CLICKS GROUP
LIMITED

AUDITED ANNUAL FINANCIAL STATEMENTS 2019

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AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019

These are the audited annual financial statements of the group and the company for the year ended 31 August 2019. They have been prepared under the supervision of the chief financial officer, M Fleming CA (SA).

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the annual financial statements and group annual financial statements of Clicks Group Limited, comprising the statements of financial position at 31 August 2019; the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa and including the audit and risk committee report on page 3. In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company and the group to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead. The financial statements have accordingly been prepared on this basis.

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

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The consolidated and separate annual financial statements of Clicks Group Limited, as identified in the first paragraph, were approved by the board of directors on 8 November 2019 and signed by:

David Nurek
Independent non-executive chairman

Vikesh Ramsunder
Chief executive officer

Cape Town
8 November 2019

CERTIFICATE BY THE COMPANY SECRETARY

I certify that Clicks Group Limited has filed all Clicks Group returns and notices as required by a public company in terms of section 88(2)e of the Companies Act No. 71 of 2008, as amended, and that such returns and notices are, to the best of my knowledge and belief, true, correct and up to date.

Matthew Welz
Company secretary

Cape Town
8 November 2019

DIRECTORS' REPORT

NATURE OF BUSINESS

The company is an investment holding company listed in the Food and Drug Retailers sector of the JSE Limited. Its subsidiaries house South Africa's leading health and beauty retailer and its leading pharmaceutical distributor and wholesaler, amongst other businesses. The company operates in southern Africa.

GROUP FINANCIAL RESULTS

The results of operations for the year are set out in the consolidated statement of comprehensive income on page 10. The profit attributable to ordinary shareholders for the year is R1 702.9 million (2018: R1 468.4 million).

SHARE CAPITAL

During the year under review the company had the following movements in share capital:

253 948 352	Ordinary shares issued at 31 August 2018
8 135 087	Issue of shares on 4 February 2019
262 083 439	Ordinary shares issued at 31 August 2019
14 576 648	"A" shares issued at 31 August 2018
(14 576 648)	Repurchase of "A" shares on 14 February 2019
0	"A" shares issued at 31 August 2019

DIVIDENDS TO SHAREHOLDERS

Interim

The directors approved an interim ordinary dividend of 118.0 cents per ordinary share (2018: 102.5 cents per ordinary share) from distributable reserves. The dividend was paid on 1 July 2019 to shareholders registered on 28 June 2019.

Final

The directors have approved a final ordinary dividend of 327.0 cents per ordinary share (2018: 227.5 cents per ordinary share). The source of the dividend will be from distributable reserves. The dividend will be payable on 27 January 2020 to shareholders registered on 24 January 2020.

EVENTS AFTER THE FINANCIAL YEAR-END

Other than the declaration of the final dividend, no significant events took place between the end of the financial year and the date of this report.

DIRECTORS AND SECRETARY

The names of the directors in office at the date of this report are:

Independent non-executive directors

David Nurek (chairman)
Fatima Abrahams
John Bester
Fatima Daniels
Nonkululeko Gobodo
Martin Rosen

Executive directors

Vikesh Ramsunder (chief executive officer) appointed 1.1.2019
David Kneale (chief executive officer) retired 1.1.2019
Michael Fleming (chief financial officer)
Bertina Engelbrecht (group HR director)

The company secretary's details are set out on page 75.

RETIREMENT AND RE-ELECTION OF DIRECTORS

In accordance with the company's memorandum of incorporation Fatima Abrahams and Martin Rosen retire by rotation at the forthcoming annual general meeting. These directors, being eligible, offer themselves for re-election at the 2020 AGM.

DIRECTORS' INTEREST IN SHARES

No directors traded in securities of the company in this year, neither from the date of year-end to the date of signing off the report.

INCENTIVE SCHEMES

Information relating to the incentive schemes is set out on pages 45 to 47.

SPECIAL RESOLUTIONS

Special resolutions passed at the annual general meeting held on 30 January 2019:

Special Resolution No. 1: General authority to repurchase shares

Special Resolution No. 2: Approval of directors' fees

Special Resolution No. 3: General approval to provide financial assistance

SUBSIDIARY COMPANIES

The names of the company's main subsidiaries and financial information relating thereto appear on page 71.

AUDIT AND RISK COMMITTEE REPORT

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

ROLE OF THE COMMITTEE

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

The responsibilities of the committee are as follows:

Integrated reporting

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

Combined assurance

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

Finance function

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

Internal audit

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

Risk management

- Ensure the group has an effective policy and plan for risk management;
- Oversee the development and annual review of the risk management policy and plan;
- Monitor implementation of the risk management policy and plan;
- Make recommendations to the board on levels of risk tolerance and risk appetite;
- Ensure risk management is integrated into business operations;
- Ensure risk management assessments are conducted on a continuous basis;
- Ensure frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;
- Ensure that management considers and implements appropriate risk responses;
- Express the committee's opinion of the effectiveness of the system and process of risk management; and
- Ensure risk management reporting in the integrated report is comprehensive and relevant.

External audit

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

COMPOSITION OF THE COMMITTEE

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

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

Independent non-executive director	Qualifications
John Bester (Chairman)	B Com (Hons), CA (SA), CMS (Oxon)
Fatima Daniels	B Sc, CA (SA)
Nonkululeko Gobodo	B Compt (Hons), CA (SA)

Biographical details of the committee members appear on pages 28 and 29 of the integrated annual report, with supplementary information contained in annexure 2 to the notice of annual general meeting on page 10.

Fees paid to the committee members for 2019 and the proposed fees for 2020 are disclosed in rewarding value creation on pages 78 and 79 of the integrated annual report.

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

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

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

INTERNAL AUDIT

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

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

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

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

INTERNAL CONTROL

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

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

INTERNAL FINANCIAL CONTROLS

The committee has considered the results of the formal documented review of the company's system of internal financial controls and risk management, including the design, implementation and effectiveness of the internal financial controls, conducted by the internal audit function during the 2019 year. The committee has also assessed information and explanations given by management and discussions with the external auditor on the results of the audit. Through this process no material matter has come to the attention of the audit and risk committee or the board that has caused the directors to believe that the company's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

EXTERNAL AUDIT

The committee appraised the independence, expertise and objectivity of EY as the external auditor, as well as approving the terms of engagement and the fees paid to EY.

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

The audit partner in charge of the audit is rotated off the audit after five years. In terms of this policy, the current audit partner is in the second year of tenure. The group has received confirmation from the external auditor that the partners and staff responsible for the audit comply with all legal and professional requirements with regard to rotation and independence. The committee is satisfied that the external auditor is independent of the company and complies with the JSE Listings Requirements.

POLICY ON NON-AUDIT SERVICES

Non-audit services provided by the external auditor may not exceed 25% of the total auditors' remuneration. These services should exclude any work which may be subject to external audit and which could compromise the auditor's independence. All non-audit services undertaken during the year were approved in accordance with this policy.

During the year EY received fees of R540 265 (2018: R538 050) for non-audit services, equating to 9.7% (2018: 11.9%) of the total audit remuneration. These services related mainly to agreed-upon procedures for third-party confirmation and the assurance of the systems related to distribution services provided by UPD to third parties.

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

ACTIVITIES OF THE COMMITTEE

The committee met four times during the financial year and attendance at the meetings is detailed in creating value through good governance in the integrated annual report on page 60. Members of the committee, the external auditor and the group head of internal audit may request a non-scheduled meeting if they consider this necessary. The chairman of the committee will determine if such a meeting should be convened.

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

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

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

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

Refer to the corporate governance report on the website for an overview of the risk management process and function.

EVALUATION OF CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION

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

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

APPROVAL OF THE AUDIT AND RISK COMMITTEE REPORT

The committee confirms that it has functioned in accordance with its terms of reference for the 2019 financial year and that its report to shareholders has been approved by the board.

John Bester
Chairman: Audit and risk committee

8 November 2019

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CLICKS GROUP LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Clicks Group Limited and its subsidiaries (the group) and company set out on pages 10 to 71, which comprise the consolidated and separate statements of financial position as at 31 August 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies and the directors' shareholdings table on page 73.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 31 August 2019, 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 the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated and separate financial statements* section of our report. We are independent of the group and company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements of the group and company and in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits of the group and company and in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA code) and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the consolidated and separate financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

We have determined that there are no key audit matters to communicate in our audit report with regard to the separate financial statements of the company for the period.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Inventory valuation and supplier contracts</td></tr>
<tr><td>At 31 August 2019 inventory to the value of R4.7 billion is held on the group balance sheet (2018: R4.3 billion). Inventory is disclosed in note 17 – Inventories.

In order to carry inventory at the lower of cost and net realisable value, management make a number of manual adjustments to the inventory balance. These adjustments include the allocation of direct costs, rebate allowances and settlement discounts to the value of inventory, as well as provisions associated with the identification of slow moving, obsolete and damaged inventories. The calculation of these adjustments requires certain estimates and assumptions to be made.

Estimates include the amount of direct costs, rebate allowances and settlement discounts related to inventory on hand at year-end. Judgements include projected likely future sales and estimated selling costs, using factors existing at the reporting date, in order to calculate provisions. Additional audit effort was required to assess the reasonability of these estimates and judgements and the accuracy of manual calculations.

In addition to rebates from suppliers that are off-set against the cost of inventory or recognised as a reduction in cost of sales, other contracts with suppliers give rise to amounts recognised as "other income". Additional audit effort was required to assess the classification of income and rebates received from suppliers.</td><td>Our procedures included the following to assess adjustments to inventory:
• Assessing the reasonableness of the methodologies applied by management for consistency with prior years and our knowledge of industry practice.
• Recalculating adjustments made to inventory for the allocation of direct costs, rebate allowances and settlement discounts.
• Evaluating the assumptions and estimates applied to the identification of slow moving, obsolete and damaged inventories by:
– testing the identification of such inventory for each business;
– testing the accuracy of historical information and data trends; and
– performing analytical procedures on obsolescence levels and write-down rates.
• Testing the estimated future sales values, less estimated costs to sell, against the carrying value of the inventories.
• Recalculating the arithmetical accuracy of the computations.

Our procedures included the following to assess the classification of income from suppliers:
• Evaluating management's assessment of different supplier income streams.
• Inspecting, on a sample basis, agreements with suppliers to determine whether the income was appropriately classified.</td></tr>
<tr><td colspan="2">Share-based compensation arrangements and associated hedge accounting</td></tr>
<tr><td>The Group operates a Long-Term Incentive (LTI) scheme that includes a Total Shareholder Return (TSR) component giving rise to employee benefit liabilities as at 31 August 2019 of R81.3 million recognised in current liabilities (2018: R182.3 million) and R64.0 million recognised in non-current liabilities (2018: R108.2 million), as set out in note 23.

The TSR component of the LTI scheme is considered to be a share-based compensation arrangement and is accounted for in terms of IFRS 2 – Share-based Payments.

The group uses derivative financial instruments to hedge market risk relating to the LTI scheme. This is classified as a cash flow hedge.

The share-based compensation arrangement and associated hedging require the use of judgement and estimates including, where applicable, to determine fair value at grant date and at the reporting date. Management uses a specialist to determine the fair value at the reporting date. In addition, cash flow hedge accounting requires management to make an assessment of hedge effectiveness.</td><td>Our procedures included the following to assess the share-based compensation arrangements and associated hedge accounting:
• Evaluating the arrangements and accounting consequences in terms of the requirements of IFRS.
• Recalculating the values determined by management and, where appropriate, using our quantitative advisory specialists and relying on the work of management's specialist.
• Testing the hedge effectiveness of the derivative financial instruments using our quantitative advisory specialists.
• Recalculating the recharge arrangement in terms of the company's accounting policy.
• Assessing the taxation consequences, including by using our taxation specialists.
• Assessing whether the recognition and measurement criteria used in the accounting records were consistent with the requirements of IFRS.
• Considering the adequacy and accuracy of the related disclosures in the financial statements.</td></tr>
</table>

Other information

The directors are responsible for the other information. The other information comprises the information included on page 1 to 5, which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the integrated annual report and five-year review, which are expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group's and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of Clicks Group Limited for seven years.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Anthony Robert Cadman
Chartered Accountant
Registered Auditor

3rd Floor, Waterway House
3 Dock Road
V&A Waterfront
Cape Town
8001

8 November 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST

	Notes	2019 R'000	Restated* 2018 R'000
Revenue	1	**33 376 010**	30 981 958
Turnover	1	**31 352 109**	29 239 054
Cost of merchandise sold		**(24 662 049)**	(23 071 202)
Gross profit		**6 690 060**	6 167 852
Other income	1	**1 960 480**	1 717 147
Total income		**8 650 540**	7 884 999
Expenses		**(6 329 145)**	(5 852 575)
Depreciation and amortisation	2	**(368 865)**	(319 976)
Occupancy costs	3	**(1 011 396)**	(927 661)
Employment costs	4	**(3 341 862)**	(3 094 845)
Other costs	5	**(1 605 693)**	(1 514 191)
Impairment (allowance)/recovery	18	**(1 329)**	4 098
Operating profit		**2 321 395**	2 032 424
Loss on disposal of property, plant and equipment		**(351)**	(1 287)
Profit before financing costs		**2 321 044**	2 031 137
Net financing income	6	**39 656**	2 065
Financial income	1, 6	**63 421**	25 757
Financial expense	6	**(23 765)**	(23 692)
Profit before earnings from associate		**2 360 700**	2 033 202
Share of profit of an associate	13	**2 803**	2 541
Profit before taxation		**2 363 503**	2 035 743
Income tax expense	7	**(660 589)**	(567 375)
Profit for the year		**1 702 914**	1 468 368
Other comprehensive (loss)/income:			
Items that will not be subsequently reclassified to profit or loss		**6 337**	–
Remeasurement of post-employment benefit obligations	23	**8 801**	–
Deferred tax on remeasurement		**(2 464)**	–
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign subsidiaries	22	**(1 155)**	9 242
Cash flow hedges		**(13 877)**	64 423
Change in fair value of effective portion	21	**(19 274)**	89 476
Deferred tax on movement of effective portion		**5 397**	(25 053)
Cost of hedging reserve		**(15 827)**	(18 409)
Cost of hedging recognised		**(21 982)**	(25 568)
Deferred tax on cost of hedging		**6 155**	7 159
Other comprehensive (loss)/income for the year, net of tax		**(24 522)**	55 256
Total comprehensive income for the year		**1 678 392**	1 523 624
Earnings per share (cents)			
Basic	8	**683.6**	609.1
Diluted	8	**671.8**	575.0

* Prior-period amounts restated for the adoption of new accounting standards. Refer to note 35.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 AUGUST

	Notes	2019 R'000	Restated* 2018 R'000	Restated* 2017 R'000
ASSETS				
Non-current assets		**2 951 610**	3 233 920	2 855 625
Property, plant and equipment	9	**2 067 036**	1 843 402	1 533 935
Intangible assets	10	**497 078**	476 761	457 603
Goodwill	11	**102 806**	103 510	103 510
Deferred tax assets	12	**47 136**	478 608	573 567
Investment in associate	13	**20 091**	20 044	20 039
Loans receivable	14	**10 131**	15 003	4 500
Financial assets at fair value through profit or loss	15	**75 370**	82 482	27 580
Derivative financial assets	16	**131 962**	214 110	134 891
Current assets		**10 103 065**	8 354 984	6 890 087
Inventories	17	**4 710 169**	4 250 907	3 777 047
Trade and other receivables	18	**2 646 612**	2 331 531	2 212 719
Income tax receivable		**29 744**	–	–
Loans receivable	14	**611**	9 675	9 000
Cash and cash equivalents		**2 613 554**	1 523 815	700 473
Derivative financial assets	16	**102 375**	239 056	190 848
Total assets		**13 054 675**	11 588 904	9 745 712
EQUITY AND LIABILITIES				
Equity		**4 912 810**	4 424 007	3 296 894
Share capital	19	**2 621**	2 686	2 752
Share premium	19	**1 064 953**	513 848	3 497
Treasury shares	19	**(913 194)**	(702 703)	(702 848)
Share option reserve	20	**–**	578 184	747 613
Cash flow hedge reserve	21	**23 195**	73 536	15 382
Cost of hedging reserve		**(6 267)**	(4 482)	(10 919)
Foreign currency translation reserve	22	**7 331**	8 486	(756)
Distributable reserve		**4 734 171**	3 954 452	3 242 173
Non-current liabilities		**391 894**	447 546	402 257
Employee benefits	23	**199 000**	245 407	209 231
Operating lease liability	24	**192 894**	202 139	193 026
Current liabilities		**7 749 971**	6 717 351	6 046 561
Trade and other payables	25	**7 303 492**	6 227 123	5 503 235
Employee benefits	23	**366 218**	418 216	394 460
Provisions	26	**9 099**	4 993	6 733
Income tax payable		**71 162**	67 019	132 991
Derivative financial liabilities	16	**–**	–	9 142
Total equity and liabilities		**13 054 675**	11 588 904	9 745 712

* Prior-period amounts restated for the adoption of new accounting standards. Refer to note 35.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 AUGUST

	Number of shares (Note 19) '000	Share capital (Note 19) R'000	Share premium (Note 19) R'000	Treasury shares (Note 19) R'000
Balance at 1 September 2017 as previously reported	236 526	2 752	3 497	(702 848)
Effect of adoption of new accounting standards*	–	–	–	–
Balance at 1 September 2017 (restated)	236 526	2 752	3 497	(702 848)
Transactions with owners, recorded directly in equity				
Dividends paid to shareholders	–	–	–	–
Employee share option scheme vesting	7 979	(66)	510 351	145
Issue of ordinary shares from vesting of employee share scheme	7 979	79	510 634	–
"A" ordinary shares repurchased	–	(145)	–	145
Transaction costs on share issue	–	–	(283)	–
Share-based payment reserve movement	–	–	–	–
Net treasury share movement	–	–	–	–
Treasury shares acquired from vesting of employee share scheme	(284)	–	–	(45 820)
Disposal of treasury shares	284	–	–	45 820
Withholding tax on distribution to shareholders**	–	–	–	–
Total transactions with owners	7 979	(66)	510 351	145
Total comprehensive income for the year	–	–	–	–
Profit for the year	–	–	–	–
Cash flow hedge reserve	–	–	–	–
Cost of hedging reserve	–	–	–	–
Exchange differences on translation of foreign subsidiaries	–	–	–	–
Transfer of reserves to inventory	–	–	–	–
Restated balance at 31 August 2018	244 505	2 686	513 848	(702 703)
Transactions with owners, recorded directly in equity				
Dividends paid to shareholders	**–**	**–**	**–**	**–**
Employee share option scheme vesting	**8 135**	**(65)**	**551 105**	**146**
Issue of ordinary shares from vesting of employee share scheme	**8 135**	**81**	**551 404**	**–**
"A" ordinary shares repurchased	**–**	**(146)**	**–**	**146**
Transaction costs on share issue	**–**	**–**	**(299)**	**–**
Share-based payment reserve movement	**–**	**–**	**–**	**–**
Net cost of own shares purchased	**(1 115)**	**–**	**–**	**(210 637)**
Net treasury share movement	**–**	**–**	**–**	**–**
Treasury shares acquired from vesting of employee share scheme	**(261)**	**–**	**–**	**(50 000)**
Disposal of treasury shares	**261**	**–**	**–**	**50 000**
Total transactions with owners	**7 020**	**(65)**	**551 105**	**(210 491)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**
Profit for the year	**–**	**–**	**–**	**–**
Remeasurement of post-employment benefit obligations	**–**	**–**	**–**	**–**
Cash flow hedge reserve	**–**	**–**	**–**	**–**
Cost of hedging reserve	**–**	**–**	**–**	**–**
Exchange differences on translation of foreign subsidiaries	**–**	**–**	**–**	**–**
Transfer of reserves to inventory	**–**	**–**	**–**	**–**
Balance at 31 August 2019	**251 525**	**2 621**	**1 064 953**	**(913 194)**

* Prior-period amounts restated for the adoption of new accounting standards. Refer to note 35.

