operations	**11.0**	7.6
Diluted earnings per share	**145.6**	109.9
Diluted headline earnings per share	**131.9**	103.0
	2008	2007
	'000	'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	**335 957**	355 488
Treasury shares held for the full year and/or cancelled	**(19 842)**	(7 875)
Shares issued in respect of options weighted for period in issue	**–**	447
Treasury shares purchased during the year weighted for period held	**(21 213)**	(20 865)
Treasury shares utilised for share options weighted for period in issue	**3 264**	9 071
Weighted average number of shares in issue for the year	**298 166**	336 266
Reconciliation of weighted average number of shares to weighted average diluted number of shares		
Weighted average number of shares in issue for the year	**298 166**	336 266
Dilutive effect of share options and forward purchase of shares	**5 681**	10 106
Weighted average diluted number of shares in issue for the year	**303 847**	346 372

	Group					
	2008			2007		
	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
10 Property, plant and equipment						
Land	**25 809**	**–**	**25 809**	25 809	–	25 809
Buildings	**272 193**	**22 972**	**249 221**	278 452	28 681	249 771
Computer equipment	**136 104**	**79 720**	**56 384**	113 181	45 826	67 355
Equipment	**134 911**	**47 059**	**87 852**	113 529	30 019	83 510
Furniture and fittings	**478 444**	**182 436**	**296 008**	410 444	153 795	256 649
Motor vehicles	**31 405**	**12 194**	**19 211**	24 848	8 978	15 870
	1 078 866	**344 381**	**734 485**	966 263	267 299	698 964

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 R45 million are encumbered under a mortgage with a carrying amount of R0.1 million as detailed in note 22. Motor vehicles with a net book value of R2 million are encumbered in terms of a loan with a carrying amount of R1.5 million as detailed under note 22. Computer equipment with a net book value of R18.4 million is encumbered under finance leases with a carrying amount of R7.3 million 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 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**
Additions	**–**	**1 184**	**24 335**	**27 432**	**91 795**	**12 012**	**156 758**
Disposals	**–**	**–**	**(3 642)**	**(7 663)**	**(10 591)**	**(3 433)**	**(25 329)**
Depreciation	**–**	**(1 734)**	**(31 664)**	**(15 427)**	**(41 845)**	**(5 238)**	**(95 908)**
Carrying amount at 31 August 2008	**25 809**	**249 221**	**56 384**	**87 852**	**296 008**	**19 211**	**734 485**

* During the 2007 year the property at erf 98 Lea Glen was reoccupied by the group and accordingly transferred to property, plant and equipment.

	Group					
	2008			2007		
	Cost R'000	**Accumulated amortisation and impairment losses R'000**	**Book value R'000**	Cost R'000	Accumulated amortisation and impairment losses R'000	Book value R'000
11 **Intangible assets**						
Clicks trademark	**272 000**	**–**	**272 000**	272 000	–	272 000
Link trademark	**6 000**	**4 670**	**1 330**	6 880	4 900	1 980
Capitalised software development	**44 845**	**16 034**	**28 811**	27 302	9 943	17 359
	322 845	**20 704**	**302 141**	306 182	14 843	291 339

The carrying amount of the group's 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 2006	272 000	100 000	2 630	22 820	397 450
Amortisation	–	–	(650)	(5 461)	(6 111)
Transfer to assets held for sale	–	(100 000)	–	–	(100 000)
Carrying amount at 31 August 2007	**272 000**	**–**	**1 980**	**17 359**	**291 339**
Additions	**–**	**–**	**–**	**17 542**	**17 542**
Amortisation	**–**	**–**	**(650)**	**(6 090)**	**(6 740)**
Carrying amount at 31 August 2008	**272 000**	**–**	**1 330**	**28 811**	**302 141**

The Link trademark has an estimated remaining useful life of two 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.

	Group 2008 R'000	2007 R'000
12 **Goodwill**		
Balance at the beginning of the year	**83 950**	83 950
Additional goodwill payments	**1 861**	250
Impairment	**–**	(250)
Balance at the end of the year	**85 811**	83 950
Goodwill comprises:		
New United Pharmaceutical Distributors (Pty) Ltd ("UPD")	**83 950**	83 950
Kalahari Medical Distributors (Pty) Ltd ("Kalahari")	**1 861**	–

The additional goodwill acquired related to the excess of the purchase consideration over the fair value of a business in Botswana acquired by UPD during the year. Projected short-term cash flows indicate that the goodwill is not 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 value in use.

The following key assumptions were made in determining the value in use:

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

ii) A fair rate of return of 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 same assumptions were applied to Kalahari as this company is in the same business as UPD and accordingly none of the assumptions would change significantly. The fact that Kalahari operates out of Botswana was considered but this is also not expected to change the assumptions.

The tests performed on both entities 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 2008 R'000	Company 2007 R'000	Group 2008 R'000	Group 2007 R'000
13 **Deferred tax assets/(liabilities)**				
Deferred tax assets	**1 203**	1 221	**72 482**	45 404
Deferred tax liabilities	**–**	–	**(81 334)**	(91 692)
	1 203	1 221	**(8 852)**	(46 288)
Balance at the beginning of the year	**1 221**	3 587	**(46 288)**	(21 306)
Current deferred tax charge	**(18)**	(2 366)	**37 436**	(24 982)
Balance at the end of the year	**1 203**	1 221	**(8 852)**	(46 288)
Arising as a result of:				
Capital gains tax	**–**	–	**(25 850)**	(27 355)
Employee obligations	**–**	–	**65 107**	27 630
Income and expense accrual	**–**	–	**29 271**	48 474
Inventory	**–**	–	**14 753**	5 879
Onerous leases	**–**	–	**2 136**	2 847
Operating lease accrual	**–**	–	**27 553**	30 006
Prepayments	**–**	–	**(179)**	–
Property, plant and equipment	**–**	–	**(57 703)**	(45 874)
STC credits	**1 203**	1 221	**1 611**	1 223
Tax losses	**–**	–	**10 621**	16 473
Trademarks	**–**	–	**(76 172)**	(106 953)
Other	**–**	–	**–**	1 362
Balance at the end of the year	**1 203**	1 221	**(8 852)**	(46 288)

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

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

The tax loss relates primarily to one (2007: three) pharmacy-owning subsidiary.

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

	Group 2008 R'000	Group 2007 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)	**1 434**	1 619
Amount owing by Intercare Managed Healthcare (Proprietary) Limited (see note 14.3)	**47 467**	50 879
Amount owing by New Clicks Holdings Share Trust ("the Share Trust") participants (see note 14.4)	**8 900**	15 848
Amounts owing by Sign and Seal Trading 205 (Proprietary) Limited (see note 14.5)	**3 312**	–
Total loans receivable	**66 134**	73 367
Short-term portion included in current assets	**(8 064)**	(4 616)
Non-current loans receivable	**58 070**	68 751

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") is unsecured, carries interest at prime less 1% and is repayable by December 2011.

14.3 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 R47 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 R47 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 four years.

R23 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.

14.4 The Share Trust loan with participants is unsecured, interest free and no fixed date for repayment has been determined.

14.5 The loans to Sign and Seal Trading 205 (Proprietary) Limited ("Style Studio") consists of a loan of R3.2 million repayable over five years at the prime interest rate with the last instalment due in August 2012, as well as a loan at a face value of R800 000 which is interest free and repayable in August 2012.

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

	Group 2008 R'000	2007 R'000
15 **Inventories**		
Inventories comprise:		
Goods for resale	**1 330 136**	1 155 134
Goods in transit	**40 753**	36 713
	1 370 889	1 191 847
Inventories stated at net realisable value	**46 570**	25 120

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 2008 R'000	2007 R'000
16 **Trade and other receivables**		
The following are included in trade and other receivables:		
Trade receivables	**685 080**	739 677
Less: provision for impairment of trade receivables	**(30 618)**	(44 406)
Trade receivables – net	**654 462**	695 271
Prepayments	**5 719**	8 094
Other income accruals	**144 454**	80 024
Other	**1 300**	8 737
	805 935	792 126

The carrying amount of trade and other receivables approximate their fair value. Trade and other receivables are predominantly non-interest bearing.

