NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 August

		Group 2016 R'000	2015 R'000
1	**Revenue**		
	Turnover	**24 170 879**	22 070 092
	Finance income	**6 255**	4 922
	Other income	**1 353 833**	1 210 082
	Distribution and logistics fees	**651 730**	597 435
	Rental income	**399**	573
	Advertising income, cost recoveries and other	**701 704**	612 074
		25 530 967	23 285 096
2	**Depreciation and amortisation**		
	Depreciation of property, plant and equipment (see note 9)	**237 824**	218 543
	Amortisation of intangible assets (see note 10)	**26 320**	29 511
	Total depreciation and amortisation	**264 144**	248 054
	Depreciation included in cost of merchandise sold and inventories	**(11 482)**	(10 384)
	Depreciation and amortisation included in expenses	**252 662**	237 670
3	**Occupancy costs**		
	Operating leases	**654 097**	597 386
	Turnover rental expense	**17 595**	13 653
	Movement in operating lease liability (see note 24)	**9 941**	12 121
	Movement in provision for onerous contracts (see note 26)	**1 194**	(4 137)
		682 827	619 023
4	**Employment costs**		
	Directors' emoluments (excluding incentives, see note 4.1)	**19 790**	19 796
	Non-executive fees	**2 926**	2 684
	Executive	**16 864**	17 112
	Salary	**14 780**	14 860
	Other benefits	**2 084**	2 252
	Equity-settled share option costs (see note 20)	**64 533**	52 084
	Long-term incentive scheme – TSR (see note 23)	**96 119**	22 851
	Release of gain on cash flow hedge to profit or loss (see note 21)	**(65 422)**	(14 508)
	Long-term incentive scheme – HEPS (see note 23)	**52 063**	28 218
	Staff salaries and wages	**2 203 402**	1 981 883
	Contributions to defined contribution plans	**123 874**	106 660
	Leave pay costs (see note 23)	**17 107**	13 423
	Bonuses (see note 23)	**137 245**	124 738
	Increase in liability for defined benefit plans (see note 23)	**1 473**	1 474
	Total employment costs	**2 650 184**	2 336 619
	Employment costs included in cost of merchandise sold and inventories	**(99 453)**	(81 202)
	Employment costs included in expenses	**2 550 731**	2 255 417

For further detail of directors' emoluments refer to "rewarding value creation" on pages 61 to 63 of the Integrated 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:

	2016 R'000	2015 R'000
	86 130	75 090
Short-term employee benefits	**25 174**	24 181
Post-employment benefits	**2 936**	3 083
Other benefits	**2**	2
Short-term incentive scheme	**12 833**	12 410
Long-term incentive scheme	**43 630**	33 274
Termination benefits	**1 465**	2 050
Share-based payments	**90**	90
Non-executive directors' fees	**2 926**	2 684
	89 056	77 774

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

4 Employment costs (continued)

4.1 Directors' remuneration

Executive directors' remuneration

Director (R'000)	Salary	Pension fund	Other benefits	Total annual guaranteed package	RONA short-term incentive	Performance based long-term incentive**	Total variable pay	Total
2016								
Bertina Engelbrecht	2 833	472	–	**3 305**	1 368	5 155	**6 523**	**9 828**
Michael Fleming	4 140	587	57	**4 784**	1 981	7 826	**9 807**	**14 591**
David Kneale	7 807	966	2	**8 775**	5 449	20 876	**26 325**	**35 100**
Total	14 780	2 025	59	**16 864**	8 798	33 857	**42 655**	**59 519**
2015								
Bertina Engelbrecht	2 579	371	–	2 950	1 239	4 041	5 280	8 230
Michael Fleming	3 819	594	57	4 470	1 877	6 304	8 181	12 651
David Kneale	7 037	1 011	2	8 050	5 072	16 668	21 740	29 790
Keith Warburton*	1 425	190	27	1 642	n/a	n/a	n/a	1 642
Total	14 860	2 166	86	17 112	8 188	27 013	35 201	52 313

* Resigned as an executive director on 28 January 2015, with remuneration disclosed until this date.

** Payments relating to the performance for the year ended 31 August are paid in November. The expense is provided for over the three-year vesting period in the relevant financial year.