** Release of withholding tax overprovision relating to the 2012 interim dividend.

Share option reserve (Note 20) R'000	Cash flow hedge reserve (Note 21) R'000	Cost of hedging reserve R'000	Foreign currency translation reserve (Note 22) R'000	Distributable reserve R'000	Total equity R'000
747 613	15 382	–	(756)	3 234 710	3 300 350
–	–	(10 919)	–	7 463	(3 456)
747 613	15 382	(10 919)	(756)	3 242 173	3 296 894
–	–	–	–	(811 578)	(811 578)
(510 713)	–	–	–	–	(283)
(510 713)	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	(283)
341 284	–	–	–	–	341 284
–	–	–	–	49 855	49 855
–	–	–	–	45 820	–
–	–	–	–	4 035	49 855
–	–	–	–	5 634	5 634
(169 429)	–	–	–	(756 089)	(415 088)
–	64 423	(18 409)	9 242	1 468 368	1 523 624
–	–	–	–	1 468 368	1 468 368
–	64 423	–	–	–	64 423
–	–	(18 409)	–	–	(18 409)
–	–	–	9 242	–	9 242
–	(6 269)	24 846	–	–	18 577
578 184	73 536	(4 482)	8 486	3 954 452	4 424 007
–	**–**	**–**	**–**	**(980 506)**	**(980 506)**
(551 485)	**–**	**–**	**–**	**–**	**(299)**
(551 485)	**–**	**–**	**–**	**–**	**–**
–	**–**	**–**	**–**	**–**	**–**
–	**–**	**–**	**–**	**–**	**(299)**
(26 699)	**–**	**–**	**–**	**–**	**(26 699)**
–	**–**	**–**	**–**	**–**	**(210 637)**
–	**–**	**–**	**–**	**50 974**	**50 974**
–	**–**	**–**	**–**	**50 000**	**–**
–	**–**	**–**	**–**	**974**	**50 974**
(578 184)	**–**	**–**	**–**	**(929 532)**	**(1 167 167)**
–	**(13 877)**	**(15 827)**	**(1 155)**	**1 709 251**	**1 678 392**
–	**–**	**–**	**–**	**1 702 914**	**1 702 914**
–	**–**	**–**	**–**	**6 337**	**6 337**
–	**(13 877)**	**–**	**–**	**–**	**(13 877)**
–	**–**	**(15 827)**	**–**	**–**	**(15 827)**
–	**–**	**–**	**(1 155)**	**–**	**(1 155)**
–	**(36 464)**	**14 042**	**–**	**–**	**(22 422)**
–	**23 195**	**(6 267)**	**7 331**	**4 734 171**	**4 912 810**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST

The statement of cash flows has been prepared by applying the indirect method.

	Note	2019 R'000	Restated* 2018 R'000
Cash effects from operating activities			
Profit before working capital changes		**2 732 810**	2 264 349
Working capital changes		**202 684**	191 206
Cash generated by operations		**2 935 494**	2 455 555
Interest received		**63 421**	25 757
Interest paid		**(4 476)**	(9 456)
Taxation paid		**(262 241)**	(267 341)
Acquisition of derivative financial asset used to hedge the long-term incentive scheme**		**(66 313)**	(83 115)
Settlement of derivative financial asset used to hedge the long-term incentive scheme**		**199 816**	190 848
Cash inflow from operating activities before dividends paid		**2 865 701**	2 312 248
Dividends paid to shareholders	27	**(980 506)**	(811 578)
Net cash effects from operating activities		**1 885 195**	1 500 670
Cash effects from investing activities			
Investment in property, plant and equipment and intangible assets to maintain operations		**(215 701)**	(121 286)
Investment in property, plant and equipment and intangible assets to expand operations		**(431 013)**	(549 947)
Proceeds from disposal of property, plant and equipment and intangible assets		**2 220**	2 179
Disposal of investments		**–**	16 744
Acquisition of investments		**–**	(62 414)
Decrease/(increase) in loan receivables		**9 000**	(12 176)
Net cash effects from investing activities		**(635 494)**	(726 900)
Cash effects from financing activities			
Purchase of treasury shares		**(210 637)**	–
Proceeds from sale of treasury shares		**50 974**	49 855
Transaction cost on the issue of shares		**(299)**	(283)
Net cash effects from financing activities		**(159 962)**	49 572
Net increase in cash and cash equivalents		**1 089 739**	823 342
Cash and cash equivalents at the beginning of the year		**1 523 815**	700 473
Cash and cash equivalents at the end of the year		**2 613 554**	1 523 815

* Prior-period amounts restated for the adoption of new accounting standards. Refer to note 35.

** Retrospective adjustment relating to a prior-period error. Refer to note 35.

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST

	2019 R'000	Restated* 2018 R'000
Cash flow information		
Profit before working capital changes		
Profit before taxation	**2 363 503**	2 035 743
Adjustment for:	**408 963**	230 671
Depreciation and amortisation	**400 192**	339 142
Movement in operating lease liability	**(9 245)**	9 113
Release of cash flow hedge to profit or loss	**8 883**	(160 386)
Loss on disposal of property, plant and equipment	**351**	1 287
Equity-settled share option costs	**–**	50 752
Decrease/(increase) in financial assets at fair value through profit or loss	**7 112**	(9 232)
Impairment of goodwill	**704**	–
Impairment of loan	**1 013**	–
Net distributed profits of associate	**(47)**	(5)
Net financing income	**(39 656)**	(2 065)
	2 732 810	2 264 349
Working capital changes		
Increase in inventories	**(461 047)**	(464 919)
Increase in trade and other receivables	**(315 081)**	(118 812)
Increase in trade and other payables	**1 086 063**	730 981
(Decrease)/increase in employee benefits	**(111 357)**	45 696
Increase/(decrease) in provisions	**4 106**	(1 740)
	202 684	191 206
Taxation paid		
Income tax payable at the beginning of the year	**(67 019)**	(132 991)
Normal tax charged to profit or loss	**(236 640)**	(207 003)
Withholding tax on dividends	**–**	5 634
Income tax payable at the end of the year	**41 418**	67 019
	(262 241)	(267 341)
Cash and cash equivalents at the end of the year		
Current accounts	**231 354**	260 415
Short-term deposits	**135 300**	63 400
Money market fund**	**2 246 900**	1 200 000
	2 613 554	1 523 815

* Prior-period amounts restated for the adoption of new accounting standards. Refer to note 35.
** Low-risk corporate money market fund convertible into cash within one business day and held for short-term requirements.

SEGMENTAL ANALYSIS

FOR THE YEAR ENDED 31 AUGUST

R'000		Retail (Note 34) 2019	Restated* 2018
Statement of financial position			
Property, plant and equipment		**1 806 121**	1 584 924
Intangible assets		**471 115**	451 205
Goodwill		**6 529**	6 529
Inventories		**3 255 462**	2 935 024
Trade and other receivables		**645 466**	530 207
Cash and cash equivalents		**2 614 016**	1 482 311
Other assets		**830 647**	1 509 669
Total assets		**9 629 356**	8 499 869
Employee benefits – non-current		**181 124**	225 686
Operating lease liability		**192 461**	202 139
Trade and other payables		**3 602 726**	3 028 576
Employee benefits – current		**324 787**	374 671
Other liabilities		**2 675 876**	2 092 737
Total liabilities		**6 976 974**	5 923 809
Net assets		**2 652 382**	2 576 060
Statement of comprehensive income			
Turnover		**23 104 815**	21 062 318
Gross profit		**6 548 822**	6 047 127
Other income		**1 142 798**	1 022 930
Total income		**7 691 620**	7 070 057
Expenses		**(5 810 462)**	(5 374 753)
Depreciation and amortisation		**(330 505)**	(285 124)
Occupancy costs		**(1 010 301)**	(926 270)
Employment costs		**(3 071 902)**	(2 852 239)
Other costs		**(1 395 534)**	(1 310 434)
Impairment (allowance)/recovery		**(2 220)**	(686)
Operating profit		**1 881 158**	1 695 304
Ratios			
Increase in turnover	(%)	**9.7**	10.8
Selling price inflation	(%)	**1.5**	1.4
Comparable stores turnover growth	(%)	**6.4**	5.5
Gross profit margin	(%)	**28.3**	28.7
Total income margin	(%)	**33.3**	33.6
Operating expenses as a percentage of turnover	(%)	**25.1**	25.5
Increase in operating expenses	(%)	**8.1**	10.3
Increase in operating profit	(%)	**11.0**	14.1
Operating profit margin	(%)	**8.1**	8.0
Inventory days		**72**	71
Trade debtor days		**5**	5
Trade creditor days		**48**	44
Number of stores		**870**	837
as at 31 August 2018/2017		**837**	795
opened		**46**	56
closed		**(13)**	(14)
Number of pharmacies		**545**	510
as at 31 August 2018/2017		**510**	473
new/converted		**36**	42
closed		**(1)**	(5)
Total leased area	(m^2)	**444 010**	418 638
Weighted retail trading area	(m^2)	**347 566**	324 643
Weighted annual sales per m^2	(R)	**65 935**	64 446
Number of permanent employees		**14 753**	14 557

* Prior-period amounts restated for the adoption of new accounting standards. Refer to note 35.

Distribution (Note 34)		Intragroup elimination		Total operations	
2019	Restated* 2018	2019	Restated* 2018	2019	Restated* 2018
260 915	258 478	–	–	2 067 036	1 843 402
25 963	25 556	–	–	497 078	476 761
96 277	96 981	–	–	102 806	103 510
1 535 712	1 382 851	(81 005)	(66 968)	4 710 169	4 250 907
2 711 802	2 481 132	(710 656)	(679 808)	2 646 612	2 331 531
(462)	41 504	–	–	2 613 554	1 523 815
2 626 358	2 030 279	(3 039 585)	(2 480 970)	417 420	1 058 978
7 256 565	6 316 781	(3 831 246)	(3 227 746)	13 054 675	11 588 904
17 876	19 721	–	–	199 000	245 407
433	–	–	–	192 894	202 139
4 416 724	3 884 995	(715 958)	(686 448)	7 303 492	6 227 123
41 431	43 545	–	–	366 218	418 216
443 626	458 562	(3 039 241)	(2 479 287)	80 261	72 012
4 920 090	4 406 823	(3 755 199)	(3 165 735)	8 141 865	7 164 897
2 336 475	1 909 958	(76 047)	(62 011)	4 912 810	4 424 007
13 909 007	13 376 110	(5 661 713)	(5 199 374)	31 352 109	29 239 054
148 072	141 316	(6 834)	(20 591)	6 690 060	6 167 852
988 441	840 267	(170 759)	(146 050)	1 960 480	1 717 147
1 136 513	981 583	(177 593)	(166 641)	8 650 540	7 884 999
(682 239)	(619 269)	163 556	141 447	(6 329 145)	(5 852 575)
(38 360)	(34 852)	–	–	(368 865)	(319 976)
(3 440)	(2 679)	2 345	1 288	(1 011 396)	(927 661)
(269 960)	(242 606)	–	–	(3 341 862)	(3 094 845)
(371 370)	(343 916)	161 211	140 159	(1 605 693)	(1 514 191)
891	4 784	–	–	(1 329)	4 098
454 274	362 314	(14 037)	(25 194)	2 321 395	2 032 424
4.0	8.4	8.9	14.5	7.2	9.1
0.9	2.9	–	–	1.2	1.9
–	–	–	–	6.4	5.5
1.1	1.1	–	–	21.3	21.1
8.2	7.3	–	–	27.6	27.0
4.9	4.6	–	–	20.2	20.0
10.2	6.5	–	–	8.1	9.7
25.4	10.2	–	–	14.2	12.1
3.3	2.7	–	–	7.4	7.0
41	38	–	–	70	67
54	55	–	–	37	38
90	87	–	–	73	69
–	–	–	–	870	837
–	–	–	–	837	795
–	–	–	–	46	56
–	–	–	–	(13)	(14)
–	–	–	–	545	510
–	–	–	–	510	473
–	–	–	–	36	42
–	–	–	–	(1)	(5)
–	–	–	–	444 010	418 638
–	–	–	–	347 566	324 643
–	–	–	–	65 935	64 446
660	510	–	–	15 413	15 067

The intragroup turnover elimination for the year comprises R5 531.1 million (2018: R5 090.8 million) of sales from Distribution to Retail and R130.6 million (2018: R108.6 million) of sales from Retail to Distribution.

ACCOUNTING POLICIES

Clicks Group Limited is a company domiciled in South Africa. The consolidated financial statements as at and for the year ended 31 August 2019 comprise the company, its subsidiaries and associate (collectively referred to as “the group”).

BASIS OF PREPARATION

The consolidated financial statements for the group and for the company are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB), the South African Institute of Chartered Accountants’ Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the South African Companies Act, No. 71 of 2008 and the JSE Listings Requirements.

The financial statements are presented in South African Rands (Rands), rounded to the nearest thousand. They are prepared on the basis that the group and the company are going concerns, using the historical cost basis of measurement, except for certain financial instruments which have been measured at fair value. The accounting policies set out below have been applied consistently in all material respects to all periods presented in these consolidated financial statements.

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. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. 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.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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 that 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 less selling costs using factors existing at the reporting date. Refer to note 17 for further detail.

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 purchases, 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. Rebates are accrued monthly, with an extensive reassessment of the rebates earned being performed at the reporting date. Consequently the rebates actually received may vary from that accrued in the financial statements.

Impairment of financial assets

At the reporting date the group recognises a loss allowance for financial assets.

Trade receivables: The loss allowances for financial assets recognised by the group at the reporting date are based on the assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions. These assumptions are based on the group’s past history, existing market conditions as well as forward-looking information at the end of each reporting period.

The group uses a provision matrix to calculate expected credit losses (ECLs) for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (by product type and revenue stream, i.e. pharmacy, wholesale and rebate debtors).

The provision matrix is initially based on the group’s historical observed default rates. The group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. pharmaceutical regulations) are expected to deteriorate over the next year, which can lead to an increased number of defaults in pharmacy debtors, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The group’s historical credit loss experience and forecast of economic conditions may also not be representative of customers’ actual default in the future. The information about the ECLs on the group’s trade receivables and contract assets is disclosed in note 18.

The determination of recoverability is established using the ECL model. Refer to note 18 for further detail.

Impairment of non-financial assets
Goodwill and intangible assets with an indefinite useful life are tested for impairment at least annually.

Intangible assets with a finite useful life and property, plant and equipment are considered for impairment when an indication of possible impairment exists. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified an appropriate valuation model is used.

Details of the assumptions used in the intangible assets' impairment test are detailed in note 10.

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 value in use. Details of the assumptions used in the impairment test are detailed in note 11.

Assessment of useful lives and residual values of property, plant and equipment: Assessments of estimated 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. The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted. Refer to notes 7 and 12 for further detail.

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. Refer to note 23 for further detail, including a sensitivity analysis.

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. The fair value attached to share options granted is valued using the Monte Carlo option pricing model. The key assumptions used in the calculation include estimates of the group's expected share price volatility, dividend yield, risk-free interest rate and forfeiture rate.

Clicks ClubCard customer loyalty scheme
The Clubcard points earned by customers provide them with a material right to obtain a credit in future, which results in a performance obligation on the group to fulfil. The transaction price is allocated to the product and the points on a relative standalone selling price basis. When estimating the standalone selling price of the loyalty points the group considers the likelihood that the customer will redeem the points. The redemption rate is based on historical experience, which is subject to uncertainty.

Insurance cell captive
The group has determined that it does not have control over its insurance cell captive as the assets and liabilities are considered to belong to the insurer and not the investee. The cell captive has therefore not been consolidated and as the group is exposed to financial risk rather than insurance risk, the group has accounted for its investment as a financial asset at fair value through profit or loss in accordance with IFRS 9.

Measurement of financial instruments
The fair value of financial instruments that are not traded in an active market and are material to the group, is determined by using valuation techniques outlined in note 29, which may include the use of external independent valuators, to value these unquoted financial instruments.