	Group 2008 R'000	2007 R'000
17 **Derivative financial instruments**		
Derivative financial assets		
Balance at the beginning of the year	**59 391**	35 901
Realised gain on interest rate swap contracts recognised in profit	**(4 477)**	(1 609)
Unrealised gain on interest rate swap contracts recognised in profit	**4 090**	3 004
Realised gain on forward exchange contracts recognised in profit	**(1 349)**	(6 080)
Unrealised gain on forward exchange contracts recognised in profit	**–**	1 349
Purchase of share option hedge	**26 327**	–
Proceeds from disposal of share option hedge	**(16 830)**	–
Change in fair value of share option hedge recognised in profit	**(22 808)**	26 826
Balance at the end of the year	**44 344**	59 391
Derivative financial liabilities		
Balance at the beginning of the year	**–**	–
Unrealised loss on forward exchange contracts recognised in profit	**3 057**	–
Balance at the end of the year	**3 057**	–

	2008 Assets R'000	2008 Liabilities R'000	2007 Assets R'000
17 **Derivative financial instruments** (continued)			
Interest rate swap contracts	**4 096**	**–**	4 483
Forward exchange contracts – held for trading	**–**	**(3 057)**	1 349
Share option hedge	**40 248**	**–**	53 559
Total	**44 344**	**(3 057)**	59 391

All derivatives noted above are classified as held for trading.

For currency and interest rate derivatives, fair values are calculated using standard market calculation conventions with reference to the relevant closing market spot rates, forward foreign exchange and interest rates. The notional principal amounts of the outstanding forward foreign exchange contracts at 31 August 2008 was R163 million (2007: R152 million). The notional principal amounts of the outstanding interest rate swap contracts at 31 August 2008 was R100 million (2007: R100 million).

The share option hedge serves as a hedge in respect of the group's obligation in terms of share appreciation rights granted to employees and the 2008 tranche of the long-term incentive scheme share appreciation rights.

Of the current valuation of the hedge, R23.1 million serves as a hedge of the share appreciation rights as described in note 23.2 and the balance serves as a hedge of the long-term incentive as described in note 23.1.

The derivative has been valued by an independent external valuator using the Binomial option pricing model. Refer to note 23.2 for significant assumptions used in the Binomial option pricing model.

	Group 2008 R'000	Group 2007 R'000
18 **Disposal group classified as held for sale**		
As described in note 7, the group sold the Discom business unit 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

	Group 2008 R'000	Group 2007 R'000
19 Share capital and share premium		
Authorised		
600 million (2007: 600 million) ordinary shares of one cent each	**6 000**	6 000
Issued ordinary shares and premium		
324.139 million (2007: 335.957 million) ordinary shares of one cent each	**3 242**	3 360
Share premium – group	**121 461**	435 991
Share premium – company	**135 967**	438 111

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. The balance represents the difference in cost between the cancellation of shares at a holding company level at market value while on consolidation the cancellation is carried out at cost.

	'000	'000
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	**324 139**	335 957
Treasury shares held at the end of the year	**(33 814)**	(19 842)
Net number of shares in issue at the end of the year	**290 325**	316 115
Of the shares in issue, the group holds the following as treasury shares:		
Shares purchased by a subsidiary – 27.606 million (2007: 17.033 million) ordinary shares of one cent each – cost	**393 597**	235 708
Shares held by the Share Trust – 6.208 million (2007: 2.809 million) ordinary shares of one cent each – cost	**70 025**	22 840
	463 622	258 548

During the year the group cancelled 11 818 017 (2007: 20 000 000) ordinary shares of one cent each previously held as treasury shares by a subsidiary. Of the total cost of R153.22 million, R153.1 million was deducted from share premium and R0.12 million from share capital of the company.

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

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

In the 2007 financial year, treasury shares to the amount of R126 million served as security for a loan – see note 22.

	Group No. of shares 2008 '000	No. of shares 2007 '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	**70 439**	78 270
Decrease as a result of net number of shares cancelled, share options forfeited and share option obligations fulfilled by utilising treasury shares	**(3 850)**	(7 831)
Balance at the end of the year	**66 589**	70 439
Shares allocated and options granted to employees		
Shares		
Balance at the beginning of the year	**78**	913
Delivered to participants	**(78)**	(835)
Balance at the end of the year	**–**	78
Options		
Balance at the beginning of the year	**16 236**	35 861
Delivered to participants	**(6 296)**	(18 450)
Options forfeited by participants	**(1 134)**	(1 175)
Balance at the end of the year	**8 806**	16 236
Total shares allocated and options granted	**8 806**	16 314

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	270 676	–	(137 000)	(133 676)	**–**
January 1999	R5.35	1 802 100	–	(792 000)	–	**1 010 100**
July 1999	R7.80	1 047 500	–	(138 500)	–	**909 000**
September 2000	R9.30	2 810 000	–	(530 000)	–	**2 280 000**
April 2001	R7.40	1 739 282	–	(969 282)	–	**770 000**
July 2002	R6.70	1 410 000	–	(1 085 000)	–	**325 000**
October 2002	R5.70	125 000	–	(125 000)	–	**–**
January 2003	R6.50	610 000	–	(595 000)	–	**15 000**
June 2003	R5.90	10 000	–	(10 000)	–	**–**
August 2003	R6.30	2 331 500	–	(548 500)	(300 000)	**1 483 000**
October 2003	R7.10	430 000	–	–	–	**430 000**
June 2005	R7.50	2 650 000	–	(1 095 000)	(600 000)	**955 000**
August 2005	R8.32	1 000 000	–	(271 000)	(100 000)	**629 000**
Total		16 236 058	–	(6 296 282)	(1 133 676)	**8 806 100**

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.

20 **Share option reserve** (continued)

Fair value of share-based payments in respect of options

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

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

Options granted	Share price at grant date	Risk-free rate (%)	Expected dividend yield (%)	Expected volatility (%)	Expected exercise rate (%)
January 2003 – 3-year vesting period	R6.50	10.50	2.70	36.0	27.73
January 2003 – 5-year vesting period	R6.50	10.70	2.70	37.0	33.00
June 2003 – 3-year vesting period	R5.80	9.60	3.10	36.0	86.85
June 2003 – 5-year vesting period	R5.80	9.64	3.10	37.0	86.86
August 2003 – 3-year vesting period	R6.64	9.11	3.20	36.0	59.11
August 2003 – 5-year vesting period	R6.64	9.66	3.20	37.0	51.95
October 2003 – 3-year vesting period	R7.00	8.38	3.40	35.0	86.85
October 2003 – 5-year vesting period	R7.00	8.75	3.40	36.0	86.85
June 2005 – 3-year vesting period	R7.60	7.53	3.70	30.0	75.71
June 2005 – 5-year vesting period	R7.60	7.84	3.70	32.0	75.71
August 2005 – 3-year vesting period	R8.40	7.68	3.70	30.0	86.95
August 2005 – 5-year vesting period	R8.40	7.93	3.70	32.0	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.

The share option reserve recognises the cost at fair value of options issued to employees.

		Group	
		2008	2007
		R'000	R'000
20	**Share option reserve** (continued)		
	Share option reserve		
	Balance at the beginning of the year	**23 786**	20 037
	Share option cost charged to profit	**46**	3 749
	Balance at the end of the year	**23 832**	23 786
	Represented by:		
	Estimate of options not yet vested but expected to vest	**3 163**	10 629
	Options vested and not forfeited	**20 669**	13 157
		23 832	23 786
21	**Foreign currency translation reserve**		
	The reserve comprises:		
	Unrealised gain/(loss) on the translation of assets and liabilities of subsidiaries whose financial statements are denominated in foreign currencies	**39**	(11)
22	**Interest-bearing borrowings**		
	Non-current		
	Bank borrowings	**14 434**	30 451
	Unsecured liability	**3 092**	–
	Finance leases	**3 660**	2 453
	Financial liability	**40 274**	44 777
		61 460	77 681
	Current		
	Bank borrowings	**41 773**	188 111
	Finance leases	**5 214**	9 237
	Financial liability	**7 193**	6 102
		54 180	203 450
	Total borrowings	**115 640**	281 131

The contractual terms of the group's interest-bearing borrowings are detailed below.

More information about the group's treasury, foreign exchange and interest-rate risk policies is given in note 29.

	Interest rate	Year of maturity	Carrying amount 2008 R'000	Carrying amount 2007 R'000
22 **Interest-bearing borrowings** (continued)				
Secured bank loan – This loan is secured by a pledge of shares in certain property-owning subsidiary	15.4%	August 2010	**29 938**	41 998
Secured bank loan – This loan is secured by mortgage over certain property (note 10)	prime less 1%	August 2010	**112**	119
Secured bank loan – This loan was secured by treasury shares (see notes 19 and 30)	JIBAR plus 0.3%	February 2008	**–**	125 859
Unsecured loan	11.7%	September 2008	**26 157**	50 586
Unsecured loan	prime	2009 – 2010	**3 092**	–
Finance lease liabilities – These lease liabilities are secured by the related leased items (see note 10)	6.1%	2008 – 2009	**7 324**	9 208
Finance lease liabilities – These lease liabilities are secured over certain assets (see note 10)	prime less 2%	2008 – 2009	**1 550**	2 482
Financial liability (see note 22.1)				
Portion fixed	11.9%	December 2011	**23 353**	25 587
Portion at prime less 1% per annum		2011 – 2012	**24 114**	25 292
Total interest-bearing borrowings			**115 640**	281 131
Amount repayable within one year included in current liabilities			**(54 180)**	(203 450)
Non-current interest-bearing borrowings			**61 460**	77 681

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 14.3 has been settled, as the group still retains substantially all of the risks and rewards relating to the receivable through the issuance of a guarantee, the receivable has not been derecognised. The proceeds received on the settlement of the receivable have thus been recognised as a financial liability. The repayment terms of this loan are the same as the terms applicable to the receivable.

	Long-term incentive scheme (note 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 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
Change in fair value of cash-settled obligation taken to profit	–	3 530	–	3 530
Current service cost	46 378	–	1 065	47 443
Interest cost	6 634	–	1 509	8 143
Actuarial loss	8 150	–	–	8 150
Reclassification to short-term employee benefits	–	(1 343)	–	(1 343)
Balance at 31 August 2008	89 929	15 051	25 886	130 866

23 **Employee benefits** (continued)

23.1 ***Long-term incentive scheme***

During 2008, the group issued 6.9 million (2007: 9.7 million) cash-settled share 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 taken to the income statement.

The exercise price of each appreciation right was determined as R12.36 (2007: R8.52) per option ("base value"). In order to determine the amount to be provided a fixed factor of 12 is applied to the HEPS at the end of the three-year period. The differential between the factor x HEPS and the base value is the amount that will be paid out per right.

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

23.2 ***Share appreciation rights***

During 2005, the group made six million share appreciation rights available to certain employees. Three million of these rights vested during 2008 and the remaining three million 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		Exercise price	Share price on vesting date		Exercise price
Three-year rights*	greater than	R12.71	R8.36	greater than	R16.04	R10.55
	greater than	R14.45	R4.18	greater than	R18.23	R5.27
	greater than	R16.33	R0.01	greater than	R20.61	R0.01
Five-year rights	greater than	R16.81	R8.36	greater than	R21.22	R10.55
	greater than	R20.80	R4.18	greater than	R26.25	R5.27
	greater than	R25.51	R0.01	greater than	R32.20	R0.01

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 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 R15.4 million.

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

The following key assumptions have been made:

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

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

iii) A dividend yield of 3.35% was assumed.

iv) 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%.

* The rights relating to the three-year 7 April 2005 tranche vested during the year and payment made.

23 **Employee benefits** (continued)

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 R25.9 million (2007: R23.3 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

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:

	R'000
– Medical inflation increases or decreases by 1% per annum over assumptions made	4 028
– Retirement age increases or decreases by five years	6 859

	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 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**
Reclassification from long-term employee benefits	**1 343**	**–**	**–**	**–**	**–**	**1 343**
Benefit payments	**(15 287)**	**(9 806)**	**(68 961)**	**–**	**(2 194)**	**(96 248)**
(Release)/charge included in profit	**(9 690)**	**10 533**	**67 980**	**–**	**2 961**	**71 784**
Balance at 31 August 2008	**1 343**	**41 582**	**58 733**	**–**	**2 604**	**104 262**

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 related 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, (Act No. 24 of 1956), are operated by the group.

23 **Employee benefits** (continued)

These funds are:

– the Clicks Group Retirement Fund;

– the Clicks Group Negotiated Pension Fund;

– the Clicks Group Negotiated Provident Fund; and

– the New UPD Corporate Selection Pension Fund.

In addition to the above funds, employees of UPD can elect to join the SACCAWU National Provident Fund or Chemical Industries National Provident Fund, which are not operated by the group. These are retirement umbrella funds. Employees who were members of the Rainmaker Pension or Provident Fund are now members of one of the three Clicks group funds.

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

The funds are all defined contribution funds.

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

	Group	
	2008	2007
	R'000	R'000
24 **Lease commitments**		
Operating lease liability		
Operating lease accrual	**98 093**	97 360

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.

	Group	
	2008	2007
	R'000	R'000
Future minimum lease payments under non-cancellable operating leases due:		
– Not later than 1 year	**260 446**	240 953
– Later than 1 year, not later than 5 years	**750 251**	687 761
– Later than 5 years	**280 268**	297 197
	1 290 965	1 225 911
Future minimum lease payments receivable under non-cancellable operating leases due:		
– Not later than 1 year	**12 229**	11 220
– Later than 1 year, not later than 5 years	**57 709**	55 140
– Later than 5 years	**44 110**	58 909
	114 048	125 269
The net future minimum lease payments under non-cancellable operating leases due:		
– Not later than 1 year	**248 217**	229 733
– Later than 1 year, not later than 5 years	**692 542**	632 621
– Later than 5 years	**236 158**	238 288
	1 176 917	1 100 642

24 **Lease commitments** (continued)

Finance lease liability

The finance lease liability is payable as follows:

	Future minimum lease payments 2008 R'000	**Interest 2008 R'000**	**Present value of minimum lease payments 2008 R'000**	Future minimum lease payments 2007 R'000	Interest 2007 R'000	Present value of minimum lease payments 2007 R'000
– Not later than 1 year	**5 860**	**(646)**	**5 214**	9 578	(341)	9 237
– Later than 1 year, not later than 5 years	**4 287**	**(627)**	**3 660**	2 567	(114)	2 453
– Later than 5 years	**–**	**–**	**–**	–	–	–
	10 147	**(1 273)**	**8 874**	12 145	(455)	11 690

	Group 2008 R'000	Group 2007 R'000
25 **Trade and other payables**		
The following are included in trade and other payables:		
Trade payables	**1 462 966**	1 673 002
Non-trade payables and accruals	**317 123**	229 311
	1 780 089	1 902 313

	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 2006	22 818	3 858	14 740	41 416
Provisions made during the year included in cost of merchandise sold	83 326	–	–	83 326
Provisions utilised during the year	(70 158)	–	–	(70 158)
Movement in provision during the year recognised in cost of merchandise sold	–	(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**
Provisions made during the year included in cost of merchandise sold	**85 865**	**–**	**–**	**85 865**
Provisions utilised during the year	**(78 365)**	**–**	**–**	**(78 365)**
Movement in provision during the year recognised in cost of merchandise sold	**–**	**(1 380)**	**–**	**(1 380)**
Movement in provision during the year recognised in occupancy costs	**–**	**–**	**(2 184)**	**(2 184)**
Balance at 31 August 2008	43 486	430	7 630	51 546

26 **Provisions** (continued)

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 sub-let 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	
	2008 R'000	2007 R'000
27 **Distributions to shareholders**		
Previous year final cash distribution – 33.2 cents per share paid 18 December 2007 comprising 3.6 cents per share cash dividend and 29.6 cents per share out of share premium (2007: 22 cents per share paid 18 December 2006)	**111 538**	78 311
Current year interim cash distribution – 18.8 cents per share paid 23 June 2008 comprising 3.7 cents per share cash dividend and 15.1 cents per share out of share premium (2007: 15 cents per share paid 25 June 2007)	**61 280**	53 394
Total distributions to shareholders	**172 818**	131 705
Distributions on treasury shares	**(16 025)**	(10 419)
Distributions paid outside the group	**156 793**	121 286

On 22 October 2008, the directors approved the final proposed distribution of 42.3 cents per share comprising a final cash dividend of 3.7 cents per share and a distribution out of share premium of 38.6 cents per share to be paid on 15 December 2008.