BASIS OF CONSOLIDATION
The group financial statements include the financial statements of the company and subsidiaries that it controls. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The group considers all relevant facts and circumstances in assessing whether it has the power over an investee and reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control. The financial results of subsidiaries are included in the consolidated financial statements from the date that control was obtained and, where applicable, up to the date that control ceased. 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 financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. The company carries its investments in subsidiaries at cost less accumulated impairment.

FAIR VALUE MEASUREMENT

The group measures financial instruments, such as derivatives and certain investments at fair value, at each reporting date. The fair values of financial instruments measured at amortised cost are disclosed should it be determined that the carrying value of these instruments does not reasonably approximate their fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the group determines whether transfers have occurred between the levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures the group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

GOODWILL

Goodwill is initially measured at cost, being the excess of the consideration transferred over the group's net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired the difference is recognised in profit or loss. After initial recognition goodwill is measured at cost less any accumulated impairment losses. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

INVESTMENT IN ASSOCIATE

An associate is an entity in which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. The group's interests in an associate are accounted for using the equity method. On initial recognition the investment in an associate is recognised at cost and subsequently the carrying amount is increased or decreased to recognise the group's share of the net assets of the associate after the date of acquisition. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The group's share of the associate's profit or loss is recognised in profit or loss, outside of operating profit and represents profit or loss after tax of the associate. Where there has been a change recognised directly in other comprehensive income or equity of the associate the group recognises its share of any changes and discloses this, where applicable, in the group statement of other comprehensive income or group statement of changes in equity. Distributions received from the associate reduce the carrying amount of the investment. Unrealised gains and losses resulting from transactions between the group and the associate are eliminated to the extent of the group's interest in the associate. After application of the equity method the group determines whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. The group determines at each reporting date whether there is objective evidence that the investment in the associate is impaired. If there is such evidence the group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and then recognises the loss in profit or loss. Where the group's interest in an associate is reduced but the equity method continues to be applied, the group reclassifies to profit or loss the proportion of the gain or loss previously recognised in other comprehensive income relative to that reduction in ownership interest. The use of the equity method should cease from the date that significant influence is lost. The company carries its investments in an associate at cost less accumulated impairment in its separate financial statements.

FOREIGN CURRENCY

Functional and presentation currency

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

Foreign currency transactions and balances

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 reporting date are translated to the 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 items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. 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 profit or loss.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Rands at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Rands at the average exchange rates for the period. Gains and losses on translation are recognised in other comprehensive income and presented within equity in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the related amount in the FCTR is transferred to profit or loss.

FINANCIAL INSTRUMENTS

Initial recognition and measurement

The group recognises a financial asset or financial liability when it becomes a party to the contractual provisions of the instrument.

A financial asset is classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them. The group initially measures a financial asset at its fair value plus transaction costs, in the case of a financial asset not at fair value through profit or loss. Trade receivables that do not contain a significant financing component or for which the group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, the group's financial assets are classified into the following categories:

- financial assets at amortised cost (debt instruments); and
- financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the group. The group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The group's financial assets at amortised cost includes trade receivables and loans receivable.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading, unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments, investments in collective investment schemes and insurance cell captive.

Cash and cash equivalents

Cash and cash equivalents are categorised as a financial asset at amortised cost and, subsequent to initial recognition, are measured at amortised cost.

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 payments are included in trade and other payables.

Interest-bearing borrowings

Interest-bearing borrowings are financial liabilities with fixed or determinable payments. Subsequent to initial recognition these financial instruments are measured at amortised cost, with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

Trade and other payables

Subsequent to initial recognition trade and other payables are measured at amortised cost.

Derivative financial instruments and hedging activities

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 method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. Where a derivative financial instrument is used to hedge the variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction or the foreign currency risk in a firm commitment, the hedge is classified as a cash flow hedge.

Hedge relationships are formally documented and designated at inception. The documentation includes identification of the hedged item and the hedging instrument, and details the risk that is being hedged and the way in which effectiveness will be assessed at inception and during the period of the hedge. If the hedge is not highly effective in off-setting changes in fair values or cash flows attributable to the hedged risk, consistent with the documented risk management strategy, hedge accounting is discontinued.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income. The ineffective portion is recognised in profit or loss.

When the forecast transaction results in the recognition of a financial asset or financial liability the cumulative gain or loss is reclassified from other comprehensive income in the same period in which the hedged forecast cash flows/hedged item affect profit or loss. Otherwise the cumulative gain or loss is removed from other comprehensive income and recognised in profit or loss at the same time as the hedged transaction. When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of property, plant and equipment. Hedge accounting is discontinued if the hedge no longer meets the criteria for hedge accounting; if the hedging instrument expires or is sold, terminated or exercised; if the forecast transaction is no longer expected to occur; or if hedge designation is revoked. On the discontinuance of hedge accounting (except where a forecast transaction is no longer expected to occur), the cumulative unrealised gain or loss recognised in other comprehensive income is recognised in profit or loss when the forecast transaction occurs and affects profit or loss. Where a forecast transaction is no longer expected to occur the cumulative unrealised gain or loss is recognised immediately in profit or loss.

The group designates the spot element of forward contracts as a hedge instrument. The forward element is recognised directly in a separate reserve; the cost of hedging reserve under equity. The forward contracts hedge foreign currency risk relating to inventory purchases. Upon recognition of the inventory, the amount accumulated in the cost of hedging reserve is removed from the reserve and recognised directly in the initial cost of inventory. This does not constitute a reclassification adjustment and will therefore be transferred directly out of equity and not through other comprehensive income.

Derivatives not qualifying for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Such derivatives are classified as at fair value through profit or loss and changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

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 or control 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, 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.

Offset

Financial assets and financial liabilities are off-set and the net amount reported in the statement of financial position 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.

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. 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 capitalised in line with the accounting policy outlined under financial expenses.

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 profit or loss.

Subsequent costs

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits embodied within 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 profit or loss on a straight-line basis over the estimated useful life of each part of the asset in order to reduce the cost of the asset to its residual value. Residual value is the amount that an entity could receive for the asset at the reporting date if the asset were already of the age and the condition that it will be in when the entity expects to dispose of it. Residual value does not include expected future inflation. 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

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. The resulting difference arising from the straight-line basis and contractual cash flows is recognised as an operating lease obligation or asset. Contingent rentals, such as those relating to turnover, are expensed in the year in which they arise.

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 research and development expenditure is recognised in profit or loss 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 recognised in profit or loss 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 are tested for impairment if indications exist that they may be impaired. Intangible assets with indefinite useful lives are not amortised and are tested annually for impairment.

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

Capitalised software development	5 to 10 years
Purchased computer software	3 to 5 years
Contractual rights	5 years
Clicks trademark	Indefinite useful life
Other trademarks	10 years

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

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 reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and 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 reporting date. Whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount, an impairment loss is recognised in profit or loss. As goodwill is not capable of generating cash flows independently of other assets, in assessing the recoverable amount of goodwill, it 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 costs of disposal 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 other cash-generating units. The fair value less costs of disposal is the amount obtainable from the sale of an asset or cash-generating unit in an orderly transaction between market participants at the measurement date. 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 profit or loss. An impairment loss in respect of goodwill is never reversed.

Financial assets

The group applies the expected credit loss (ECL) model for recognition of the loss allowance on financial instruments at amortised cost. The ECL represents the present value of estimated future cash flows (excluding future losses that have not yet been incurred), discounted at the financial asset's original effective interest rate if discounting is material. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss for financial assets at amortised cost.

The group applies the simplified approach for ECLs on trade receivables. A loss rate for each class of receivables is established, based on past losses for retail and distribution debtors. The loss rate is adjusted for forward-looking information. This rate is applied to each class of receivables to calculate the allowance.

The group established the following macroeconomic factors to influence its forward-looking assessment:

- **Retail:** The group identified pharmacy/medical regulations, inflation and foreign currency movements as items considered when the loss rates were determined.
- **Distribution:** The group identified inflation, interest rates and petrol prices as items considered when the loss rates were determined.

The macroeconomic factors considered are those factors which might influence the ability of the counterparty to settle their debt and cause the group not to recover the debt.

The group applies the general approach for establishing the allowance in terms of the ECL model for loans and other receivables. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

SHARE CAPITAL

Share capital

Ordinary share capital represents the par value of ordinary shares issued.

Share premium

Share premium represents the excess consideration received by the company over the par value of ordinary shares issued and the accumulated IFRS 2 share-based payment expense relating to the employee share ownership scheme and is classified as equity.

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from share premium, net of any tax effect.

Treasury shares

Ordinary shares in Clicks Group Limited which have been acquired by the group in terms of an approved share repurchase programme, held by the Share Incentive Trust or held by The Clicks Group Employee Share Ownership 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 over the cost of these shares on the transaction is transferred to or from distributable reserves.

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 equity.

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 and annual leave represent the amount which the group has a present obligation to pay as a result of employees' services provided up to the reporting date.

The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

Other 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 reporting date on government 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 schemes are funded by payments from employees and the relevant group entity. Contributions to these funds are recognised as an expense in profit or loss 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 reporting date on government 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.

Past service costs are recognised in profit or loss at the earlier of the date of the plan amendment or curtailment, and the date that the group recognises restructuring-related costs. The group recognises actuarial gains or losses from defined benefit plans immediately in other comprehensive income.

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 as part of the Clicks Group employee share option plan is measured using the Monte Carlo 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. Where an option is cancelled (other than by forfeiture when vesting conditions are not satisfied), it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the option is recognised immediately.

Group share scheme recharge arrangements

A recharge arrangement exists whereby the cost of acquiring shares, issued in accordance with certain share schemes granted by the parent company, is funded by way of contributions from subsidiary companies in respect of participants who are their employees. The recharge arrangement is accounted for separately from the underlying equity-settled share-based payment upon initial recognition, as follows:

- The subsidiary recognises a recharge liability and a corresponding adjustment against equity for the capital contribution recognised in respect of the share-based payment.
- The parent recognises a recharge asset and a corresponding adjustment to the carrying amount of the investment in the subsidiary. The recharge arrangement is eliminated on consolidation.

Subsequent to initial recognition the recharge arrangement is remeasured at fair value at each subsequent reporting date until settlement date to the extent vested. The amount of the recharge in excess of the capital contribution recognised in respect of a share-based payment (in the subsidiary's financial statements) or the cost of investment in the subsidiary (in the parent's financial statements) is recognised as a return of capital. In the parent's financial statements the recharge is recognised as a reduction in the cost of the investment in the subsidiary and the excess of the recharge reduces the cost of the investment in the subsidiary until it has a balance of zero. Any further decreases in the cost of investment in subsidiary will be recognised by the parent as dividend income in profit or loss. In the subsidiary's financial statements the excess is treated as a distribution/dividend to its parent.

Cash-settled share-based compensation benefits

The group grants cash-settled appreciation rights to management in terms of a long-term incentive scheme. The value of these appreciation rights are linked to the total shareholder return (capital gain plus dividends) over the vesting period. The cost of cash-settled transactions is measured initially at fair value at the grant date, further details of which are given in note 23.1. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense (see note 4).

Cash-settled earnings-based compensation benefits

The group grants cash-settled appreciation rights to management in terms of a long-term incentive scheme. The value of these appreciation rights are linked to the performance of diluted HEPS. The liability which is not expected to be settled within twelve months is discounted to present value using market yields, at the reporting date, on government 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 gain or loss based on the projected unit credit method which is recognised immediately in profit or loss.

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 anticipated 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 reporting date and adjusted to reflect the current best estimate.

FINANCIAL GUARANTEES

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 – Financial Instruments; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principals of IFRS 15 – Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

REVENUE

Revenue from contracts with customers

Revenue from contracts with customers is recognised upon the satisfaction of a performance obligation, when control of all goods and services are transferred to the customer and is measured at the consideration to which the group is entitled.

Turnover

Revenue from sale of retail and wholesale goods is recognised at the point when goods are transferred to the customer. The revenue is measured at the amount to which the group expects to be entitled to with regards to the sale and is therefore the consideration less any rebates, discounts and deferred revenue.

Distribution and logistics fee income

Distribution and logistics fee income is recognised at the point when the goods are delivered to the client, on delivery of the service and is measured at the consideration receivable less rebates and discounts.

Advertising income

Where advertising income represents payment for a distinct service (as in co-operative agreements), income received is recognised upon the satisfaction of the performance obligation in terms of the contract, when the service is provided to the customer. Advertising income is measured at the amount as entitled by the group in terms of the contract with the customer.

Variable consideration/deferred revenue

Right of return

Customers have the right to return goods purchased from the group, within the time frame as set out in the group's returns policy. The group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the group will be entitled. For goods that are expected to be returned, instead of revenue, the group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Loyalty cards

The group operates a loyalty scheme through Clicks ClubCard. The card allows customers to accumulate ClubCard points that entitle them, subject to certain criteria, to vouchers that may be used in-store.

The loyalty points give rise to a performance obligation as they provide a material right to the customer to claim a future credit. A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative standalone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of the points by the customer.

When estimating the standalone selling price of the loyalty points, the group considers the likelihood that the customer will redeem the points. The group updates its estimates of the points that will be redeemed and any adjustments to the contract liability balance are charged against revenue.

Gift cards/vouchers

Customers have the option of buying gift cards and vouchers at all retail stores. The vouchers may be used in-store. On purchase, the fair value (cash value) of the vouchers is recognised as a liability and is recognised as revenue on redemption of the gift cards/vouchers by the customers.

Assets and liabilities arising from revenue from contracts with customers

Right of return assets

The sale of certain goods provides the customer with a right to return the asset in terms of the group's returns policy. The right of return provides the group with a probable right to receive return assets. These assets are recognised as part of inventory and are measured at the cost of assets sold that will, in all probability, be returned to the group.

Refund liabilities

The customer's right to return certain goods sold provides the group with a probable obligation to refund the customer with the consideration received. The refund liability is recognised as part of trade and other payables and is recognised at the consideration received for the sale of the goods, including VAT.

Financial income

Financial income comprises interest income and dividend income. Interest income is recognised in profit or loss 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.

FINANCIAL EXPENSES

Financial expenses comprise interest payable on borrowings calculated using the effective interest method and unwinding of the discount on provisions and long-term employee benefits. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

INCOME TAXES

Income tax expense on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in other comprehensive income or in equity, respectively. Current tax is the expected tax payable on the taxable profit for the current year using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years. Deferred tax is recognised for all temporary differences between the tax value of an asset or liability and the carrying amount for financial reporting purposes, except for 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 will probably 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 substantively 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.

DIVIDENDS WITHHOLDING TAX

Dividends withholding tax is levied on the beneficial owner of the shares instead of the group. The tax is withheld by the group and paid over to the South African Revenue Service (SARS) on the beneficiaries' behalf. The resultant tax expense and liability has been transferred to the shareholder and is no longer accounted for as part of the tax charge for the group. Amounts not yet paid over to SARS are included in trade and other payables and the measurement of the dividend amount is not impacted by the withholding tax.

SEGMENT REPORTING

The group has adopted the "management approach" to reporting segment information, basing this on the group's internal management reporting data used internally by the chief operating decision-maker (CODM). An operating segment is defined as a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity) whose operating results are regularly reviewed by the entity's CODM to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

EARNINGS PER SHARE

The group presents basic and diluted earnings per share (EPS) 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 issued but not yet effective and under review as to their effect on the group

The International Accounting Standards Board (IASB) and IFRIC issued the following standards, amendments and interpretations, with an effective date after the date of these financial statements, which management believes could impact the group in future periods.

The group has elected not to early adopt this standard.

IFRS 16 – Leases

Effective for periods beginning on or after 1 January 2019

IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance with the standard's approach to lessor accounting remaining substantially unchanged from its predecessor, IAS 17. An evaluation has been performed to determine the likely impact on the financial statements after the effective date of 1 January 2019, reporting period ending on 31 August 2020.

Management's assessment has indicated that changes to the statement of financial position line items and statement of comprehensive income can be expected. These include, but are not limited to, property, plant and equipment, lease liabilities, lease assets, depreciation, occupancy costs and financial expense. Refer to note 24 of the annual financial statements for disclosure of operating lease liabilities and lease commitments and note 36 for the expected impact on the annual financial statements.

		Group	
		2019 R'000	Restated* 2018 R'000
1	**Revenue**		
	Revenue from contracts with customers		
	Goods sold to customers	31 352 109	29 239 054
	Other income	1 960 480	1 717 147
	Distribution and logistics fees	927 015	792 482
	Advertising and other income	1 033 465	924 665
	Total revenue from contracts with customers	33 312 589	30 956 201
	Financial income	63 421	25 757
	Total revenue	33 376 010	30 981 958
2	**Depreciation and amortisation**		
	Depreciation of property, plant and equipment (see note 9)	343 373	289 239
	Amortisation of intangible assets (see note 10)	56 819	49 903
	Total depreciation and amortisation	400 192	339 142
	Depreciation included in cost of merchandise sold and inventories	(31 327)	(19 166)
	Depreciation and amortisation included in expenses	368 865	319 976
3	**Occupancy costs**		
	Operating leases	948 870	851 144
	Turnover rental expense	67 665	69 144
	Movement in operating lease liability (see note 24)	(9 245)	9 113
	Movement in provision for onerous contracts (see note 26)	4 106	(1 740)
	Total occupancy costs	1 011 396	927 661

* Prior-period amounts restated for the adoption of new accounting standards. Refer to note 35.

		Group 2019 R'000	2018 R'000
4	**Employment costs**		
	Directors' emoluments (excluding incentives, see note 4.1)	**23 085**	23 933
	Non-executive fees	**4 286**	3 773
	Executive	**18 799**	20 160
	Salary	**17 193**	18 685
	Other benefits	**1 606**	1 475
	Equity-settled share option costs (see note 20)	**–**	50 752
	Long-term incentive scheme – TSR (see note 23)	**20 353**	191 857
	Release of gain on cash flow hedge to profit or loss (see note 21)	**8 883**	(160 386)
	Long-term incentive scheme – HEPS (see note 23)	**62 202**	56 144
	Staff salaries and wages	**3 035 654**	2 731 521
	Contributions to defined contribution plans	**171 023**	155 178
	Leave pay costs (see note 23)	**19 158**	12 787
	Bonuses (see note 23)	**158 238**	146 727
	Increase in liability for defined benefit plans (see note 23)	**1 390**	1 304
	Total employment costs	**3 499 986**	3 209 817
	Employment costs included in cost of merchandise sold and inventories	**(158 124)**	(114 972)
	Employment costs included in expenses	**3 341 862**	3 094 845

For further detail of directors' emoluments refer to rewarding value creation on pages 77 to 79 of the integrated annual report or note 4.1.

Included in total employment costs are the following aggregate amounts (including directors' emoluments) relating to transactions with key management personnel:

	2019 R'000	2018 R'000
	219 500	184 357
Short-term employee benefits	**39 283**	31 895
Post-employment benefits	**3 074**	2 578
Short-term incentive scheme	**20 743**	15 940
Long-term incentive scheme	**151 711**	133 944
Termination benefits	**1 689**	–
Other benefits	**3 000**	–
Non-executive directors' fees	**4 286**	3 773
	223 786	188 130

4.1 Directors' remuneration

Executive directors' remuneration

Director (R'000)	Salary	Pension fund	Other benefits	Total annual guaranteed pay	RONA short-term incentive	Performance-based long-term incentive[1]	Total variable pay	Total
2019								
Bertina Engelbrecht	**3 757**	**443**	**–**	**4 200**	**1 976**	**12 009**	**13 985**	**18 185**
Michael Fleming	**5 682**	**391**	**57**	**6 130**	**2 884**	**17 413**	**20 297**	**26 427**
David Kneale[2]	**3 567**	**234**	**1**	**3 802**	**–**	**–**	**–**	**3 802**
Vikesh Ramsunder[3]	**4 187**	**309**	**171**	**4 667**	**3 499**	**14 011**	**17 510**	**22 177**
Total	**17 193**	**1 377**	**229**	**18 799**	**8 359**	**43 433**	**51 792**	**70 591**
2018								
Bertina Engelbrecht	3 489	411	–	3 900	1 560	17 453	19 013	22 913
Michael Fleming	5 287	356	57	5 700	2 280	25 268	27 548	33 248
David Kneale[4]	9 909	649	2	10 560	6 336	52 800	59 136	69 696
Total	18 685	1 416	59	20 160	10 176	95 521	105 697	125 857

[1] Payments relating to the performance for the year ended 31 August are paid in November. The expense is provided for over the three-year vesting period in the relevant financial year.
[2] Mr Kneale retired as an executive director on 1 January 2019. He was retained as a strategic adviser at a guaranteed salary of R7 200 000 until his retirement as an employee from the group on 31 August 2019. In accordance with the schemes' rules applicable to all retirees, the committee approved payments to Mr Kneale of a retirement long-service award of R1 689 003, a short-term incentive of R6 653 808, R48 036 035 in respect of LTI appreciation units awarded to him in the 2016 to 2019 scheme and R39 043 440 in settlement of the 2017 to 2020 LTI appreciation units which vested as a result of his retirement.
[3] Mr Ramsunder was appointed as an executive director on 1 January 2019.
[4] The LTI payment to Mr Kneale was capped at five times annual guaranteed pay in accordance with the rules of the scheme.

The total number of ordinary shares in issue is 262 083 439 (2018: 253 948 352). The percentage of issued share capital held by directors is 0.09% (2018: 0.20%).

Details of all dealings in Clicks Group shares by directors during the financial year are contained in the directors' report on page 2.

4 Employment costs (continued)

4.1 Directors' remuneration (continued)

Non-executive directors' remuneration

	2019 directors' fees			2018 directors' fees		
Director (R'000)	Holding company	Subsidiary companies	Total	Holding company	Subsidiary companies	Total
David Nurek	1 303	–	1 303	1 169	–	1 169
Fatima Abrahams[1]	591	146	737	479	151	630
John Bester	716	–	716	647	–	647
Fatima Daniels[2]	494	146	640	450	73	523
Nonkululeko Gobodo	494	–	494	450	–	450
Martin Rosen	396	–	396	354	–	354
Total	**3 994**	**292**	**4 286**	3 549	224	3 773
Total directors' remuneration						
Executive directors			**70 591**			125 857
Non-executive directors			**4 286**			3 773
Total directors' remuneration			**74 877**			129 630

[1] The fees paid to Professor Abrahams include fees for her role as chairperson of The Clicks Group Employee Share Ownership Trust and for her appointment as director of Clicks Retailers Proprietary Limited and New Clicks South Africa Proprietary Limited.
[2] The fees paid to Fatima Daniels include fees for her appointment as director of Clicks Retailers Proprietary Limited and New Clicks South Africa Proprietary Limited.

	Group 2019 R'000	Group 2018 R'000
5 Other costs		
Other operating costs include:		
Fees paid for outside services		
Technical services	**16 351**	18 282
Decrease in financial assets at fair value through profit or loss	**7 112**	–
Foreign exchange losses – realised	**1 492**	–
Water and electricity	**190 196**	177 403
Retail	**175 371**	164 270
Distribution	**14 825**	13 133
6 Net financing income		
Recognised in profit or loss:		
Interest income on bank deposits and investments	**62 788**	24 429
Other interest income	**633**	1 328
Financial income	**63 421**	25 757
Interest expense on financial liabilities measured at amortised cost	**23 765**	23 692
Cash interest expense	**4 477**	9 456
Other interest expense (see note 23.2)	**19 288**	14 236
Financial expense	**23 765**	23 692
Net financing income	**39 656**	2 065

	Group 2019 R'000	Group Restated[1] 2018 R'000	Company 2019 R'000	Company 2018 R'000
7 Income tax expense				
South African normal tax				
Current tax				
Current year	**227 099**	206 279	**619**	54
Capital gains tax	**1 466**	–	**1 466**	–
Prior-year overprovision	**(13 997)**	(14 679)	**–**	–
Deferred tax				
Current year	**415 792**	341 855	**–**	–
Prior-year underprovision	**11 163**	17 707	**–**	–
Withholding tax	**1 319**	–	**–**	–
Foreign tax				
Current tax				
Current year	**11 409**	9 180	**–**	–
Withholding tax	**9 344**	6 223	**–**	–
Deferred tax				
Current year	**(2 727)**	1 224	**–**	–
Prior-year overprovision	**(279)**	(414)	**–**	–
Taxation per statement of comprehensive income	**660 589**	567 375	**2 085**	54
Deferred tax – current year	**7 523**	(267 916)	**–**	–
Cash flow hedge recognised in other comprehensive income	**(5 397)**	25 053	**–**	–
Cash flow hedge recognised in equity	**(14 180)**	(2 437)		
Equity-settled transaction recognised in equity (see note 20)	**26 699**	(290 532)	**–**	–
Remeasurement of post-employment benefit obligations	**2 464**	–	**–**	–
Cost of hedging reserve	**(2 063)**	–	**–**	–
Total income tax charge	**668 112**	299 459	**2 085**	54
Reconciliation of rate of tax	**%**	%	**%**	%
Standard rate – South Africa	**28.00**	28.00	**28.00**	28.00
Adjusted for:				
Disallowable expenditure[2]	**0.37**	0.31	**0.01**	0.02
Exempt income and allowances[3]	**(0.72)**	(0.68)	**(27.96)**	(28.02)
Foreign tax rate variations	**(0.06)**	(0.24)	**–**	–
Foreign withholding tax	**0.45**	0.31	**–**	–
Prior-year net (over)/underprovision	**(0.15)**	0.17	**–**	–
Capital gains tax	**0.06**	–	**0.13**	–
Effective tax rate	**27.95**	27.87	**0.18**	–

1 Prior-period amounts restated for the adoption of new accounting standards. Refer to note 35.
2 Disallowable expenditure consists of expenses not in the production of income and of a capital nature, which includes legal fees, consulting fees, share expenses and donations.
3 Exempt income consists of tax-free allowances received.

One of the subsidiaries of the group has an estimated tax loss of R82.2 million (2018: R51.9 million) available for set-off against future taxable income of that subsidiary. A deferred tax asset of R27.2 million (2018: R16.6 million) has been recognised in respect of the total estimated tax loss (see note 12).

	Group 2019 R'000	Restated* 2018 R'000
8 Earnings per share		
The calculation of basic and headline earnings per share at 31 August 2019 was based on profit for the year attributable to ordinary shareholders of Clicks Group Limited of R1 702.9 million (2018: R1 468.4 million) and headline earnings of R1 703.9 million (2018: R1 469.3 million) divided by the weighted average number of ordinary shares as follows:		
Reconciliation of headline earnings		
Profit attributable to equity holders of the parent	**1 702 914**	1 468 368
Adjusted for:		
	958	927
Loss on disposal of property, plant and equipment	**351**	1 287
Tax on disposal of property, plant and equipment	**(97)**	(360)
Goodwill impairment (see note 11.2)	**704**	–
Headline earnings	**1 703 872**	1 469 295

* Prior-period amounts restated for the adoption of new accounting standards. Refer to note 35.

	2019 cents	Restated* 2018 cents
Earnings per share	**683.6**	609.1
Headline earnings per share	**683.9**	609.5
Diluted earnings per share	**671.8**	575.0
Diluted headline earnings per share	**672.2**	575.3

* Prior-period amounts restated for the adoption of new accounting standards. Refer to note 35.

	2019 '000	2018 '000
Reconciliation of shares in issue to weighted average number of shares in issue		
Total number of shares in issue at the beginning of the year	**253 948**	245 969
Treasury shares held for the full year and/or cancelled	**(9 443)**	(9 443)
Treasury shares purchased during the year weighted for the period held	**(60)**	–
Ordinary shares issued during the year weighted for the period held	**4 680**	4 547
Weighted average number of shares in issue for the year	**249 125**	241 073
Reconciliation of weighted average number of shares to weighted average diluted number of shares in issue		
Weighted average number of shares in issue for the year (net of treasury shares)	**249 125**	241 073
Dilutive effect of share options (net of treasury shares)	**4 346**	14 312
Weighted average diluted number of shares in issue for the year	**253 471**	255 385

	Group					
	2019		2018		2017	
	Cost R'000	Accumulated depreciation and impairment losses R'000	Cost R'000	Accumulated depreciation and impairment losses R'000	Cost R'000	Accumulated depreciation and impairment losses R'000
9 Property, plant and equipment						
Land	**25 809**	**–**	25 809	–	25 809	–
Buildings	**560 059**	**64 376**	518 511	58 041	409 525	54 038
Computer equipment	**552 428**	**370 308**	496 298	329 100	463 033	290 547
Equipment	**385 620**	**227 908**	335 736	196 273	282 149	174 130
Furniture and fittings	**2 500 992**	**1 321 930**	2 122 936	1 100 554	1 812 027	963 570
Motor vehicles	**52 117**	**25 467**	52 309	24 229	46 061	22 384
	4 077 025	**2 009 989**	3 551 599	1 708 197	3 038 604	1 504 669

All group property is owner-occupied.

The carrying amount of the group's property, plant and equipment is 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 2017	25 809	355 487	172 486	108 019	848 457	23 677	1 533 935
Additions	–	109 567	53 968	59 524	367 472	11 149	601 680
Disposals	–	(259)	(502)	(338)	(1 209)	(666)	(2 974)
Depreciation	–	(4 325)	(58 754)	(27 742)	(192 338)	(6 080)	(289 239)
Carrying amount at 31 August 2018	**25 809**	**460 470**	**167 198**	**139 463**	**1 022 382**	**28 080**	**1 843 402**
Additions	**–**	**41 565**	**80 111**	**56 430**	**385 315**	**6 082**	**569 503**
Disposals	**–**	**(16)**	**(196)**	**(43)**	**(893)**	**(1 348)**	**(2 496)**
Depreciation	**–**	**(6 336)**	**(64 993)**	**(38 138)**	**(227 742)**	**(6 164)**	**(343 373)**
Carrying amount at 31 August 2019	**25 809**	**495 683**	**182 120**	**157 712**	**1 179 062**	**26 650**	**2 067 036**

	Group					
	2019		2018		2017	
	Cost R'000	Accumulated amortisation and impairment losses R'000	Cost R'000	Accumulated amortisation and impairment losses R'000	Cost R'000	Accumulated amortisation and impairment losses R'000
10 Intangible assets						
Clicks trademark (see note 10.1)	**272 000**	**–**	272 000	–	272 000	–
Link trademark	**6 000**	**6 000**	6 000	6 000	6 000	6 000
Other trademarks	**1 217**	**842**	1 116	693	1 116	581
Capitalised and purchased computer software development	**429 357**	**212 545**	385 973	187 255	334 974	153 826
Contractual rights (see note 10.2)	**30 909**	**23 018**	25 633	20 013	22 015	18 095
	739 483	**242 405**	690 722	213 961	636 105	178 502

The carrying amount of the group's intangible assets is reconciled as follows:

	Clicks trademark R'000	Other trademarks and contractual rights R'000	Capitalised software development R'000	Total R'000
Carrying amount at 1 September 2017	272 000	4 455	181 148	457 603
Additions	–	3 619	65 934	69 553
Amortisation	–	(2 031)	(47 872)	(49 903)
Disposals	–	–	(492)	(492)
Carrying amount at 31 August 2018	**272 000**	**6 043**	**198 718**	**476 761**
Additions	**–**	**5 376**	**71 835**	**77 211**
Amortisation	**–**	**(3 153)**	**(53 666)**	**(56 819)**
Disposals	**–**	**–**	**(75)**	**(75)**
Carrying amount at 31 August 2019	**272 000**	**8 266**	**216 812**	**497 078**

Assessment of impairment of intangible assets

10.1 The Clicks trademark is part of the Clicks cash-generating unit and 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 trademark 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. The recoverable amount was determined based on the value in use.

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.

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

(i) A forecast horizon of three years was used. The forecast horizon comprises the three-year plan drafted in the last quarter of the 2019 financial year, whereafter a perpetuity growth rate of 7.0% (2018: 7.0%) is used.

(ii) The values assigned to the three-year plan revenue and cost growth assumptions reflect current trends, anticipated market developments and management's experience.

(iii) The key assumptions for the recoverable amount are the long-term growth rate and the discount rate. The long-term growth rate used is purely for the impairment testing of intangible assets under IAS 36 – Impairment of Assets and does not reflect long-term planning assumptions used by the group for investment proposals or for any other assessments.

(iv) A discount rate of 13.2% (2018: 13.7%) per annum, being the group's pre-tax weighted average cost of capital, was used. The group's pre-tax weighted average cost of capital is deemed appropriate as, together with the Distribution business, both businesses largely operate within South Africa and are subject to similar market risks.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts to exceed their recoverable amounts.

10.2 The group acquired the pharmacy business of Amalgamated Pharmacy Group Proprietary Limited in 2010.

As part of the acquisition, the group acquired the contractual rights to certain medical aid contracts. These contractual rights have been amortised over five years.

During the year the group also acquired contractual rights relating to medicine formulas.

	Group	
	2019 R'000	2018 R'000
11 Goodwill		
Goodwill	**102 806**	103 510
Goodwill comprises:		
United Pharmaceutical Distributors Proprietary Limited (UPD) (see note 11.1)	**96 277**	96 277
Kalahari Medical Distributors Proprietary Limited (Kalahari) (see note 11.1)	**–**	704
Amalgamated Pharmacy Group Proprietary Limited (Amalgamated Pharmacy Group) (see note 11.2)	**6 529**	6 529

Assessment of impairment of goodwill

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

The following key assumptions were made in determining the value in use of the UPD and Kalahari cash-generating units:

(i) A forecast horizon of three years was used. The forecast horizon comprises the three-year plan drafted in the last quarter of the 2019 financial year, whereafter a perpetuity growth rate of 6.5% (2018: 6.5%) is used.

(ii) The values assigned to the three-year plan revenue and cost growth assumptions reflect current trends, anticipated market developments and management's experience.

(iii) The key assumptions for the recoverable amount are the long-term growth rate and the discount rate. The long-term growth rate used is purely for the impairment testing of goodwill under IAS 36 – Impairment of Assets and does not reflect long-term planning assumptions used by the group for investment proposals or for any other assessments.

(iv) A discount rate of 13.2% (2018: 13.7%) per annum, being the group's pre-tax weighted average cost of capital, was used. The group's pre-tax weighted average cost of capital is deemed appropriate as, together with the Clicks business, both businesses largely operate within South Africa and are subject to similar market risks.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts to exceed their recoverable amounts, other than the goodwill related to Kalahari which was impaired during the financial period.

11.2 Due to the synergies that arose on acquisition, the goodwill relating to the purchase of the pharmacy business from Amalgamated Pharmacy Group has been attributed to the Clicks business as a cash-generating unit, which represents the lowest level within the group at which the goodwill is monitored for internal management purposes.

Applying IAS 36, goodwill relating to the above acquisition has been tested for impairment at the same level as the Clicks business unit.

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 goodwill was not impaired.

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

(i) A forecast horizon of three years was used. The forecast horizon comprises the three-year plan drafted in the last quarter of the 2019 financial year, whereafter a perpetuity growth rate of 7.0% (2018: 7.0%) is used.

(ii) The values assigned to the three-year plan revenue and cost growth assumptions reflect current trends, anticipated market developments and management's experience.

11. Goodwill (continued)

Assessment of impairment of goodwill (continued)

(iii) The key assumptions for the recoverable amount are the long-term growth rate and the discount rate. The long-term growth rate used is purely for the impairment testing of goodwill under IAS 36 – Impairment of Assets and does not reflect long-term planning assumptions used by the group for investment proposals or for any other assessments.

(iv) A discount rate of 13.2% (2018: 13.7%) per annum, being the group's pre-tax weighted average cost of capital, was used. The group's pre-tax weighted average cost of capital is deemed appropriate as, together with the Clicks business, both businesses largely operate within South Africa and are subject to similar market risks.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts to exceed their recoverable amounts.