Dividend policy

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

For further details refer to the Directors' Report on page 59 and shareholders' information on page 121.

	Group 2008 R'000	Group 2007 R'000
28 Cash flow information		
28.1 ***Operating profit before working capital changes***		
Operating profit before financing costs	**638 253**	560 051
Adjustment for:		
Depreciation and amortisation	**102 648**	104 401
Reversal of previous unrealised foreign exchange differences	**1 349**	6 080
Unrealised foreign exchange loss/(gain)	**3 057**	(1 349)
Goodwill impairment	**–**	250
Operating lease accrual	**(5 574)**	2 522
Profit on disposal of property, plant and equipment	**(13 921)**	(26 512)
Profit on disposal of businesses	**(24 893)**	–
Fair value adjustment – derivatives	**22 808**	(26 826)
Equity-settled share option costs	**46**	3 749
	723 773	622 366
28.2 ***Working capital changes***		
(Increase)/decrease in inventories	**(116 656)**	40 047
Increase in trade and other receivables	**(3 434)**	(272)
Acquisition of derivative financial instruments	**(26 327)**	–
Disposal of derivative financial instruments	**16 830**	–
(Decrease)/increase in trade and other payables	**(130 418)**	411 613
Increase in employee benefits	**31 839**	63 228
Increase in provisions	**3 936**	6 194
	(224 230)	520 810
28.3 ***Taxation (paid)/received***		
Income tax (payable)/receivable at the beginning of the year	**(84 309)**	68 929
Current tax provided	**(182 294)**	(115 734)
Income tax payable at the end of the year	**73 994**	84 309
	(192 609)	37 504
28.4 ***Proceeds from the issue of share capital***		
Shares issued	**–**	3 128
Share issue expenses	**–**	(726)
	–	2 402
28.5 ***Cash and cash equivalents***		
Current accounts	**101 139**	413 275
	101 139	413 275
28.6 ***Discontinued operations***		
Net cash effects of operating activities	**63 385**	57 469
Net cash effects of investing activities	**313 322**	(7 030)
Cash flow for discontinued operations	**376 707**	50 439
Cash flow from continuing operations	**(688 843)**	369 725
Net (decrease)/increase for the year in cash and cash equivalents	**(312 136)**	420 164

	Group 2008 R'000	Group 2007 R'000
28 Cash flow information (continued)		
28.7 ***Proceeds from disposal of business***		
During the year, the group sold its Discom business to Edcon.		
Trademark	100 000	–
Inventories	149 267	–
Property, plant and equipment	49 324	–
Other	(5 884)	–
Net assets disposed of	292 707	–
Profit on sale (see note 7)	23 649	–
Proceeds on disposal	316 356	–
28.8 ***Acquisition of business***		
The group acquired 90% of the shares of Kalahari Medical Distributors (Pty) Ltd ("Kalahari"), a pharmaceutical wholesaler in Botswana, effective 1 January 2008, for an amount of R4.3 million.		
Total identifiable assets acquired and liabilities assumed	2 729	–
Goodwill on acquisition	1 861	–
Cost of business combination	4 590	–
Settled by way of cash	1 725	–
The total cost of the business combination comprised the following:		
Cash paid	1 725	–
Purchase consideration still owing	2 808	–
Foreign exchange adjustments arising on transaction	(215)	–
Total cost of acquisition	4 318	–

29 Financial risk management

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

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

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

The group's treasury function provides a centralised service to the group for funding, foreign exchange, interest rate management and counterparty risk management.

The group treasury function reports to the group finance director and the group financial manager who together agree the parameters within which treasury operates.

Market risk

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

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

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

29 **Financial risk management** (continued)

Currency risk

The group is exposed to foreign exchange risk through its imports of goods and capital equipment.

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

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

The impact of a 10% strengthening or weakening of the currency against the USD, Euro and GBP with all other variables held constant is disclosed in note 30. This would arise as a result of the outstanding forward foreign exchange contracts held by the group at year-end.

Interest rate risk

As the group has no significant interest-bearing assets, the group's income and operating cash flows are substantially independent of changes in market interest rates.

The group's interest rate risk arises from long-term and short-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. During 2007 and 2008, the group's borrowings at variable rates were denominated in Rand.

The impact of a 1% increase/decrease in variable interest rates on borrowings is disclosed in note 30.

Price risk

The group is exposed to equity securities price risk as a result of certain derivative investments held by the group related to the share price of New Clicks Holdings Limited. This derivative is primarily held to fund the share appreciation rights and the long-term incentive scheme. Due to the nature of the recognition of the liability, over a period of time there may be a mismatch between the derivative and the liability, however on realisation of the liability, the derivative and liability are expected to cover the expected liability. On the derivative all gains and losses must be recognised immediately whereas the liabilities are recognised over the period over which they accrue.

The impact of a 10% strengthening or weakening of the New Clicks Holdings Limited share price at the balance sheet date along with the corresponding impact on the related liability, is disclosed in note 30.

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the group's receivables. Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Trade and other receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In relation to the Retail business trade receivables primarily relate to recoverables from vendors with which the group has a trading relationship and medical aids with respect to pharmacy recoverables, while in wholesale, customers (excluding intercompany) are primarily with hospitals and independent pharmacists.

In relation to the Wholesale business, the risk management has been delegated to the management of the subsidiary business. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers.

Lombard Insurance Company is utilised to cover the majority of customers with a credit balance over a certain amount.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the group may have a secured claim. The group does require collateral in respect of certain trade and other receivables.

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

The group has furnished guarantees to external parties – see note 33.

29 **Financial risk management** (continued)

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due.

The group's approach is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the group's reputation. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed and uncommitted credit lines.

See note 30.7 for details of maturity analysis of the group's financial liabilities.

Capital risk management

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

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group had a target of maintaining a ratio of shareholders' funds to total assets in the range of 32% to 37%.

This is obtained through achieving the group's earnings targets, management of working capital and through share buy-backs and distributions.

In 2008 the shareholders' funding to total assets was 31.9%.

30 **Financial instruments**

30.1 ***Treasury risk management***

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

30.2 ***Foreign exchange risk management***

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

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

The group has measured these instruments at fair value (see note 17).

	31 August 2008			31 August 2007		
	Euro '000	**USD '000**	**GBP '000**	Euro '000	USD '000	GBP '000
Exposure to currency risk						
Estimated forecast purchases	**3 933**	**37 400**	**2 633**	4 770	35 120	2 400
Gross exposure	**3 933**	**37 400**	**2 633**	4 770	35 120	2 400
Forward exchange contracts	**1 375**	**16 360**	**1 120**	1 170	17 700	1 040
Net exposure	**2 558**	**21 040**	**1 513**	3 600	17 420	1 360

The following significant exchange rates applied during the year:

	Average rate		**Reporting date mid-spot rate**	
	2008	2007	**2008**	2007
Rand				
USD	**7.41**	7.20	**7.75**	7.16
GBP	**14.73**	14.16	**14.12**	14.45
Euro	**11.11**	9.54	**11.30**	9.78

30 **Financial instruments** (continued)

30.2 ***Foreign exchange risk management*** *(continued)*

Foreign exchange rate sensitivity analysis

The following table details the group's sensitivity to a 10% increase in the South African Rand against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation for a 10% change in foreign currency rates.