The tests performed on all cash-generating units did not indicate any impairment as at year-end.

	Group		Company	
	2019 R'000	Restated* 2018 R'000	2019 R'000	2018 R'000
12 Deferred tax assets/(liabilities)				
Deferred tax assets	**47 136**	478 608	**–**	–
	47 136	478 608	**–**	–
Balance at the beginning of the year	**478 608**	572 223	**–**	–
Current deferred tax charge to profit or loss	**(423 949)**	(361 531)	**–**	–
Current deferred tax (charge)/credit to other comprehensive income or equity (see note 7)	**(7 523)**	267 916	**–**	–
Balance at the end of the year	**47 136**	478 608	**–**	–
Arising as a result of:				
Capital gains tax	**(48 110)**	(48 110)	**–**	–
Derivative financial assets and liabilities	**(60 991)**	(122 892)	**–**	–
Employee obligations	**152 533**	646 188	**–**	–
Income and expense accrual	**112 566**	116 971	**–**	–
Inventory	**41 984**	36 447	**–**	–
Onerous leases	**2 087**	1 878	**–**	–
Operating lease liability	**54 407**	56 998	**–**	–
Prepayments	**(24 022)**	(20 995)	**–**	–
Property, plant and equipment	**(127 038)**	(120 993)	**–**	–
Tax losses	**27 156**	16 552	**–**	–
Trademarks	**(76 172)**	(76 172)	**–**	–
Other	**(7 264)**	(7 264)	**–**	–
Balance at the end of the year	**47 136**	478 608	**–**	–

* Prior-period amounts restated for the adoption of new accounting standards. Refer to note 35.

The capital gains deferred tax liability arises on the revaluation of a forward purchase of shares by the company in a subsidiary company.

Derivative financial assets and liabilities include a credit of R19.6 million (2018: R22.6 million debit) recognised in other comprehensive income and equity (see note 21).

Employee obligations include an asset of Rnil million (2018: R414.8 million) recognised in equity (see note 20).

In respect of the deferred tax asset recognised by one (2018: one) subsidiary company, the directors consider that sufficient future taxable income will be generated by that subsidiary company to utilise the deferred tax assets recognised.

13 Investment in associate

The group acquired a strategic 25% interest in Sorbet Brands Proprietary Limited (Sorbet Brands) on 1 September 2015.

Sorbet Brands holds all the trademark rights of the Sorbet brand in South Africa.

The group's interest in Sorbet Brands is accounted for using the equity method in the consolidated financial statements.

The following amounts represent the assets and liabilities, income and expenses of the associate:

	Group	
	2019 R'000	2018 R'000
Assets		
Non-current assets	**80 000**	80 000
Current assets	**1 103**	6 253
Liabilities		
Current liabilities	**739**	6 077
Equity	**80 364**	80 176
Group's carrying amount of the investment	**20 091**	20 044
Summarised statement of comprehensive income		
Income	**22 304**	19 428
Expenses	**(6 732)**	(5 691)
Profit before taxation	**15 572**	13 737
Income tax expense	**(4 360)**	(3 572)
Profit for the year	**11 212**	10 165
Total comprehensive income for the year	**11 212**	10 165
Group's proportionate share of profit for the year	**2 803**	2 541
Dividends received from associate	**2 362**	2 233

14 Loans receivable

	Group	
	2019 R'000	2018 R'000
Sign and Seal Trading 205 Proprietary Limited (Style Studio) (see note 14.1)	**–**	4 500
AfroBotanics Proprietary Limited (see note 14.2)	**1 500**	1 500
Brian Philippe Thomas Proprietary Limited shareholders (see note 14.3)	**1 579**	1 971
UPD Owner-driver Initiative (see note 14.4)	**6 830**	6 728
JGB Couriers Proprietary Limited (see note 14.5)	**222**	304
Non-current loans receivable	**10 131**	15 003
Brian Philippe Thomas Proprietary Limited shareholders (see note 14.3)	**524**	588
JGB Couriers Proprietary Limited (see note 14.5)	**87**	87
Triton Pharmacare Capital Investments Proprietary Limited (Triton)	**–**	9 000
Current loans receivable	**611**	9 675
Total loans receivable	**10 742**	24 678

14 Loans receivable (continued)

14.1 The company has been placed into liquidation and the loan has therefore been impaired. Previously the loan was unsecured.

14.2 The loan is unsecured, interest free and repayable from October 2020 in monthly instalments or within 10 business days of demand, whichever is the earliest.

14.3 Brian Philippe Thomas Proprietary Limited was indebted to Clicks Retailers Proprietary Limited for the amount of R3 000 000. On 15 December 2017 Clicks Retailers Proprietary Limited and the shareholders of Brian Philippe Thomas Proprietary Limited concluded a loan agreement for the amount of R3 000 000 to discharge the debt owed by Brian Philippe Thomas Proprietary Limited to Clicks Retailers Proprietary Limited. The loan is interest free and is repayable in five equal instalments of R600 000 per annum on 30 November each year. The annual repayments are in the form of the annual management fees due to Brian Philippe Thomas Proprietary Limited, in terms of the acquisition agreement of the Prospur Pharmacy, to be allocated to loan instalments due by the co-principal debtors. The loan is secured via a second mortgage bond of R900 000.

14.4 The amount relates to loans to various individuals who participate in the UPD Owner-driver Initiative. The loans are interest free, were advanced on 1 August 2018 and are expected to be repaid after five years.

14.5 The loan is unsecured, interest free and repayable by 30 April 2023 in equal monthly instalments.

	Group	
	2019 R'000	2018 R'000
15 Financial assets at fair value through profit or loss		
Investment in Guardrisk Insurance Company Limited (Cell number 171) (see note 15.1)	**9 618**	16 850
Collective investment schemes (see note 15.2)	**65 752**	65 632
Total financial assets at fair value through profit or loss	**75 370**	82 482

15.1 The investment in Guardrisk Insurance Company Limited is the net investment in the group's insurance cell captive which is not deemed to be in the group's control in accordance with IFRS 10 – Consolidated Financial Statements.

15.2 The New Clicks Foundation Trust primarily invests in collective investment schemes.

	Group			
	2019		2018	
	Assets R'000	**Liabilities R'000**	Assets R'000	Liabilities R'000
16 Derivative financial instruments				
Non-current				
Equity derivative hedge	**131 962**	**–**	214 110	–
Current				
Equity derivative hedge	**77 063**	**–**	199 814	–
Forward exchange contracts	**25 312**	**–**	39 242	–
	102 375	**–**	239 056	–

Equity derivative hedge
European call options have been purchased to hedge the cash-settled share-based payment obligation relating to tranches 11, 12 and 13 of the total shareholder return long-term incentive scheme (refer to note 23.1). The expiration date of these hedging instruments and the vesting dates of the hedged items coincide on 31 August 2019, 2020 and 2021 respectively.

Refer to note 21 detailing the equity derivative hedges' impact on profit and loss and other comprehensive income.

The fair value of these equity derivative hedges are calculated using a Monte Carlo option pricing model with reference to the closing share price, 250-day historical volatility, the 12-month trailing dividend yield and the risk-free rate.

Forward exchange contracts
For currency 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 2019 was R634.4 million (2018: R372.0 million). Refer to note 21 detailing the foreign exchange hedging impact on profit or loss, other comprehensive income and inventory.

	Group 2019 R'000	Restated* 2018 R'000
17 Inventories		
Inventories comprise:		
Goods for resale	**4 464 407**	4 088 593
Right of return asset	**25 198**	23 571
Goods in transit	**220 564**	138 743
Total inventories	**4 710 169**	4 250 907
Inventories stated at net realisable value**	**95 809**	49 033
The group's inventory balance is stated net of impairment allowances. The analysis of impairment allowances are as follows:		
Balance at the beginning of the year	**74 168**	79 091
Inventory allowance raised during the year	**33 572**	28 927
Inventory allowance derecognised on sale of goods	**(23 462)**	(33 850)
Balance at the end of the year	**84 278**	74 168

* Prior-period amounts restated for the adoption of new accounting standards. Refer to note 35.
** 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 2019 R'000	2018 R'000
18 Trade and other receivables		
Trade and other receivables comprise:		
Trade receivables	**1 920 050**	1 770 139
Less: impairment of trade receivables	**(23 278)**	(27 610)
Trade receivables – net	**1 896 772**	1 742 529
Prepayments	**171 157**	152 285
Income accruals	**372 048**	272 446
Logistics fees receivable	**192 545**	138 080
Other (refer to note 18.1)	**14 090**	26 191
Total trade and other receivables	**2 646 612**	2 331 531

The carrying amount of trade and other receivables approximates their fair value. Trade and other receivables are predominantly non-interest bearing. Refer to note 29.4 for the credit risk management of trade and other receivables.

Impairment losses are recorded in the allowance account until the group is satisfied that the amount is irrecoverable and is written off against the financial asset directly. Impairment losses have been included in the statement of comprehensive income.

The movement in the allowance for impairment loss in respect of trade receivables during the year was as follows:

	Group 2019 R'000	2018 R'000
Balance at 1 September	**27 610**	30 599
Impairment provision raised	**2 299**	5 115
Impairment loss utilised	**(6 631)**	(8 104)
Balance at 31 August	**23 278**	27 610
The impairment allowance can be reconciled as follows:		
Trade receivables impairment allowance	**(2 299)**	(5 115)
Other receivables impairment recovery	**970**	9 213
	(1 329)	4 098

18.1 Other receivables consist primarily of sundry customer receivables.

	Group and Company 2019 R'000	Group and Company 2018 R'000
19 Share capital and share premium		
Authorised – group and company		
600 million (2018: 600 million) ordinary shares of one cent each	**6 000**	6 000
50 million (2018: 50 million) "A" ordinary shares of one cent each	**500**	500
Issued ordinary shares – group and company		
262.083 million (2018: 253.948 million) ordinary shares of one cent each and nil (2018: 14.577 million) "A" ordinary shares of one cent each	**2 621**	2 686
Share premium – group	**1 064 953**	513 848
Share premium – company	**3 301 488**	1 581 634

The company and the group have different values for share premium due to issue of ordinary shares at the 30-day VWAP on 2 February 2018 and 4 February 2019 which was settled by The Clicks Group Employee Share Ownership Trust, a subsidiary of the Group. Other differences arose in previous years, being preliminary expenses written off against share premium related to the acquisition of certain businesses in 1996 and the cancellation of shares at a holding company level at market value, while on consolidation the cancellation was carried out at cost.

	Ordinary shares '000	"A" ordinary shares '000	Group and Company Total 2019 '000	Group and Company Total 2018 '000
Reconciliation of total number of shares in issue to net number of shares in issue				
Total number of shares in issue at the end of the year	262 083	–	**262 083**	268 525
Treasury shares held at the end of the year	(10 559)	–	**(10 559)**	(24 020)
Net number of shares in issue at the end of the year	251 524	–	**251 524**	244 505

Of the shares in issue, the group holds the following treasury shares:

	R'000	R'000
Shares held by a subsidiary – 10.558 million (2018: 9.443 million) ordinary shares of one cent each – cost	**913 194**	702 556
Shares held by the Clicks Group Employee Share Ownership Trust – nil (2018: 14.577 million) "A" ordinary shares of one cent each – cost	**–**	147
	913 194	702 703

No ordinary shares were cancelled during the current financial year.

In terms of the unwind of the remaining 50% of the Clicks Group Employee Share Ownership Scheme, 8 135 087 ordinary shares were issued to beneficiaries of the scheme and 14 576 648 ordinary "A" shares were repurchased by Clicks Group Limited from the Employee Share Ownership Trust. The New Clicks Foundation Trust sold 261 396 Clicks Group Limited ordinary shares subsequent to acquiring them through the unwind of the scheme. No other equity share transactions occurred during the year.

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

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

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

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

20 Share option reserve

Equity-settled share-based payment
Options issued in terms of the Employee Share Ownership Programme (ESOP)
In October 2010 Clicks Group Limited announced an employee share ownership programme.

In terms of The Clicks Group Employee Share Ownership Trust deed the group issued unlisted "A" ordinary shares ("A" shares), equating to 10% of the issued share capital of the group, net of treasury shares.

Upon vesting, options were converted into Clicks Group Limited ordinary shares; 50% converted in February 2018 and 50% converted in February 2019, after the repayment of the notional debt.

The vesting date 30-day VWAP at which the share options vested was R191.28 (2018: R175.96).

	Group	
	Number of shares 2019	Number of shares 2018
"A" shares issued in terms of the ESOP	–	14 576 648

Details of share option allocations

Grant date	Option price	Balance at the beginning of the year	Granted during the year	Delivered during the year	Forfeited/ reinstated during the year	Balance at the end of the year
2019						
February 2011	**R41.54**	**6 385 759**	**–**	**(6 361 191)**	**(24 568)**	**–**
February 2012	**R41.11**	**912 282**	**–**	**(907 099)**	**(5 183)**	**–**
February 2013	**R60.00**	**1 508 220**	**–**	**(1 505 511)**	**(2 709)**	**–**
February 2014	**R56.78**	**1 024 937**	**–**	**(1 011 144)**	**(13 793)**	**–**
February 2015	**R90.32**	**999 342**	**–**	**(996 299)**	**(3 043)**	**–**
February 2016	**R86.75**	**168 049**	**–**	**(172 415)**	**4 366**	**–**
February 2017	**R120.29**	**92 272**	**–**	**(100 519)**	**8 247**	**–**
Unallocated share options*						**–**
						–
2018						
February 2011	R41.54	12 857 307	–	(6 385 759)	(85 789)	6 385 759
February 2012	R41.11	1 917 329	–	(912 282)	(92 765)	912 282
February 2013	R60.00	3 084 161	–	(1 508 220)	(67 721)	1 508 220
February 2014	R56.78	2 121 432	–	(1 024 937)	(71 558)	1 024 937
February 2015	R90.32	2 091 394	–	(999 342)	(92 710)	999 342
February 2016	R86.75	336 098	–	(168 049)	–	168 049
February 2017	R120.29	209 163	–	(92 272)	(24 619)	92 272
Unallocated share options						3 485 787
						14 576 648

* Unallocated share options were repurchased by Clicks Group Limited from the Employee Share Ownership Trust and were subsequently cancelled.

20 Share option reserve (continued)

Fair value of share-based payments in respect of options

Options granted have been valued using the Monte Carlo option pricing model by an independent, external valuator. The fair value of the options determined at the grant date is 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:

	Share price at grant date	Risk-free rate (%)	Expected dividend yield (%)	Expected volatility (%)	Expected forfeiture rate (%)
February 2011 – seven-year vesting period	R41.54	8.45	3.89	24.56	15.33
February 2011 – eight-year vesting period	R41.54	8.60	4.11	24.56	15.33
February 2012 – six-year vesting period	R41.11	7.38	2.80	27.00	14.20
February 2012 – seven-year vesting period	R41.11	7.38	2.80	27.00	14.20
February 2013 – five-year vesting period	R60.00	7.17	2.70	24.00	14.20
February 2013 – six-year vesting period	R60.00	7.17	2.70	24.00	14.20
February 2014 – four-year vesting period	R56.78	8.55	2.50	23.00	11.00
February 2014 – five-year vesting period	R56.78	8.55	2.50	23.00	11.00
February 2015 – three-year vesting period	R90.32	6.46	2.40	23.00	11.00
February 2015 – four-year vesting period	R90.32	6.46	2.40	23.00	11.00
February 2016 – two-year vesting period	R86.75	7.85	2.00	25.00	10.00
February 2016 – three-year vesting period	R86.75	7.85	2.00	25.00	10.00
February 2017 – one-year vesting period	R120.29	7.36	2.00	24.00	9.00
February 2017 – two-year vesting period	R120.29	7.36	2.00	24.00	9.00

The risk-free rate is derived from the Swap BD curve published by the Bond Exchange of South Africa.

The dividend yield is the historical five-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 the fair value of the options on the date issued to employees, accrued over the vesting period.

	Group	
	2019 R'000	2018 R'000
Share option reserve		
Balance at the beginning of the year	**578 184**	747 613
	(578 184)	(169 429)
Equity-settled share-based payment expense	**–**	50 752
Transferred to share premium	**(551 485)**	(510 713)
Deferred tax recorded directly in equity arising on consolidation	**(26 699)**	290 532
Balance at the end of the year	**–**	578 184
	–	163 356
Equity-settled share-based payment expense in opening retained earnings	**163 356**	275 959
Equity-settled share-based payment expense	**–**	50 752
Transferred to share premium	**(163 356)**	(163 355)
Deferred tax recorded directly in equity arising on consolidation	**–**	414 828
Estimate of options not yet vested but expected to vest	**–**	578 184

	Group 2019 R'000	2018 R'000
21 Cash flow hedge reserve		
The cash flow hedge reserve represents the effective portion of fair value gains or losses in respect of cash flow hedges.		
Reconciliation of cash flow hedging reserve		
Balance at the beginning of year	**73 536**	15 382
Movement relating to forward exchange contracts	**(6 641)**	32 571
Total gain for the year recognised in other comprehensive income	**29 823**	38 840
Gains reclassified to Inventories directly from the statement of changes in equity	**(36 464)**	(6 269)
Movement relating to the equity derivative hedge	**(43 700)**	25 583
Total (loss)/gain for the year in other comprehensive income	**(50 096)**	141 061
Losses/(gains) reclassified to employment cost through other comprehensive income	**6 396**	(115 478)
Balance at the end of the year	**23 195**	73 536

Refer to note 16 – Derivative financial instruments for further information.