	USD impact		**GBP impact**		**Euro impact**	
	2008	2007	**2008**	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000	**R'000**	R'000
Loss	**(12 887)**	(12 751)	**(1 714)**	(1 486)	**(1 662)**	(1 019)

For a 10% weakening of the South African Rand against the relevant currency, there would be an equal but opposite increase in profit.

30.3 ***Price risk***

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

Equity price sensitivity analysis

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

The impact of a 10% strengthening or weakening of the New Clicks Holdings share price at the balance sheet date is disclosed below, along with the corresponding impact on the related liability.

	Group	
	2008	2007
	R'000	R'000
Derivative financial asset	**12 370**	16 461
Share appreciation rights	**(5 160)**	(11 911)
Net impact	**7 210**	4 550

30.4 ***Interest rate risk***

The group is exposed to interest rate risk as entities in the group borrow funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix of fixed and floating rate borrowings and by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite ensuring optimal hedging strategies are applied.

The group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for both derivative and non-derivative financial instruments. For floating rate liabilities, the analysis is prepared based on the average liability outstanding. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant as at year-end, the group's profit for the year ended 31 August 2008 would be R1.8 million lower/higher (2007: R2.1 million higher/lower). This is mainly attributable to the group's exposure to interest rates on its variable rate borrowings.

30 **Financial instruments** (continued)

30.5 ***Fair values of financial instruments***

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

		31 August 2008		31 August 2007	
		Carrying value R'000	**Fair value R'000**	Carrying value R'000	Fair value R'000
Financial assets					
Trade receivables (note 16)	Loans and receivables	**654 462**	**654 462**	695 271	695 271
Loans receivable (excluding loan receivable from Intercare) (note 14)	Loans and receivables	**18 667**	**17 112**	22 488	22 488
Loan receivable from Intercare (note 14)	Loans and receivables	**47 467**	**47 628**	50 879	49 156
Cash and cash equivalents	Loans and receivables	**101 139**	**101 139**	413 275	413 275
Interest rate swaps used for hedging (note 17)	Assets at fair value through profit and loss	**4 096**	**4 096**	4 483	4 483
Forward exchange contracts used for hedging (note 17)	Assets at fair value through profit and loss	**–**	**–**	1 349	1 349
Share option hedge (note 17)	Assets at fair value through profit and loss	**40 248**	**40 248**	53 559	53 559
Financial liabilities					
Secured bank loans (note 22)	Financial liabilities measured at amortised cost	**30 050**	**30 050**	167 976	170 997
Finance lease liability – fixed rate (note 22)	Financial liabilities measured at amortised cost	**7 324**	**6 185**	9 208	9 044
Finance lease liability – variable rate (note 22)	Financial liabilities measured at amortised cost	**1 550**	**3 344**	2 482	2 482
Forward exchange contracts used for hedging (note 17)	Financial liabilities at fair value through profit and loss	**3 057**	**3 057**	–	–
Unsecured loan (note 22)	Financial liabilities measured at amortised cost	**29 249**	**29 249**	50 586	45 994
Trade and other payables (note 25)	Financial liabilities measured at amortised cost	**1 780 089**	**1 780 089**	1 902 313	1 902 313
Loan advanced to Intercare (note 22)	Financial liabilities measured at amortised cost	**47 467**	**46 195**	50 879	49 848

Basis for determining fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

Derivatives

Fair values of currency and interest rate derivatives are calculated using standard market calculation conventions with reference to the relevant closing market spot rates, forward foreign exchange and interest rates.

The fair value of the share option hedge is determined by external, independent valuators using the external valuator's Binomial option pricing model.

Refer to note 23.2 for the key assumptions used in the Binomial option pricing model.

Non-derivative financial liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

30 **Financial instruments** (continued)

30.5 ***Fair values of financial instruments*** *(continued)*

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Interest rates used in determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at the reporting date plus an adequate constant credit spread, and were as follows:

	2008 %	2007 %
Borrowings	**15.5**	13.0
Leases	**14.5**	12.5

30.6 ***Credit risk management***

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the group. The group is exposed to credit risk arising from cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. Management has a formal credit policy in place as a means of mitigating the risk of financial loss to the group.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2008 R'000	2007 R'000
Loans and receivables	**755 601**	1 108 546
Trade and other receivables	**654 462**	695 271
Cash and cash equivalents	**101 139**	413 275
Other loans	**18 667**	22 488
Forward exchange contracts	**–**	1 349
	774 268	1 132 383

Loans and receivables

Loans and receivables consist of trade receivables and cash and cash equivalents.

Trade receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers who purchase from the company.

Trade receivables can be categorised into wholesale customers and retail customers.

The maximum exposure to credit risk, after impairment, for trade receivables at the reporting date by type of customer was:

	Carrying amount	
	2008 R'000	2007 R'000
Retail customers	**39 739**	85 352
Wholesale customers	**614 723**	609 919
	654 462	695 271

30 **Financial instruments** (continued)

30.6 ***Credit risk management*** *(continued)*

Loans and receivables (continued)

Retail customers

The ageing of trade receivables at the reporting date was:

	Gross 2008 R'000	Impairment 2008 R'000	Gross 2007 R'000	Impairment 2007 R'000
Not past due	35 094	–	51 493	–
Past due 0 – 30 days	4 480	–	29 388	–
Past due 31–120 days	5 008	(4 843)	11 295	(6 824)
More than 120 days	–	–	1 516	(1 516)
Total	44 582	(4 843)	93 692	(8 340)

Retail trade receivables mainly relate to receivables from vendors with which the group has a trading relationship and medical aids with respect to pharmacy debtors. These debtors are low-risk debtors and therefore the credit risk associated with these customers is low.

Trade debtors are classified as past due when they have passed their payment date by one day.

Wholesale customers

The ageing of trade receivables at the reporting date was:

	Gross 2008 R'000	Impairment 2008 R'000	Gross 2007 R'000	Impairment 2007 R'000
Not past due	491 990	–	540 232	–
Past due 0 – 30 days	83 096	–	50 273	–
Past due 31 – 120 days	65 412	(25 775)	46 055	(35 727)
More than 120 days	–	–	9 425	(339)
Total	640 498	(25 775)	645 985	(36 066)

Trade debtors are classified as past due when they have passed their payment date by one day.

Wholesale customers are primarily with hospitals and independent pharmacists.

UPD minimises its exposure to credit risk by insuring debtors with credit balances over R30 000.

There is an excess that is covered by UPD with the balance being covered by Lombard Insurance Company.

The split between insured and uninsured debtors is as follows:

	Gross amount 2008 R'000	2007 R'000
Insured	527 625	533 659
Uninsured	112 873	112 326
	640 498	645 985

Uninsured debtors consist mainly of a concentration of debtors under R30 000 and low-risk debtors such as government debtors and related parties.

The exposure to credit risk surrounding these debtors is managed by the debtors undergoing credit evaluations and the taking out of security.

30 **Financial instruments** (continued)

30.6 ***Credit risk management*** *(continued)*

Loans and receivables (continued)

Impairment loss

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. The directors believe there are no further credit provisions required in excess of the allowance for doubtful debts.

The group's trade receivables are stated after allowances for bad and doubtful debts based on management's assessment of creditworthiness, an analysis of which is as follows:

	Retail		Wholesale	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
At 1 September	**(8 340)**	(6 721)	**(36 066)**	(29 903)
Additional allowances made	**(4 303)**	(6 383)	**(1 204)**	(6 544)
Trade receivables written off during the year as uncollectible	**7 800**	4 764	**11 495**	381
At 31 August	**(4 843)**	(8 340)	**(25 775)**	(36 066)

The creation and release of allowances for impaired receivables have been included in "other costs" in the income statement (note 6).