	Group 2019 R'000	2018 R'000
22 Foreign currency translation reserve		
Unrealised gain on the translation of assets and liabilities of subsidiaries whose financial statements are denominated in foreign currencies	**7 331**	8 486
	7 331	8 486
Reconciliation of foreign currency translation reserve		
Balance at the beginning of the year	**8 486**	(756)
Exchange differences on translation of foreign subsidiaries	**(1 155)**	9 242
Balance at the end of the year	**7 331**	8 486

23 Employee benefits

	Group 2019 R'000	Group 2018 R'000
Long-term incentive schemes	**137 328**	182 170
Post-retirement medical obligations	**61 672**	63 237
Total long-term employee benefits	**199 000**	245 407
Accounted for as follows:		
Long-term employee benefits recognised in terms of IFRS 2 – Share-based Payments (see note 23.1)	**63 977**	108 167
Long-term employee benefits recognised in terms of IAS 19 – Employee Benefits (see note 23.2)	**135 023**	137 240
Total long-term employee benefits	**199 000**	245 407

Long-term employee benefits recognised in terms of IFRS 2 – Share-based Payments

Long-term cash-settled share-based payment liability	Long-term incentive scheme – TSR (note 23.1) R'000
Balance at 1 September 2017	98 567
Expense from cash-settled share-based payment	191 857
Reclassification to short-term benefits	(182 257)
Balance at 31 August 2018	**108 167**
Expense from cash-settled share-based payment	**20 353**
Reclassification to short-term benefits	**(64 543)**
Balance at 31 August 2019	**63 977**

23 Employee benefits (continued)

23.1 Long-term incentive scheme – total shareholder return (TSR)

During 2019 the group issued 0.5 million (2018: 0.9 million) cash-settled appreciation rights to management. The value of these appreciation rights are linked to the TSR (capital gain plus dividends) over a three-year vesting period. These appreciation rights are classified as cash-settled share-based payment benefits and the liability has been valued using the Monte Carlo option pricing model by an independent, external valuator.

The September 2015 options were settled during the year.

The September 2016 options outstanding at year-end are due for settlement.

The contractual life of the September 2017 options outstanding at year-end was one year.

The contractual life of the September 2018 options outstanding at year-end was two years.

Details of share option allocations – 2019

	Option 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
September 2015 options	–	910 021	–	(910 021)	–	–
September 2016 options	R109.61	782 254	–	–	(40 954)	741 300
September 2017 options	R110.45	808 531	–	–	(57 994)	750 537
September 2018 options	R82.46	–	477 695	–	(22 623)	455 072

* The exercise date VWAP at which the options were delivered was R199.01.

The assumptions used in estimating the fair value at year-end are listed below:

	Share price at grant date	Risk-free rate (%)	Expected dividend yield (%)	Expected volatility (%)	Expected forfeiture rate (%)
September 2016 options – three-year vesting period	R126.03	6.59	2.05	32.02	4.00
September 2017 options – three-year vesting period	R146.10	6.59	2.05	32.02	4.00
September 2018 options – three-year vesting period	R193.96	6.59	2.05	32.02	4.00

Details of share option allocations – 2018

	Option 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
September 2014 options	–	1 175 857	–	(1 175 857)	–	–
September 2015 options	R200.28	964 020	–	–	(53 999)	910 021
September 2016 options	R144.76	821 270	–	–	(39 016)	782 254
September 2017 options	R144.97	–	866 513	–	(57 982)	808 531

* The exercise date VWAP at which the options were delivered was R193.96.

The assumptions used in estimating the fair value at year-end are listed below:

	Share price at grant date	Risk-free rate (%)	Expected dividend yield (%)	Expected volatility (%)	Expected forfeiture rate (%)
September 2015 options – three-year vesting period	R93.82	7.60	1.68	30.66	4.00
September 2016 options – three-year vesting period	R126.03	7.60	1.68	30.66	4.00
September 2017 options – three-year vesting period	R146.10	7.60	1.68	30.66	4.00

The risk-free rate is derived from the zero coupon curve published by the Bond Exchange of South Africa.

The dividend yield is the 12-month trailing yield (nominal annual and compounded annuity).

The implied volatility is the 250-day historic volatility of the share price.

The expected exercise rate is based on the historic trend of option forfeitures and excludes options already exercised or forfeited.

23 Employee benefits (continued)

23.2 Long-term employee benefits recognised in terms of IAS 19 – Employee Benefits

Long-term employee benefits	Long-term incentive scheme – HEPS (note 23.3) R'000	Post-retirement medical obligations (note 23.4) R'000	Total R'000
Balance at 1 September 2017	52 061	58 603	110 664
Current service cost	62 038	1 304	63 342
Benefit payments	–	(1 800)	(1 800)
Interest cost	9 106	5 130	14 236
Actuarial gain recognised in profit or loss	(5 894)	–	(5 894)
Reclassification to short-term employee benefits	(43 308)	–	(43 308)
Balance at 31 August 2018	**74 003**	**63 237**	**137 240**
Current service cost	**68 810**	**1 390**	**70 200**
Benefit payments	**–**	**(1 391)**	**(1 391)**
Interest cost	**12 052**	**7 236**	**19 288**
Actuarial gain recognised in profit or loss	**(6 608)**	**–**	**(6 608)**
Actuarial gain recognised in other comprehensive income	**–**	**(8 801)**	**(8 801)**
Reclassification to short-term employee benefits	**(74 906)**	**–**	**(74 906)**
Balance at 31 August 2019	**73 351**	**61 671**	**135 022**

23.3 Long-term incentive scheme – headline earnings per share (HEPS)

During 2019 the group issued 1.3 million (2018: 2.1 million) cash-settled appreciation rights to management. The value of these appreciation rights are linked to the performance of diluted 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 (gain)/loss based on the projected unit credit method which is taken to profit or loss.

The exercise price of each appreciation right was determined as R69.36 (2018: R60.25) per right ("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 multiplied by HEPS and the base value is the amount that will be paid out per right.

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

23 Employee benefits (continued)

23.4 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 R61.7 million (2018: R63.2 million). Provision has been made for the full unfunded liability.

The principal actuarial assumptions at the last valuation date (31 August 2019) are:

(i) a discount rate of 8.3% per annum;

(ii) general increases to medical aid contributions of 6.3%;

(iii) a retirement age of 65;

(iv) husbands are on average four years older than their spouses;

(v) mortality of pensioners determined in accordance with PA90 ultimate tables; and

(vi) mortality of in-service members determined in accordance with SA 85-90 ultimate table.

The post-retirement medical aid provision is sensitive to assumptions around medical aid inflation, discount rate, retirement age and life expectancy. A change in any of these factors would have a significant impact on the amount to be provided (expense/(credit) to other comprehensive income):

	2019 R'000	2018 R'000
– Medical aid inflation increases by 1% per annum over assumptions made	**9 414**	7 641
– Medical aid inflation decreases by 1% per annum over assumptions made	**(7 773)**	(5 460)
– Discount rate increases by 1% per annum over assumptions made	**(7 473)**	(5 998)
– Discount rate decreases by 1% per annum over assumptions made	**9 178**	6 927
– Retirement age decreases by two years	**5 816**	7 156
– Life expectancy of male pensioners increases by one year	**967**	964
– Life expectancy of male pensioners decreases by one year	**(945)**	(943)
– Life expectancy of female pensioners increases by one year	**1 307**	1 299
– Life expectancy of female pensioners decreases by one year	**(1 295)**	(1 286)
The following undiscounted payments are expected contributions in future years from post-retirement medical obligations.		
Within 12 months	**2 597**	2 094
Between 2 and 5 years	**12 212**	10 619
Between 5 and 10 years	**21 904**	21 051
Between 10 and 20 years	**84 678**	99 421
Between 20 and 30 years	**118 558**	164 344
Between 30 and 40 years	**91 467**	144 943
Beyond 40 years	**45 773**	86 783
Total expected payments	**377 189**	529 255

The average duration of the post-retirement medical obligations at year-end is 17.0 years (2018: 18.5 years).

23 Employee benefits (continued)

23.4 Post-retirement medical obligations (continued)

Amounts for the current and previous four periods are as follows:

	Post-retirement medical obligations				
	2019 R'000	2018 R'000	2017 R'000	2016 R'000	2015 R'000
Defined benefit obligation	**61 671**	63 237	58 603	58 644	53 903
Experience adjustments on plan liabilities	**–**	–	–	–	(1 063)

Short-term employee benefits	Long-term incentive scheme – TSR (note 23.1) R'000	Long-term incentive scheme – HEPS (note 23.3) R'000	Leave pay accrual (note 23.5) R'000	Bonus accrual (note 23.6) R'000	Overtime accrual (note 23.7) R'000	Total R'000
Balance at 1 September 2017	165 649	40 701	69 492	116 710	1 908	394 460
Reclassification from long-term employee benefits	182 257	43 308	–	–	–	225 565
Benefit payments	(165 649)	(38 277)	(10 435)	(148 738)	(7 000)	(370 099)
Charge included in profit or loss	–	–	12 787	146 727	8 776	168 290
Balance at 31 August 2018	**182 257**	**45 732**	**71 844**	**114 699**	**3 684**	**418 216**
Reclassification from long-term employee benefits	**64 543**	**74 906**	**–**	**–**	**–**	**139 449**
Benefit payments	**(165 549)**	**(46 172)**	**(11 126)**	**(146 468)**	**(21 920)**	**(391 235)**
Charge included in profit or loss	**–**	**–**	**19 158**	**158 238**	**22 392**	**199 788**
Balance at 31 August 2019	**81 251**	**74 466**	**79 876**	**126 469**	**4 156**	**366 218**

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

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

23 Employee benefits (continued)

23.7 The overtime accrual is in respect of overtime worked in August 2019 which is paid in September 2019.

23.8 **Pension and provident funds**

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

- the Clicks Group Retirement Fund;
- the Clicks Group Negotiated Pension Fund; and
- the Clicks Group Negotiated Provident Fund.

All permanent full-time staff members in South Africa, Lesotho and Swaziland are obliged to join one of the funds.

Employees in Namibia are members of the Namflex Umbrella Pension Fund and those in Botswana are members of the Sentlhaga Pension Fund.

The funds are all defined contribution schemes and the group carries no liability in relation to these funds. All funds provide death and disability cover, while the negotiated funds also include a funeral benefit. Combined membership across the funds was 14 893 (2018: 14 816) at year-end.

23.9 **Medical aid funds**

Membership of one of the Horizon Medical Aid Scheme benefit options is actively encouraged and all existing members of Discovery Health may continue their membership.

At year-end 11 842 (2018: 2 416) South African employees were principal members of a medical aid scheme, of whom 2 189 (2018: 1 832) were principal members with Horizon, 9 583 (2018: 528) were principal members of a Discovery Health medical aid scheme and 70 (2018: 56) were principal members of various other medical aid schemes.

At year-end four (2018: six) Botswana employees were principal members with BOMaid, 14 (2018: 13) Namibian employees were principal members of Namibia Health Plan and 27 (2018: 17) Swaziland employees were principal members of Momentum.

At year-end 77.8% (2018: 30.0%) of the permanent full-time employees were members of a medical aid scheme. Increasing the health benefits available to employees will be a focus area for the group in the years ahead.

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

	Group 2019 R'000	2018 R'000
24 Lease commitments		
Operating lease liability*	**192 894**	202 139
Operating leases with fixed escalations are charged to profit or loss 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 profit or loss 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 provide for minimum payments together, in certain instances, with contingent rental payments determined on the basis of achieving a specified threshold turnover.		
Future minimum lease payments under non-cancellable operating leases due:		
– Not later than one year	**784 745**	733 697
– Later than one year, not later than five years	**1 501 899**	1 629 639
– Later than five years	**17 872**	57 531
	2 304 516	2 420 867
Future minimum lease payments receivable under non-cancellable operating leases due, which relate to Intercare Management Healthcare Proprietary Limited:		
– Not later than one year	**2 374**	3 405
– Later than one year, not later than five years	**–**	2 374
	2 374	5 779
The net future minimum lease payments under non-cancellable operating leases due:		
– Not later than one year	**782 371**	730 292
– Later than one year, not later than five years	**1 501 899**	1 627 265
– Later than five years	**17 872**	57 531
	2 302 142	2 415 088

* IFRS 16 – Leases is effective for the group for the 2020 financial year and the expected financial impact thereof is disclosed in note 36.

Generally, leases are taken out on five-year lease terms with an option to extend for a further five years in the instance of Clicks while shorter periods are committed to for Musica, The Body Shop and Claire's.

	Group 2019 R'000	Restated* 2018 R'000
25 Trade and other payables		
The following are included in trade and other payables:		
Trade payables	**5 668 481**	5 019 885
Loyalty programme deferred income (see note 25.1)	**94 733**	66 084
Refund liability	**35 998**	28 688
Non-trade payables and accruals (see note 25.2)	**1 504 280**	1 112 466
Total trade and other payables	**7 303 492**	6 227 123

* Prior-period amounts restated for the adoption of new accounting standards. Refer to note 35.

25.1 **Loyalty programme deferred income**

The deferred income relating to points is determined based on the value of unredeemed vouchers in issue, as well as the value of points on qualifying sales that have not been converted into vouchers.

Based on the historic redemption rate, it is assumed that 68% of all points in issue are ultimately redeemed.

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

25.2 Non-trade payables and accruals consist of expense and payroll accruals, value-added tax, unredeemed gift cards and income received in advance.

26 Provisions

	2019 R'000	2018 R'000
Provision for onerous contracts		
Balance at the beginning of the year	**4 993**	6 733
Movement in provision during the year recognised in occupancy costs	**4 106**	(1 740)
Balance at the end of the year	**9 099**	4 993
Current	**9 099**	4 993
Non-current	**–**	–
Total provisions	**9 099**	4 993

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 risk-adjusted pre-tax rate.

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

	Group 2019 R'000	Group 2018 R'000
27 Dividends to shareholders		
Previous year final cash dividend out of distributable reserves – 277.5 cents per share paid 28 January 2019 (2018: 234 cents per share paid 29 January 2018 out of distributable reserves)	**704 707**	575 568
Current year interim cash dividend out of distributable reserves – 118.0 cents per share paid 1 July 2019 (2018: 102.5 cents per share paid 2 July 2018 out of distributable reserves)	**298 025**	260 297
"A" shares – previous year final cash dividend out of distributable reserves – 38.0 cents per share paid 28 January 2019 (2018: 32.2 cents per share paid 29 January 2018)	**5 539**	9 387
Total dividends to shareholders	**1 008 271**	845 252
Dividends on treasury shares	**(26 440)**	(31 777)
Dividends on "A" shares held in trust	**(1 325)**	(1 897)
Dividends paid outside the group	**980 506**	811 578

On 23 October 2019 the directors approved the final proposed dividend of 327.0 cents per share.

The source of such a dividend will be from distributable reserves and paid in cash and will be recognised in the statement of changes in equity in 2020.

Dividend payout ratio
The dividend payout ratio is 65%.

For further details refer to the directors' report on page 2.

28 Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, interest rate 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 treasury functions within the parameters of the treasury policy and reports to a sub-committee of management.

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 derivatives to hedge economic exposures in the ordinary course of business to manage certain market risks.

28 Financial risk management (continued)

Currency risk

The group is exposed to foreign exchange risk through its imports of merchandise. The currencies in which these transactions are primarily denominated are USD, EUR, GBP and CNY. The group's treasury risk management policy is to take out forward exchange contracts, to cover both committed and anticipated exposures.

The impact of a 10% strengthening or weakening of the currency against the USD, EUR, GBP and CNY with all other variables held constant is disclosed in note 29.2. The effect of this movement is based on the outstanding forward foreign exchange contracts held by the group at year-end.

Interest rate risk

The group has interest-bearing assets and liabilities in the form of call deposits, money market investments and short-term borrowings. Interest-bearing assets and liabilities have variable rates which are impacted by market factors and expose the group to cash flow interest rate risk.

There were no material interest rate sensitivities at year-end.

Price risk

The group's primary exposure to other price risk relates to fluctuations in the share price of the company as a result of the options that have been granted to employees in terms of the long-term incentive scheme (refer to note 23.1). The group uses derivative financial instruments in the form of options to hedge exposure in respect of fluctuations in the share scheme obligation arising from movements in the company's share price. Sufficient options were purchased in order to settle the total expected future obligation. As a result of the hedging relationship, movements in the company share price will not have a material impact on either profit or loss or equity of the group.

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, money market investments, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to Distribution 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 Distribution, customers (excluding intercompany) are primarily hospitals and independent pharmacists.

In relation to the Distribution 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.

Credit Guarantee Insurance Corporation of Africa Limited is utilised to cover the majority of wholesale customers with a credit balance over a predetermined amount.

Goods are sold subject to retention of title clauses in Distribution so that in the event of non-payment the group may have a secured claim.

The group establishes an allowance for impairment that represents its estimate of expected credit losses in respect of trade and other receivables.

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.

28 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 holding availability through credit lines. At year-end the group's total uncommitted facilities available was R2 594 million and USD44 million (2018: R2 092 million and USD44 million) of which the full balance remained undrawn (2018: Rnil drawn down).

See note 29.5 for details for 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 and issue new shares. The group's target of maintaining a ratio of shareholders' interest to total assets is in the range of 25% to 30%. This is obtained through achieving the group's earnings targets, management of working capital, share buy-backs and dividends.

In 2019 the shareholders' interest to total assets was 37.7% (2018: 38.3%).

29 Financial instruments

Market risk

29.1 Treasury risk management

The treasury committee meets on a regular basis to analyse currency and interest rate exposures and re-evaluate treasury management strategies.

29.2 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 16).

	31 August 2019				31 August 2018			
Exposure to currency risk – foreign exchange contracts	**USD '000**	**GBP '000**	**EUR '000**	**CNY '000**	USD '000	GBP '000	EUR '000	CNY '000
Forecast purchases and payables due at the end of the year	**23 077**	**7 396**	**6 689**	**98 816**	15 550	1 278	3 322	73 611
Forward exchange contracts subject to cash flow hedging	**19 144**	**3 543**	**4 624**	**102 823**	12 288	1 968	2 525	69 526
Net exposure	**3 933**	**3 853**	**2 065**	**(4 007)**	3 262	(690)	797	4 085

The following exchange rates applied during the year:

	Average rate		Reporting date mid-spot rate	
	2019	2018	**2019**	2018
USD	**14.34**	12.97	**15.32**	14.71
GBP	**18.57**	17.61	**18.82**	18.89
EUR	**16.44**	15.62	**17.08**	17.01
CNY	**2.09**	1.99	**2.13**	2.15

29 Financial instruments (continued)

29.2 Foreign exchange risk management (continued)

Foreign exchange rate sensitivity analysis

The following table details the group's sensitivity to a 10% strengthening 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 a reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and their adjusted translation for a 10% change in foreign currency rates.