Amounts charged to the allowance account are generally written off to the income statement when there is no expectation of recovering additional cash.

Cash and cash equivalents

The group's banking facilities are with reputable institutions all of which have a strong credit rating.

Forward exchange rates

All forward exchange contracts are with reputable institutions all of which have a strong credit rating.

Other loans

Other loans are reviewed at least on an annual basis to assess their recoverability. None of the loans are considered to be impaired at the end of the financial year.

30.7 ***Liquidity risk management***

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity risk is to ensure, as far as practical, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk of damage to the group's reputation.

30 **Financial instruments** (continued)

30.7 ***Liquidity risk management*** *(continued)*

Liquidity and interest risk tables

The following tables detail the group's remaining contractual maturity for its financial liabilities, including interest payments and excluding the impact of netting agreements:

	Interest terms	Carrying amount R'000	Contractual cash flows R'000	1 year or less R'000	1 to 5 years R'000	Over 5 years R'000
		Group 2008				
Non-derivative liabilities						
Interest-bearing borrowings (see note 22)	Variable in relation to prime	28 868	34 089	7 471	26 618	–
Interest-bearing borrowings (see note 22)	Fixed	86 772	115 974	73 021	42 953	–
Trade and other payables (see note 25)		1 780 089	1 780 089	1 780 089	–	–
Total financial liabilities		1 895 729	1 930 152	1 860 581	69 571	–
Derivative financial liabilities						
Forward exchange contracts						
Outflow (see note 17)		3 057	162 635	162 635	–	–
		1 898 786	2 092 787	2 023 216	69 571	–

	Interest terms	Carrying amount R'000	Contractual cash flows R'000	1 year or less R'000	1 to 5 years R'000	Over 5 years R'000
		Group 2007				
Non-derivative liabilities						
Interest-bearing borrowings	Variable in relation to prime	27 893	33 035	4 952	28 083	–
Interest-bearing borrowings	Fixed	127 379	183 319	74 504	108 815	–
Interest-bearing borrowings	Variable in relation to JIBAR	125 859	135 297	135 297	–	–
Trade and other payables		1 902 313	1 902 313	1 902 313	–	–
Total financial liabilities (see note 22 and note 25)		2 183 444	2 253 964	2 117 066	136 898	–

	Company 2008 R'000	Company 2007 R'000
31 **Unlisted investment**		
2 600 redeemable cumulative non-participating preference shares at 9.32% in Sechold Finance Services (Pty) Ltd	**260 000**	260 000
Less: redemption of preference shares	**(260 000)**	–
Less: current portion in current assets	**–**	(260 000)
Long-term portion	**–**	–

Offset of a financial asset and a financial liability

In the group financial statements, this asset was off-set against a related liability contracted by a subsidiary. During August 2008, the preference shares were redeemed.

	Group 2008 R'000	Group 2007 R'000
32 Capital commitments		
Capital expenditure approved by the directors		
Contracted	**11 252**	7 905
Not contracted	**235 348**	168 095
	246 600	176 000

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 R216.5 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 R30 million.

A subsidiary has provided a guarantee to their bankers, in respect of that subsidiary's owner-driver scheme. Should the driver default 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 R3.5 million at the balance sheet date.

The company has guaranteed a R47 million facility given to Intercare by their bankers as detailed in notes 14.3 and 22.1.

Group companies provide surety for other group companies to the value of R876 million with respect to facilities held with various banks. At year-end none 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 intragroup transactions have been eliminated on consolidation. For a list of the group's subsidiaries, see page 120.

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 held an investment in an Investec Bank Limited group company. Refer to note 31.

iv) A group company has purchased a derivative instrument from Investec. Refer to 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 predetermined 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 5.

34 **Related party transactions** (continued)

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 Remuneration Report on page 41 of this annual report.

Company

A schedule of the loans and investments in related parties is included on page 120.

The company received dividends to the value of Rnil (2007: R131.7 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 R14.6 million (2007: R7.5 million).

In addition, the company paid distributions to the Share Trust on shares held by the Share Trust of R1.5 million (2007: R2.9 million). Details regarding distributions relating to treasury shares are included in note 27.

35 **Borrowing powers**

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

36 **Business acquisition**

The group acquired 90% of the shares of Kalahari Medical Distributors (Pty) Ltd ("Kalahari"), a pharmaceutical wholesaler in Botswana, effective 1 January 2008, for an amount of R4.3 million.

At that date, the fair value of Kalahari's identifiable assets and liabilities was R11.5 million and R8.8 million respectively. The carrying amount of those assets and liabilities were R11.5 million and R8.8 million respectively. Management performed an exercise considering the fair value versus the carrying amount of Kalahari. However, the result was that the difference between fair value and carrying amount was not considered material.

Kalahari had no significant contingent liabilities at that date.

The following shows Kalahari's balance sheet at 1 January 2008 together with the fair value of the identifiable assets and liabilities:

	Carrying amount R'000	Fair value R'000
Non-current assets		
Properties, fixtures, equipment and vehicles	72	72
Current assets	11 450	11 450
Inventories	1 818	1 818
Trade, other receivables and prepayments	9 572	9 572
Cash and cash equivalents	60	60
	11 522	11 522
Equity and reserves	2 729	2 729
Share capital	227	227
Distributable reserves	333	333
Fair value adjustment	–	266
Shareholder loans	2 169	1 903
Current liabilities	8 793	8 793
Bank overdraft	598	598
Trade and other payables	8 195	8 195
	11 522	11 522

COMPANY INCOME STATEMENT
for the year ended 31 August 2008

	Notes	2008 R'000	2007 R'000
Dividends received – unlisted		23 701	155 935
Reversal of impairment in The Link Investment Trust		18 287	–
Profit on disposal of property, plant and equipment		–	27 680
Profit before financing income		41 988	183 615
Finance income		–	959
Profit before taxation		41 988	184 574
Income tax expense	8	(18)	(4 761)
Profit for the year		41 970	179 813

COMPANY BALANCE SHEET
at 31 August 2008

	Notes	2008 R'000	Restated 2007 R'000
Assets			
Non-current assets		381 619	408 417
Deferred tax asset	13	1 203	1 221
Interest in subsidiary companies (see page 120)		380 416	407 196
Current assets		961	260 000
Unlisted investment	31	–	260 000
Income tax receivable		961	–
Total assets		382 580	668 417
Equity		382 580	666 981
Share capital	19	3 242	3 360
Share premium	19	135 967	438 111
Share option reserve	20	23 832	23 786
Distributable reserve		219 539	201 724
Current liabilities		–	1 436
Income tax payable		–	1 436
Total equity		382 580	668 417

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2008

	Number of shares '000	Share capital (Note 19) R'000	Share premium (Note 19) R'000	Share option reserve (Note 20) R'000	Distributable reserve R'000	Total R'000
Balance at 1 September 2006	355 488	3 555	817 911	–	58 219	879 685
Prior-year restatement on adoption of IFRIC 11 *	–	–	–	20 037	–	20 037
Restated balance at 1 September 2006	355 488	3 555	817 911	20 037	58 219	899 722
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)
Equity-settled capital contribution to subsidiary	–	–	–	3 749	–	3 749
Profit for the year	–	–	–	–	179 813	179 813
Distributions to shareholders (see note 27)	–	–	(95 397)	–	(36 308)	(131 705)
Restated balance at 31 August 2007	**335 957**	**3 360**	**438 111**	**23 786**	**201 724**	**666 981**
Shares cancelled	**(11 818)**	**(118)**	**(153 098)**	**–**	**–**	**(153 216)**
Share cancellation expenses written off	**–**	**–**	**(383)**	**–**	**–**	**(383)**
Equity-settled capital contribution to subsidiary	**–**	**–**	**–**	**46**	**–**	**46**
Profit for the year	**–**	**–**	**–**	**–**	**41 970**	**41 970**
Distributions to shareholders (see note 27)	**–**	**–**	**(148 663)**	**–**	**(24 155)**	**(172 818)**
Balance at 31 August 2008	**324 139**	**3 242**	**135 967**	**23 832**	**219 539**	**382 580**

During the year the company bought back 11 818 017 of its own ordinary shares of one cent each from a subsidiary for a consideration of R153.22 million and subsequently cancelled these shares. Of the total cost, R0.118 million was deducted from share capital and R153.1 million from share premium.