	USD impact		GBP impact		EUR impact		CNY impact	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Decrease in pre-tax other comprehensive income	**(27 519)**	(15 974)	**(6 532)**	(3 474)	**(7 624)**	(3 964)	**(21 766)**	(13 791)
Increase in profit before tax	**6 025**	4 798	**(7 253)**	(1 304)	**(3 527)**	1 355	**(854)**	878

For a 10% weakening of the South African Rand against the relevant currency, there would be an increase in pre-tax other comprehensive income and decrease in profit before tax.

29.3 Fair values of financial instruments

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

		31 August 2019		31 August 2018	
		Carrying value R'000	Fair value R'000	Carrying value R'000	Fair value R'000
Financial assets					
Trade receivables (see note 18)	Amortised cost	**1 896 772**	**1 896 772**	1 742 529	1 742 529
Logistics fees receivable (see note 18)	Amortised cost	**192 545**	**192 545**	138 080	138 080
Other receivable (see note 18)	Amortised cost	**14 090**	**14 090**	26 191	26 191
Loans receivable (see note 14)	Amortised cost	**10 742**	**10 742**	24 678	24 678
Financial assets at fair value through profit or loss (see note 15)	Fair value	**75 370**	**75 370**	82 482	82 482
Cash and cash equivalents	Amortised cost	**2 613 554**	**2 613 554**	1 523 815	1 523 815
Equity derivative contracts used for cash flow hedging (see note 16)	Fair value	**209 025**	**209 025**	413 924	413 924
Forward exchange contracts used for cash flow hedging (see note 16)	Fair value	**25 312**	**25 312**	39 242	39 242
Financial liabilities					
Trade and other payables	Financial liabilities measured at amortised cost	**6 996 009**	**6 996 009**	5 990 178	5 990 178

29 Financial instruments (continued)

29.3 Fair values of financial instruments (continued)

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 equity derivatives are calculated using standard market calculation conventions with reference to the relevant closing market spot rates, forward foreign exchange, interest rates and share price (see note 16).

Non-derivative financial assets and 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 except for the insurance cell captive where fair value is determined based on the net asset value at the reporting date.

The fair value of unit trusts is determined by reference to the quoted price in an active market.

The table below provides the valuation method of financial instruments carried at fair value. The different levels have been defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

29 Financial instruments (continued)

29.3 Fair values of financial instruments (continued)

Financial assets and financial liabilities measured at fair value

Group	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
2019				
Financial assets				
Financial assets at fair value through profit or loss (see note 15)	**–**	**9 618**	**–**	**9 618**
Financial assets at fair value through profit or loss (see note 15)	**65 752**	**–**	**–**	**65 752**
Equity derivative contracts used for cash flow hedging (see note 16)	**–**	**209 025**	**–**	**209 025**
Forward exchange contracts used for cash flow hedging (see note 16)	**–**	**25 312**	**–**	**25 312**
Total	**65 752**	**243 955**	**–**	**309 707**
2018				
Financial assets				
Financial assets at fair value through profit or loss (see note 15)	–	16 850	–	16 850
Financial assets at fair value through profit or loss (see note 15)	65 632	–	–	65 632
Equity derivative contracts used for cash flow hedging (see note 16)	–	413 924	–	413 924
Forward exchange contracts used for cash flow hedging (see note 16)	–	39 242	–	39 242
Total	65 632	470 016	–	535 648

There have been no transfers between levels 1, 2 and 3 during the period.

29.4 Credit risk management

Credit risk refers to the risk that a counterparty may default on its contractual obligation resulting in financial loss to the group. The group is exposed to credit risk arising from cash equivalents, a money market investment, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to Distribution 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	
	2019 R'000	2018 R'000
Derivative financial assets (see note 16)	**234 337**	453 166
Trade receivables (see note 18)	**1 896 772**	1 742 529
Logistics fees receivable (see note 18)	**192 545**	138 080
Other receivables (see note 18)	**14 090**	26 191
Cash and cash equivalents	**2 613 554**	1 523 815
Loans receivable (see note 14)	**10 742**	24 678
	4 962 040	3 908 459

29 Financial instruments (continued)

29.4 Credit risk management (continued)

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 group. The group uses the expected credit loss model whereby a provision matrix is performed on the simplified method to calculate the provision.

Trade receivables can be categorised into Retail customers and Distribution customers.

	Carrying amount	
	2019 R'000	2018 R'000
Retail customers	**103 118**	101 725
Distribution customers	**1 793 654**	1 640 804
	1 896 772	1 742 529

Expected credit loss model

At each reporting date the group performs an impairment analysis using a provision matrix to determine the expected credit loss of trade receivables. The receivables balances are disaggregated according to similar characteristics and loss patterns, being pharmacy and wholesale debtors. The group used historical loss rates, adjusted for forward-looking information as per the group's accounting policy to determine the loss rate as outlined below.

The group's trade receivables are stated net of impairment losses. An analysis of impairment losses are as follows:

	Retail		Distribution	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Balance at the beginning of the year	**(9 013)**	(8 000)	**(18 597)**	(22 599)
Impairment recovery/(allowance) recognised/derecognised during the year	**3 678**	(1 013)	**(5 977)**	(4 102)
Trade receivables written off during the year as uncollectible	**–**	–	**6 631**	8 104
Balance at the end of the year	**(5 335)**	(9 013)	**(17 943)**	(18 597)

The creation of impairment losses have been included in note 18.

Amounts charged to the allowance account are generally written off to profit or loss when there is no expectation of recovery.

Retail customers

The ageing of trade receivables at the reporting date was:

	2019				2018			
	Loss rate (%)	Estimated gross carrying amount at default R'000	Expected credit loss R'000	Net R'000	Loss rate (%)	Estimated gross carrying amount at default R'000	Expected credit loss R'000	Net R'000
Not past due	**4.9**	**108 453**	**(5 335)**	**103 118**	8.1	110 738	(9 013)	101 725
Past due 0 – 30 days	**–**	**–**	**–**	**–**	–	–	–	–
Past due more than 31 days	**–**	**–**	**–**	**–**	–	–	–	–
Total		**108 453**	**(5 335)**	**103 118**		110 738	(9 013)	101 725

Retail trade receivables mainly relate to receivables from medical aids with respect to pharmacy debtors.

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

29 Financial instruments (continued)

29.4 Credit risk management (continued)

Distribution customers

The ageing of trade receivables at the reporting date was:

	2019				2018			
	Loss rate (%)	Estimated gross carrying amount at default R'000	Expected credit loss R'000	Net R'000	Loss rate (%)	Estimated gross carrying amount at default R'000	Expected credit loss R'000	Net R'000
Not past due	**–**	**1 522 971**	**–**	**1 522 971**	–	1 530 085	–	1 530 085
Past due 0 – 30 days	**0.3**	**216 861**	**(584)**	**216 277**	0.7	111 477	(758)	110 719
Past due more than 31 days	**24.2**	**71 765**	**(17 359)**	**54 406**	100	17 839	(17 839)	–
Total		**1 811 597**	**(17 943)**	**1 793 654**		1 659 401	(18 597)	1 640 804

Distribution customers are primarily hospitals and independent pharmacists. The Distribution business minimises its exposure to credit risk by insuring debtors with balances greater than a predetermined amount. There is an excess (which varies between hospitals and independent pharmacists) that is carried by the Distribution business with the balance being covered by Credit Guarantee Insurance Corporation of Africa Limited. Past due more than 31 days in the current year includes amounts of R49.3 million owing from listed entities for which there is low credit risk.

The split between insured and uninsured debtors is as follows:

	Gross amount	
	2019 R'000	2018 R'000
Insured	**1 807 918**	1 654 919
Uninsured	**3 679**	4 482
	1 811 597	1 659 401

Uninsured debtors consist mainly of a concentration of debtors with a monthly turnover of less than R40 000 and low-risk debtors such as government debtors.

The increase in the uninsured portion is as a result of a business decision to increase the excess in relation to insured debtors.

The exposure to credit risk in respect of these debtors is managed through credit evaluations.

Cash and cash equivalents
The group's banking facilities 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. The Sign and Seal Trading 205 Proprietary Limited (Style Studio) loan was fully impaired during the current financial year.

29 Financial instruments (continued)

29.5 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 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.

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:

	Carrying amount R'000	Contractual cash flows R'000	One year or less R'000
2019			
Liabilities			
Trade and other payables	**6 996 009**	**6 996 009**	**6 996 009**
	6 996 009	**6 996 009**	**6 996 009**
2018			
Liabilities			
Trade and other payables	5 990 178	5 990 178	5 990 178
	5 990 178	5 990 178	5 990 178

30 Capital commitments

	Group	
	2019 R'000	2018 R'000
Capital expenditure approved by the directors		
Contracted	**126 410**	133 337
Not contracted	**591 420**	565 612
	717 830	698 949

The capital expenditure will be financed from borrowings and internally generated funds.

31 Financial guarantees

Group companies provide surety for other group companies to the value of R2 594 million and USD44 million (2018: R2 092 million and USD44 million) with respect to facilities held with various banks. At year-end these facilities had no drawings by group companies (2018: Rnil). The fair values of the financial guarantees are considered negligible.

32 Related party transactions

32.1 Group

Clicks Group Limited is the ultimate holding company of the group.

Transactions between group subsidiaries

During the year, in the ordinary course of business, certain companies within the group entered into transactions with one another. These intragroup transactions have been eliminated on consolidation. For a list of the group's subsidiaries, see page 71.

Related party transactions include:

(i) dividends paid and received from subsidiary companies and associates;
(ii) interest received from or paid to subsidiary companies;
(iii) loans to or from subsidiary companies;
(iv) sale of goods between subsidiary companies; and
(v) repurchase of "A" ordinary shares from the Employee Share Ownership Trust.

Directors and key management

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

Executive directors' employment contracts do not provide for a defined period of employment, but specify a notice period for the chief executive officer of 12 months and six months for the other executive directors. 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 4.

Shares held by directors and their related entities

The audited percentage of shares held by directors of the company at year-end is disclosed on page 73.

	Group	
	2019 R'000	2018 R'000
Transactions with Sorbet Brands Proprietary Limited		
Dividends received	**2 362**	2 233
Management fee received	**2 160**	1 688
Royalties paid	**6 713**	4 105
Other related parties The group has identified The Clicks Helping Hand Trust as a related party because of the group's involvement in the charitable and developmental activities of the trust. The group has not consolidated the trust as it is not exposed to variable returns from them and any non-financial benefit is considered to be insignificant. The total net assets for the trust is R191 492 (2018: R33 457) with a net profit of R158 035 (2018: R2 433 596 net loss). Donations to the trust during the year from subsidiary companies were:		
The Clicks Helping Hand Trust	**10 988**	9 562

No financial benefits were derived by the group from this relationship.

Contributions to pension and provident funds

Contributions paid to pension and provident funds are included in note 4 and additional information in note 23.

	Company 2019 R'000	Company 2018 R'000
32 Related party transactions (continued)		
32.2 Company		
The company has the following related party transactions:		
32.2.1 Dividends received		
New Clicks South Africa Proprietary Limited	**1 109 258**	845 300
Total dividends received from related parties	**1 109 258**	845 300
32.2.2 Dividends paid		
New Clicks South Africa Proprietary Limited	**26 440**	31 777
Clicks Group Employee Share Ownership Trust	**5 539**	9 387
Total dividends paid to related parties	**31 979**	41 164
32.2.3 Loans to subsidiary companies		
New Clicks South Africa Proprietary Limited	**2 858 185**	1 165 199
Clicks Group Employee Share Ownership Trust	**–**	146
Clicks Centurion Proprietary Limited	**9 000**	9 000
	2 867 185	1 174 345

32.2.4 Repurchase of 14 576 648 (2018: 14 576 647) ordinary "A" shares from the Employee Share Ownership Trust.

32.2.5 Issue of 261 396 (2018: 284 155) Clicks Group Limited ordinary shares to the New Clicks Foundation Trust through the unwind of the scheme.

A schedule of the loans and investments in related parties is included on page 71.

Details regarding dividends relating to treasury shares are included in note 27.

33 Borrowing powers

In terms of the memorandum of incorporation, the borrowing powers of the company are unlimited.

34 Operating segments

The group has identified two reportable segments, as described below.

For each of the operating brands, the group's chief decision-makers review internal management reports on a monthly basis. The following describes the operations in each of the group's reportable segments:

Retail
Retail comprises Clicks, a specialist health, beauty and homeware retailer; Claires, a speciality retailer of fashionable jewellery and accessories at affordable prices; GNC, a speciality retailer of health and wellness products; Musica, a retailer of entertainment-related merchandise; and The Body Shop, which specialises in naturally inspired luxury toiletries, cosmetics, gifting and grooming, with stores in the Republic of South Africa, Namibia, Swaziland, Botswana and Lesotho.

Distribution
UPD is a national full-range pharmaceutical wholesaler and also provides distribution capability for the Clicks Group. UPD operates within the Republic of South Africa and in Botswana.

The information regarding the results of each reportable segment is included on pages 16 and 17. Performance is measured based on segment operating profit, as included in the internal management reports that are reviewed by the group's chief operating decision-makers. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment transactions are on an arm's length basis.

Major customers
There are no external customers that account for more than 10% of the group's revenue.

35 Comparative information restated

Prior-period error

The group uses derivative financial instruments (options) to hedge its exposure to the cash flow risk arising on its cash-settled share-based compensation schemes. These options have been designated as hedging instruments and hedge accounting has been applied. In prior periods the group incorrectly classified the cash flows from these derivatives as financing activities; however, in terms of IAS 39.IG.G.2, "cash flows arising from hedging instruments are classified as operating, investing or financing activities, on the basis of the classification of the cash flows arising from the hedged item". The cash flows should have been classified as operating activities as the cash flows of the related hedged items have been included in operating activities (employee costs). This is in accordance with IAS 7.16 which states that "when a contract is accounted for as a hedge of an identifiable position the cash flows of the contract are classified in the same manner as the cash flows of the position being hedged".

The effect of the restatement on the financial statements is summarised below.

R'000	2018 As previously reported	Adjustment	2018 Restated
Consolidated statement of cash flows			
Cash effects from operating activities			
Acquisition of derivative financial asset used to hedge the long-term incentive scheme	–	(83 115)	(83 115)
Settlement of derivative financial asset used to hedge the long-term incentive scheme	–	190 848	190 848
Net cash effects from operating activities	1 392 937	107 733	1 500 670
Cash effects from financing activities			
Acquisition of derivative financial asset used to hedge the long-term incentive scheme	(83 115)	83 115	–
Settlement of derivative financial asset used to hedge the long-term incentive scheme	190 848	(190 848)	–
Net cash effects from financing activities	157 305	(107 733)	49 572

Adoption of new accounting standards

The statements of financial position at 31 August 2018, the statements of comprehensive income, changes in equity and cash flows for the year then ended have been restated as a result of the adoption of IFRS 15 and IFRS 9.

IFRS 15

The IFRS 15 restatement applies to the revenue as disclosed below:

R'000	2019	2018 Restated
Revenue from contracts with customers		
Goods sold to customers	31 352 109	29 239 054
Other income	1 960 480	1 717 147
Distribution and logistics fees	927 015	792 482
Cost recoveries and other	1 033 465	924 665
	33 312 589	30 956 201

The group adopted IFRS 15 – Revenue from Contracts with Customers, which provides a five-step model for the recognition, measurement and disclosure of revenue arising from contracts with customers. The group has elected to apply the new standard on a full retrospective basis. The group recognises revenue when goods are sold to the customer at the consideration received.

The sale of certain items provides customers with a right of return. When contracts provide customers with a right to return goods, the group recognises a refund liability in trade and other payables and an asset for the right to recover products from a customer in inventories with the difference recognised in retained earnings. The movement in the refund liability was recognised in sales and the right of return asset in cost of sales in the comparative periods. The adjustments resulted in a deferred tax asset being raised.

35 Comparative information restated (continued)

IFRS 9

The group adopted IFRS 9 – Financial Instruments. The standard covers the recognition, derecognition, classification and measurement of financial instruments, provides guidance on hedge accounting and provides an expected credit loss model to determine the impairment provision of financial assets. The group has elected to apply the new standard on a full retrospective basis.

Classification and measurement

IFRS 9 requires all financial assets to be classified and measured on the basis of the group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Management has assessed the business models which apply to the financial assets held by the group and the financial instruments have been classified into the appropriate IFRS 9 categories.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the group. The group continued measuring at fair value all financial assets previously held at fair value under IAS 39. Trade receivables classified as loans and receivables as at 31 August 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost beginning 1 September 2018.

Hedge accounting

The group has elected to adopt hedge accounting in accordance with IFRS 9 at the date of the initial application. The group applied hedge accounting prospectively, except as stated below.

Since the adoption of IFRS 9, the group recognises changes in the fair value of foreign currency forwards attributable to forward points in the costs of hedging reserve within equity. The deferred costs of hedging are included within the initial cost of the related hedged item (inventory) when it is recognised. This change has been applied retrospectively for foreign currency forwards in cash flow hedge relationships resulting in the adjustments as per the table noted below.

Costs of hedging (forward element) related to forward exchange contracts on foreign purchases previously recognised at fair value through profit or loss are now recognised in other comprehensive income and are recognised in a separate reserve, cost of hedging reserve. The basis adjustment is subsequently reclassified directly from equity. Consequently, cost of sales is increased for the year ended 31 August 2018, since the costs of hedging were previously recognised in cost of sales.

Impairment

The adoption of IFRS 9 has changed the group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. No material differences have been identified between the impairment allowances determined in accordance with IAS 39 and the loss allowances determined in accordance with IFRS 9 for the current period and previous periods.

R'000	31 August 2018	IFRS 15	IFRS 9	2018 Restated
Consolidated statement of financial position				
Non-current assets				
Deferred tax asset	477 352	1 256	–	478 608
Current assets				
Inventory	4 227 336	23 571	–	4 250 907
Equity				
Distributable reserve	3 953 831	(3 861)	4 482	3 954 452
Cost of hedging reserve	–	–	(4 482)	(4 482)
Current liabilities				
Trade and other payables	6 198 435	28 688	–	6 227 123
Consolidated statement of comprehensive income				
Turnover	29 239 688	(634)	–	29 239 054
Cost of sales	(23 062 579)	318	(8 941)	(23 071 202)
Income tax expense	(569 790)	(88)	2 503	(567 375)
Other comprehensive (loss)/income:				
Cash flow hedges	58 154		6 269	64 423
Change in fair value of effective portion	80 770		8 706	89 476
Deferred tax on movement of effective portion	(22 616)		(2 437)	(25 053)
Consolidated cash flow statement				
Operating cash flow before working capital changes	2 273 606	(316)	(8 941)	2 264 349
Working capital changes	181 949	316	8 941	191 206

35 Comparative information restated (continued)

R'000	31 August 2017	IFRS 15	IFRS 9	2017 Restated
Consolidated statement of financial position				
Non-current assets				
Deferred tax asset	572 223	1 344	–	573 567
Current assets				
Inventory	3 753 794	23 253	–	3 777 047
Equity				
Distributable reserve	3 234 710	(3 456)	10 919	3 242 173
Cost of hedging reserve	–	–	(10 919)	(10 919)
Current liabilities				
Trade and other payables	5 475 182	28 053	–	5 503 235

In the group's interim financial statements, the basis adjustment to include deferred gains/losses on hedging instruments directly in inventory was incorrectly shown as a reclassification adjustment through other comprehensive income. This error had no impact on reported profit for the year, or total equity, and will be corrected in the group's next interim financial statements.

36 IFRS 16

The group will adopt IFRS 16 – Leases, on a full retrospective basis, during the financial year ending 31 August 2020, with the date of initial application being 1 September 2019.

IFRS 16 was issued and published by the IASB in January 2016 and replaces IAS 17 – Leases. It requires lessees to make use of a single lease accounting model to recognise a right-of-use asset for all qualifying leases and a corresponding lease liability as the present value of all future payments as opposed to a straight-lining expense in terms of IAS 17. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosure of leases.

The group has an extensive portfolio of leases across its retail stores. IFRS 16 will have a material impact on the group's statement of financial position, statement of comprehensive income, disclosure in the statement of cash flows and the notes to the annual financial statements. The adoption of the standard will result in changes to property, plant and equipment, operating lease liabilities, deferred tax, depreciation, finance cost and income tax expense.

The expected impact on the financial statements of the above restatements are as follows:

R'000	As reported	Expected IFRS 16 impact	Expected IFRS 16 adjusted
2018			
Consolidated statement of financial position			
Non-current assets			
Right-of-use asset	–	1 795 868	1 795 868
Deferred tax asset	478 608	39 450	518 058
Current assets			
Trade and other receivables	2 331 531	(74 638)	2 256 893
Equity			
Distributable reserve	3 954 452	(101 443)	3 853 009
Foreign currency translation reserve	8 486	(1 521)	6 965
Non-current liabilities			
Operating lease liability	202 139	(202 139)	–
Lease liability	–	1 256 761	1 256 761
Current liability			
Lease liability	–	814 015	814 015
Provisions	4 993	(4 993)	–

36 IFRS 16 (continued)

R'000	As reported	Expected IFRS 16 impact	Expected IFRS 16 adjusted
2019			
Consolidated statement of financial position			
Non-current assets			
Right-of-use asset	–	2 046 014	2 046 014
Deferred tax asset	47 136	47 924	95 060
Current assets			
Trade and other receivables	2 646 612	(79 489)	2 567 123
Equity			
Distributable reserve	4 734 171	(123 235)	4 610 936
Foreign currency translation reserve	7 331	(2 588)	4 743
Non-current liabilities			
Operating lease liability	192 894	(192 894)	–
Lease liability	–	1 489 563	1 489 563
Current liability			
Lease liability	–	852 702	852 702
Provisions	9 099	(9 099)	–
Consolidated statement of comprehensive income			
Depreciation and amortisation	(368 865)	(636 133)	(1 004 998)
Occupancy costs	(1 011 396)	821 277	(190 119)
Financial expense	(23 765)	(215 410)	(239 175)
Income tax expense	(660 589)	8 474	(652 115)
Other comprehensive income			
Exchange differences on translation of foreign subsidiaries	(1 155)	(1 067)	(2 222)
Earnings per share			
Profit attributable to equity holders of the parent	1 702 914	(21 792)	1 681 122
Earnings per share (cents per share)	683.6	(8.8)	674.8
Diluted earnings per share (cents per share)	671.8	(8.6)	663.2
Consolidated cash flow statement			
Cash effects from operating activities			
Profit before working capital changes	2 732 810	830 522	3 563 332
Working capital changes	202 684	745	203 429
Cash effects from financing activities			
Repayment of lease liability	–	(831 267)	(831 267)
Notes to the consolidated statement of cash flows			
Profit before working capital changes			
Profit before tax	2 363 503	(30 266)	2 333 237
Net financing cost – lease liability	–	215 410	215 410
Depreciation and amortisation	400 192	636 133	1 036 325
Movement in operating lease liability	(9 245)	9 245	–
Working capital changes			
Increase in trade and other receivables	(315 081)	4 851	(310 230)
Increase in provisions	4 106	(4 106)	–

COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST

	Notes	2019 R'000	2018 R'000
Dividend income – subsidiary		**1 109 258**	845 300
Other income		**40 773**	–
Bank charges		**(5)**	(5)
Operating costs		**(440)**	(237)
Profit before financing cost		**1 149 586**	845 058
Financial income		**2 217**	196
Profit before taxation		**1 151 803**	845 254
Income tax expense	7	**(2 085)**	(54)
Profit for the year		**1 149 718**	845 200
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive income for the year		**1 149 718**	845 200

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST

	Notes	2019 R'000	2018 R'000
Assets			
Non-current assets			
Interest in subsidiary companies (see page 71)		**3 491 636**	1 799 095
Current assets		**899**	1 604
Cash and cash equivalents		**899**	1 604
Total assets		**3 492 535**	1 800 699
Equity		**3 482 280**	1 792 000
Share capital	19	**2 621**	2 686
Share premium	19	**3 301 189**	1 581 634
Share option reserve	20	**–**	163 856
Distributable reserve		**178 470**	43 824
Current liabilities		**10 255**	8 699
Trade and other payables		**2 220**	2 220
Income tax payable		**8 035**	6 479
Total equity and liabilities		**3 492 535**	1 800 699

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 AUGUST

	Number of shares (note 19) '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 31 August 2017	275 122	2 752	14 089	276 959	43 876	337 676
Total comprehensive income for the year	–	–	–	–	845 200	845 200
Employee share option scheme vesting	(6 597)	(66)	1 567 545	(163 855)	–	1 403 624
Issue of ordinary shares from vesting of employee share scheme	7 979	79	1 567 828	(163 855)	–	1 404 052
"A" ordinary shares repurchased	(14 576)	(145)	–	–	–	(145)
Transaction cost on share issue	–	–	(283)	–	–	(283)
Equity-settled capital contribution to subsidiary	–	–	–	50 752	–	50 752
Dividends to shareholders (see note 27)	–	–	–	–	(845 252)	(845 252)
Balance at 31 August 2018	**268 525**	**2 686**	**1 581 634**	**163 856**	**43 824**	**1 792 000**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**1 149 718**	**1 149 718**
Employee share option scheme vesting	**(6 442)**	**(65)**	**1 719 555**	**(163 856)**	**–**	**1 555 634**
Issue of ordinary shares from vesting of employee share scheme	**8 135**	**81**	**1 719 854**	**(163 856)**	**–**	**1 556 079**
"A" ordinary shares repurchased	**(14 577)**	**(146)**	**–**	**–**	**–**	**(146)**
Transaction cost on share issue	**–**	**–**	**(299)**	**–**	**–**	**(299)**
Dividends to shareholders (see note 27)	**–**	**–**	**–**	**–**	**(1 015 072)**	**(1 015 072)**
Balance at 31 August 2019	**262 083**	**2 621**	**3 301 189**	**–**	**178 470**	**3 482 280**

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST

	2019 R'000	2018 R'000
Cash effects of operating activities		
Profit/(loss) before working capital changes	**40 328**	(242)
Dividends received	**1 109 258**	845 300
Financial income	**2 217**	196
Working capital changes	**–**	105
Cash generated by operations	**1 151 803**	845 359
Taxation paid	**(529)**	(47)
Cash inflow from operating activities before dividends paid	**1 151 274**	845 312
Dividends paid to shareholders	**(1 015 072)**	(845 252)
Net cash effects of operating activities	**136 202**	60
Cash effects of investing activities		
Decrease in subsidiary loans	**(1 692 541)**	(1 402 878)
Net cash effects of investing activities	**(1 692 541)**	(1 402 878)
Cash effects of financing activities		
Proceeds from the issue of shares	**1 555 933**	1 404 052
Transaction cost on the issue of shares	**(299)**	(283)
Net cash effects of financing activities	**1 555 634**	1 403 769
Net movement in cash and cash equivalents	**(705)**	951
Cash and cash equivalents at the beginning of the year	**1 604**	653
Cash and cash equivalents at the end of the year	**899**	1 604

NOTES TO THE COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST

	2019 R'000	2018 R'000
Profit/(loss) before working capital changes		
Profit before taxation	**1 151 803**	845 254
Adjustment for:		
Dividend received	**(1 109 258)**	(845 300)
Financial income	**(2 217)**	(196)
	40 328	(242)
Working capital changes		
Increase in trade and other payables	**–**	105
	–	105
Taxation paid		
Income tax payable at the beginning of the year	**6 479**	6 472
Current tax charge	**2 085**	54
Income tax payable at the end of the year	**(8 035)**	(6 479)
	529	47

INTEREST IN SUBSIDIARY COMPANIES

AT 31 AUGUST

Name of company/entity and nature of business	Country of incorporation	Ordinary issued share capital/ trust capital	Shares at cost less amounts written off 2019 R'000	Shares at cost less amounts written off 2018 R'000	Amount owing (to)/by subsidiaries 2019 R'000	Amount owing (to)/by subsidiaries 2018 R'000
Directly held						
(i) Trading						
New Clicks South Africa Proprietary Limited	South Africa	R500	**272 439**	272 439	**2 857 886**	1 165 199
(ii) Property owning						
Clicks Centurion Proprietary Limited	South Africa	R10	*	*	**9 000**	9 000
(iii) Clicks Group Employee Share Ownership Trust	South Africa	R1 000	**–**	–	**–**	146
(iv) New Clicks Foundation Trust	South Africa	R5 000	**–**	–	**–**	–
Indirectly held						
(i) Trading						
Safeway (Swaziland) Proprietary Limited	Swaziland	E2	**–**	–	**–**	–
The Clicks Organisation (Botswana) Proprietary Limited	Botswana	BWP3 000	**–**	–	**–**	–
Clicks Group (Namibia) Proprietary Limited	Namibia	N$100	**–**	–	**–**	–
Clicks Stores (Lesotho) Proprietary Limited	Lesotho	M1 000	**–**	–	**–**	–
Unicorn Pharmaceuticals Proprietary Limited	South Africa	R10	**–**	–	**–**	–
Clicks Retailers Proprietary Limited	South Africa	R200	**–**	–	**–**	–
Clicks Investments Proprietary Limited	South Africa	R16 685 175 000	**–**	–	**–**	–
BTB Media Proprietary Limited	South Africa	R120	**–**	–	**–**	–
Kalahari Medical Distributors Proprietary Limited	Botswana	BWP200	**–**	–	**–**	–
(ii) Name protection and dormant						
Two companies (2018: Two companies)			**–**	–	**–**	–
			272 439	272 439	**2 866 886**	1 174 345

	2019 R'000	2018 R'000
Shares at cost less amounts written off	**272 439**	272 439
Amounts owing by subsidiary companies	**2 866 886**	1 174 345
Share-based payments capitalised	**352 311**	352 311
Interest in subsidiaries	**3 491 636**	1 799 095

All other loans are interest free, unsecured and repayable by agreement.

* Values less than R1 000

ANALYSIS OF SHAREHOLDERS

AT 31 AUGUST

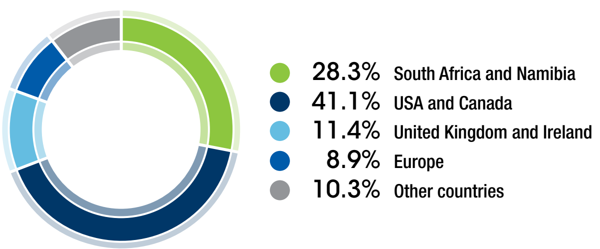
Public and non-public shareholders	Number of shares	Percentage of shares
Public shareholders	**251 284 306**	**95.9%**
Non-public shareholders		
Shares held by directors	**240 605**	**0.1%**
Treasury stock held by New Clicks South Africa Proprietary Limited	**10 558 528**	**4.0%**
Total non-public shareholders	**10 799 133**	**4.1%**
Total shareholders	**262 083 439**	**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 fund managers managed 3% or more of the issued share capital at 31 August 2019:

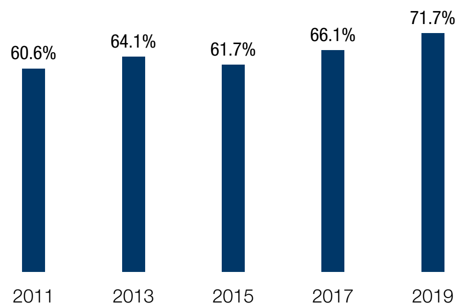
Major fund managers managing 3% or more	2019 Percentage of shares	2018 Percentage of shares
Public Investment Corporation (SA)	**12.4%**	13.3%
Fidelity Management & Research (US)	**7.5%**	6.5%
JPMorgan Asset Management (UK and US)	**5.1%**	3.1%
RBC Global Asset Management (UK)	**5.0%**	2.3%
BlackRock (US and UK)	**4.1%**	4.1%
The Vanguard Group (US)	**3.8%**	3.6%
GIC Asset Management (Singapore)	**3.5%**	3.3%
T Rowe Price (UK and US)	**3.3%**	1.8%
Fund managers no longer managing over 3%:		
Baillie Gifford & Co (UK)	**0.4%**	5.2%
Mawer Investment Management (CA)	**–**	3.4%

Major beneficial shareholders holding 3% or more	Number of shares	Percentage of shares
Government Employees Pension Fund	**30 168 100**	**11.5%**
GIC Asset Management	**9 389 278**	**3.6%**
Fidelity International Growth Fund	**9 156 274**	**3.5%**

Geographic distribution of shareholders



Offshore shareholding



Classification of registered shareholdings	Number of shares	Percentage of shares
Banks/Brokers	166 201 131	63.4%
Retirement funds	36 995 386	14.1%
Mutual funds	34 145 892	13.0%
Treasury shares	10 617 366	4.1%
Insurance companies	7 403 026	2.8%
Individuals	3 713 285	1.4%
Trusts	1 554 423	0.6%
Endowment funds	780 256	0.3%
Other	672 674	0.3%
	262 083 439	100.0%

Distribution of registered shareholdings	Number of holders	Percentage of holders	Number of shares	Percentage of shares
1 – 1 000	4 553	72.7%	1 043 637	0.4%
1 001 – 10 000	1 145	18.3%	3 615 093	1.4%
10 001 – 100 000	364	5.8%	12 218 275	4.6%
100 001 – 1 000 000	156	2.5%	53 178 706	20.3%
1 000 001 shares and over	42	0.7%	192 027 728	73.3%
	6 260	100.0%	262 083 439	100.0%

Directors' shareholdings

	2019			2018		
Director	Direct beneficial shares	Indirect beneficial shares	Total	Direct beneficial shares	Indirect beneficial shares	Total
David Nurek	–	100 000	100 000	–	100 000	100 000
John Bester	12 000	10 000	22 000	12 000	10 000	22 000
Bertina Engelbrecht	75 068	–	75 068	75 068	–	75 068
Michael Fleming	30 421	–	30 421	30 421	–	30 421
Vikesh Ramsunder	11 116	–	11 116	–	–	–
Martin Rosen	–	2 000	2 000	–	2 000	2 000
Total	128 605	112 000	240 605	117 489	112 000	229 489

The total number of ordinary shares in issue is 262 083 439 (2018: 253 948 352). The percentage of issued share capital held by directors is 0.09% (2018: 0.20%). Details of all dealings in Clicks Group shares by directors during the financial year are contained in the directors' report on page 2.

SHAREHOLDERS' DIARY

Annual general meeting	30 January 2020
Preliminary results announcements	
Interim results to February 2020	on or about 23 April 2020
Final results to August 2020	on or about 22 October 2020
Publication of 2020 Integrated Annual Report	November 2020
Ordinary share dividend	
2019 final dividend	
Last day to trade with dividend included	21 January 2020
Date of dividend payment	27 January 2020
2020 interim dividend	
Last day to trade with dividend included	July 2020
Date of dividend payment	July 2020
2020 final dividend	
Last day to trade with dividend included	January 2021
Date of dividend payment	January 2021

CORPORATE INFORMATION

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

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

Registered address
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Telephone: +27 (0)21 460 1911

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Cape Town 8000

Company secretary
Matthew Welz, LLB
E-mail: companysecretary@clicksgroup.co.za

Auditors
Ernst & Young Inc. (EY)

Principal bankers
The Standard Bank of South Africa

JSE sponsor
Investec Bank Limited

Transfer secretaries
Computershare Investor Services Proprietary Limited
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