* See accounting developments on page 81

COMPANY STATEMENT OF CASH FLOWS
for the year ended 31 August 2008

	2008 R'000	2007 R'000
Cash effects of operating activities		
Cash generated by operations	**23 701**	155 935
Interest received	**–**	959
Tax (paid)/received	**(2 397)**	17 641
Cash inflow from operating activities before distributions	**21 304**	174 535
Distributions paid to shareholders	**(172 818)**	(131 705)
Net cash effects of operating activities	**(151 514)**	42 830
Cash effects of investing activities		
Purchase of treasury shares from subsidiary company	**(153 216)**	(287 000)
Proceeds from disposal of property, plant and equipment	**–**	27 680
Proceeds from disposal of investment	**260 000**	–
Decrease in loans receivable	**45 113**	214 088
Net cash effects of investing activities	**151 897**	(45 232)
Cash effects of financing activities		
Proceeds from the issue of share capital	**–**	3 128
Share issue expenses	**–**	(726)
Share cancellation expenses	**(383)**	–
Net cash effects of financing activities	**(383)**	2 402
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 2008

	2008 R'000	2007 R'000
Cash generated by operations		
Profit before tax and finance income	**41 988**	183 615
Profit on sale of property, plant and equipment	**–**	(27 680)
Reversal of impairment in The Link Investment Trust	**(18 287)**	–
	23 701	155 935
Decrease/(increase) in dividends receivable	**–**	–
	23 701	155 935
Tax (paid)/received		
Income tax (payable)/receivable at the beginning of the year	**(1 436)**	18 600
Current tax charge	**–**	(2 395)
Income tax (receivable)/payable at the end of the year	**(961)**	1 436
	(2 397)	17 641

INTEREST IN SUBSIDIARY COMPANIES
at 31 August 2008

Name of company/entity and nature of business	Country of incorporation	Ordinary issued share capital	Shares at cost less amounts written off 2008 R'000	Shares at cost less amounts written off 2007 R'000	Amount owing by subsidiaries 2008 R'000	Amount owing by subsidiaries 2007 R'000
Directly held						
i) *Trading*						
New Clicks South Africa (Proprietary) Limited	South Africa	R500	**272 439**	272 439	**71 177**	98 003
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	BWP3 000	**–**	–	**–**	–
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	**–**	–	**–**	–
Clicks Retailers (Proprietary) Limited	South Africa	R200	**–**	–	**–**	–
Milton & Associates (Proprietary) Limited	South Africa	R200	**–**	–	**–**	–
Leon Katz (Proprietary) Limited	South Africa	R200	**–**	–	**–**	–
J & G Purchase & Associates (Proprietary) Limited	South Africa	R220	**–**	–	**–**	–
Kalahari Medical Distributors (Proprietary) Limited	Botswana	BWP200	**–**	–	**–**	–
ii) *Name protection and dormant*						
8 companies (2007 – 7 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	**80 177**	107 003

	2008 R'000	2007 R'000
Shares at cost less amounts written off	**276 407**	276 407
Amounts owing by subsidiary companies	**80 177**	107 003
Equity-settled capital contribution to subsidiary	**23 832**	23 786
Interest in subsidiaries	**380 416**	407 196

All subsidiary companies are wholly owned with the exception of The Link Investment Trust and Kalahari Medical Distributors (Proprietary) Limited.

New Clicks Holdings has a 56% interest in The Link Investment Trust and 90% in Kalahari Medical Distributors (Proprietary) Limited.

The loan and investment in The Link Investment Trust have been impaired in prior years based on the fact that the carrying value of the loan and investment exceeded the present value of management's best estimate of likely future cash flows discounted at the group's risk adjusted pre-tax weighted average cost of capital of 15%. During the year R18 million of the loan was recovered and consequently the impairment was partially reversed.

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 2008

Public and non-public shareholders	Number of holders	Percentage of holders	Number of shares	Percentage of shares
Public shareholders	3 397	99.8%	289 942 371	89.5%
Non-public shareholders				
Shares held by directors	6	0.2%	381 882	0.1%
The New Clicks Holdings Share Trust	1	0.0%	6 208 925	1.9%
Treasury stock held by New Clicks South Africa (Pty) Limited	1	0.0%	27 606 047	8.5%
Total non-public shareholders	8	0.2%	34 196 854	10.5%
Total shareholders	3 405	100.0%	324 139 225	100.0%

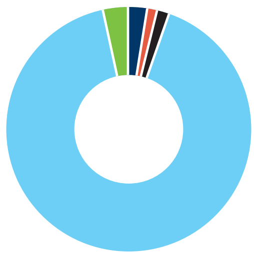
According to the company's register of shareholders, read in conjunction with the company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following shareholders held 5% or more of the issued share capital at 31 August 2008:

Major beneficial shareholders	Number of shares	Percentage of shares
Public Investment Corporation	62 623 482	19.3%
New Clicks South Africa (Pty) Ltd	27 606 047	8.5%
Trakprops 141 (Pty) Limited	20 836 659	6.4%
Investment Solutions	17 369 754	5.4%
	128 435 942	39.6%

Major fund managers	Number of shares	Percentage of shares
Investec Asset Management	50 295 857	15.5%
Stanlib Asset Management	29 075 118	9.0%
RMB Asset Management	27 238 917	8.4%
Old Mutual Investment Group	24 339 640	7.5%
Sanlam Investment Managers	23 077 112	7.1%
Oasis Asset Management	18 444 955	5.7%
Coronation Fund Managers	15 088 031	4.7%
	187 559 630	57.9%

Geographic distribution of shareholders

South Africa and Namibia	92.4%
USA and Canada	3.4%
Europe	2.0%
Other countries	1.2%
United Kingdom	1.0%



Classification of registered shareholdings	Number of holders	Percentage of holders	Number of shares	Percentage of shares
Pension funds	216	6.4%	103 948 358	32.1%
Mutual funds	174	5.1%	83 127 366	25.6%
Insurance companies	37	1.1%	29 785 464	9.2%
Own holdings	1	0.0%	27 606 047	8.5%
Private companies	70	2.1%	21 254 206	6.6%
Banks	92	2.7%	21 223 963	6.6%
Investment companies	35	1.0%	18 196 366	5.6%
Share trusts	1	0.0%	6 208 925	1.9%
Individuals	2 306	67.7%	6 225 082	1.9%
Other	473	13.9%	6 563 448	2.0%
	3 405	100.0%	324 139 225	100.0%

Distribution of registered shareholdings	Number of holders	Percentage of holders	Number of shares	Percentage of shares
1 – 1 000	1 684	49.4%	515 101	0.2%
1 001 – 10 000	1 115	32.7%	3 969 655	1.2%
10 001 – 100 000	353	10.4%	12 304 851	3.8%
100 001 – 1 000 000	200	5.9%	67 997 508	21.0%
1 000 001 shares and over	53	1.6%	239 352 110	73.8%
	3 405	100.0%	324 139 225	100.0%

SHAREHOLDERS' DIARY

Dates for 2008/9

2008 annual general meeting	27 January 2009
Preliminary profit announcements	
Interim to February 2009	April 2009
Final to August 2009	October 2009
Publication of 2009 annual report	November 2009
Distributions	
2008 Final distribution	
Last day to trade to be eligible	5 December 2008
Date of distribution	15 December 2008
2009 Interim distribution	
Last day to trade to be eligible	June 2009
Date of distribution	June 2009
2009 Final distribution	
Last day to trade to be eligible	December 2009
Date of distribution	December 2009

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 thirteenth annual general meeting of shareholders of New Clicks Holdings Limited will be held at the registered office of New Clicks Holdings Limited, corner Searle and Pontac Streets, Cape Town on Tuesday, 27 January 2009 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 – adoption of financial statements**
   To receive and consider for adoption the annual financial statements of the company and the group for the year ended 31 August 2008.
2. **Ordinary resolution number 2 – reappointment of auditors**
   To reappoint KPMG Inc. as auditors of the company for the ensuing year.
3. **Ordinary resolution number 3 – re-election of director**
   To consider the re-election as a director of the company of Martin Rosen who retires in accordance with the company's articles of association and being eligible, offers himself for re-election.
4. **Ordinary resolution number 4 – re-election of director**
   To consider the re-election as a director of the company of David Kneale who retires in accordance with the company's articles of association and being eligible, offers himself for re-election.
5. **Ordinary resolution number 5 – re-election of director**
   To consider the re-election as a director of the company of Michael Harvey who retires in accordance with the company's articles of association and being eligible, offers himself for re-election.
6. **Ordinary resolution number 6 – re-election of director**
   To consider the re-election as a director of the company of Fatima Abrahams who retires in accordance with the company's articles of association and being eligible, offers herself for re-election.
7. **Ordinary resolution number 7 – re-election of director**
   To consider the re-election as a director of the company of John Bester who retires in accordance with the company's articles of association and being eligible, offers himself for re-election.
8. **Ordinary resolution number 8 – re-election of director**
   To consider the re-election as a director of the company of Bertina Engelbrecht who retires in accordance with the company's articles of association and being eligible, offers herself for re-election.
9. **Ordinary resolution number 9 – re-election of director**
   To consider the re-election as a director of the company of Fatima Jakoet who retires in accordance with the company's articles of association and being eligible, offers herself for re-election.
10. **Ordinary resolution number 10 – approval of directors' fees**
    To approve the proposed fees, payable to directors, as disclosed on page 45, for the year to 31 August 2009.
11. **Ordinary resolution number 11 – directors' authority over unissued shares**
    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 a maximum of 2.6 million shares in terms of the company's obligations under the staff share incentive scheme.
12. **Ordinary resolution number 12 – distributions by way of a reduction in share premium**

    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 the 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); and
    - any general distribution of share premium by the company shall not exceed 20% (twenty per cent) 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 per cent) 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 the notice of the annual general meeting;
- the assets of the company and the group, fairly valued, will be in excess of the liabilities of the company and the group for a period of 12 months after the date of the notice of the annual general meeting;
- the issued share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting; and
- the working capital available to the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting.

13. **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 counterparty;
- authorisation thereto being given by its articles;
- this general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- a press announcement will be published as soon as the company and/or its subsidiaries has repurchased ordinary shares constituting, on a cumulative basis, 3% (three per cent) of the initial number of ordinary shares, and for each 3% (three per cent) in aggregate of the initial number of shares repurchased thereafter, containing full details of such repurchases;
- acquisitions by the company and its subsidiaries of shares in the capital of the company may not, in the aggregate, exceed in any one financial year 15% (fifteen per cent) 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 per cent) of the weighted average of the market price at which such shares are traded on the JSE for the 5 (five) business days immediately preceding the date the repurchase transaction is effected;
- in the case of a derivative (as contemplated in the Listings Requirement 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 on SENS prior to the commencement of the prohibited period; and
- the company only appoints one agent at any point in time to effect repurchases on its behalf.

The directors, having considered the effects of the repurchase of the maximum number of ordinary shares in terms of the aforegoing general authority, are of the opinion that 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;
- 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
- the company's and the group's ordinary share capital, reserves and working capital will be adequate for ordinary business purposes.

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 16 and 17 of the annual report;
- Major beneficial shareholders – see page 121 of the annual report;
- Directors' interests in ordinary shares – see page 45 of the annual report; and
- Share capital of the company – see page 95 of the annual report.

Litigation statement

In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names appear on pages 16 and 17 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.

Directors' responsibility statement

The directors, whose names appear on pages 16 and 17 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.

14. **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

NOTICE OF ANNUAL GENERAL MEETING
continued ...

- if you are unable to attend the general meeting but wish to be represented at the meeting, you must contact your CSDP or broker, as the case may be, and furnish it with your voting instructions in respect of the annual general meeting and/or request it to appoint a proxy. You should not complete the attached form of proxy. The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, as the case may be, within the time period required by your CSDP or broker, as the case may be.

CSDPs, brokers or their nominees, as the case may be, recorded in the company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of STRATE should, when authorised in terms of their mandate or instructed to do so by the person on behalf of whom they hold the dematerialised shares, vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the company's transfer secretaries or registered office of the company not less than 24 hours prior to the time appointed for the holding of the meeting (excluding Saturdays, Sundays and public holidays).

On a poll the holders of ordinary shares are entitled to one vote per ordinary share.

By order of the board

AA Scott
Company secretary

14 November 2008

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, 27 January 2009 at 11:00 at the registered office of New Clicks Holdings Limited, corner Searle and Pontac Streets, Cape Town.

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

of (address) ____

____

being the registered holder of ______________ ordinary shares (see note 1) in 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, 27 January 2009 at 11:00 and at any adjournment thereof.

	Number of shares (one vote per ordinary share)		
	For	Against	Abstain
1. Ordinary resolution no. 1: Adoption of financial statements			
2. Ordinary resolution no. 2: Re-appointment of auditors			
3. Ordinary resolution no. 3: Re-election of Mr M Rosen as a director			
4. Ordinary resolution no. 4: Re-election of Mr DA Kneale as a director			
5. Ordinary resolution no. 5: Re-election of Mr MJ Harvey as a director			
6. Ordinary resolution no. 6: Re-election of Professor F Abrahams as a director			
7. Ordinary resolution no. 7: Re-election of Mr JA Bester as a director			
8. Ordinary resolution no. 8: Re-election of Mrs BD Engelbrecht as a director			
9. Ordinary resolution no. 9: Re-election of Mrs F Jakoet as a director			
10. Ordinary resolution no. 10: Approval of 2009 directors' fees			
11. Ordinary resolution no. 11: Directors' authority over unissued shares			
12. Ordinary resolution no. 12: Distributions by way of a reduction in share premium			
13. Special resolution no. 1: General authority to repurchase shares			

Unless otherwise instructed above, my/our proxy may vote as he/she deems fit.

Signed by me/us this ______________________ day of ______________________

____

Signature(s)

Notes:

1. On a poll, a shareholder is entitled to one vote for every share held.
2. Any alteration or correction made on this form must be initialled by the signatory/ies.
3. This proxy form must be lodged with the company's transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107) or at the registered office of the company, Cnr Searle and Pontac Streets, Cape Town, no later than 24 hours 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.

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DEFINITIONS

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 and prior years, 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	
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 Financial 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 ordinary shareholders' interest at the end of the year.
Inventory days	Closing inventory at year-end divided by the cost of merchandise sold during the year, multiplied by 366/365 days.

DEFINITIONS continued ...

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, profit on disposal of businesses and profit/loss on disposal of property, plant and equipment.
Operating profit margin	Operating profit expressed as a percentage of turnover.
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 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.
Shareholders' funds to total assets	The ordinary shareholders' interest divided by the total assets at the year-end.
Total income	Gross profit plus other income.
Total income margin	Total income expressed as a percentage of turnover.
Treasury shares	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

NOTES

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
AA Scott CA (SA)
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 (Proprietary) Limited
Business address: 70 Marshall Street, Johannesburg 2001
Postal address: PO Box 61051, Marshalltown 2107
Telephone: +27 (0)11 370 5000

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