The total number of ordinary shares in issue is 246 137 763 (2015: 246 137 763). The percentage of issued share capital held by directors is 0.20% (2015: 0.26%).

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

Non-executive directors' remuneration

Director	2016 Directors' fees (R'000)	2015 Directors' fees (R'000)
David Nurek	**950**	878
Fatima Abrahams***	**409**	368
John Bester	**521**	476
Fatima Jakoet	**359**	326
Nkaki Matlala	**417**	376
Martin Rosen	**270**	260
Total	**2 926**	2 684
Total directors' remuneration		
Executive directors	**59 519**	52 313
Non-executive directors	**2 926**	2 684
Total directors' remuneration	**62 445**	54 997

*** The fees paid to Professor Abrahams include an amount of R21 740 (2015: R19 800) for performing the role of chairperson of The Clicks Group Employee Share Ownership Trust.

		Group	
		2016 R'000	2015 R'000
5	**Other costs**		
	Other operating costs include:		
	Fees paid for outside services		
	Technical services	**19 035**	31 955
	Loss in financial assets at fair value through profit or loss	**523**	5 953
	Foreign exchange losses/(gains) – realised	**1 461**	(1 289)
	Impairment allowances – trade receivables (see note 18)	**(86)**	12 089
	Water and electricity	**155 634**	135 944
	Retail	**145 010**	128 498
	Distribution	**10 624**	7 446
6	**Net financing costs**		
	Recognised in profit or loss:		
	Interest income on bank deposits	**5 763**	4 459
	Other interest income	**492**	463
	Financial income	**6 255**	4 922
	Interest expense on financial liabilities measured at amortised cost	**59 106**	62 231
	Cash interest expense	**45 086**	43 947
	Other interest expense	**14 020**	18 284
	Financial expense	**59 106**	62 231
	Net financing cost	**(52 851)**	(57 309)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
7 Income tax expense				
South African normal tax				
Current tax				
Current year	**461 218**	385 172	**22**	176
Prior-year capital gains tax	**1 114**	–	**1 114**	–
Prior-year overprovision	**(50 081)**	(19 790)	**–**	–
Deferred tax				
Current year	**(43 710)**	(20 098)	**–**	–
Capital gains tax	**8 011**	–	**–**	–
Prior-year underprovision	**34 159**	23 020	**–**	–
Foreign tax				
Current tax				
Current year	**7 713**	4 963	**–**	–
Prior-year overprovision	**–**	(22)	**–**	–
Withholding tax	**4 556**	3 677	**–**	–
Deferred tax				
Current year	**(2 329)**	(2 213)	**–**	–
Prior-year underprovision	**128**	–	**–**	–
Taxation per income statement	**420 779**	374 709	**1 136**	176
Deferred tax – current year	**(166 622)**	(54 193)	**–**	–
Cash flow hedge recognised in other comprehensive income	**(2 559)**	12 926	**–**	–
Equity-settled transaction recognised in equity (see note 20)	**(164 063)**	(67 417)	**–**	–
Remeasurement of post-employment benefit obligations	**–**	298	**–**	–
Total income tax charge	**254 157**	320 516	**1 136**	176
Reconciliation of rate of tax	**%**	%	**%**	%
Standard rate – South Africa	**28.00**	28.00	**28.00**	28.00
Adjusted for:				
Capital gains tax	**0.60**	–	**0.18**	–
Disallowable expenditure	**0.58**	0.43	**0.04**	0.04
Exempt income and allowances	**(0.58)**	(0.84)	**(28.04)**	(28.00)
Foreign tax rate variations	**(0.08)**	0.08	**–**	–
Foreign withholding tax	**0.30**	0.28	**–**	–
Prior-year net (over)/underprovision	**(1.04)**	0.24	**–**	–
Effective tax rate	**27.78**	28.19	**0.18**	0.04

One of the subsidiaries of the group has an estimated tax loss of R18.9 million (2015: R3.2 million) available for set-off against future taxable income of that subsidiary. A deferred tax asset of R4.4 million (2015: R1.0 million) has been recognised in respect of the total estimated tax losses (see note 12).

	Group 2016 R'000	2015 R'000
8 Earnings per share		
The calculation of basic and headline earnings per share at 31 August 2016 was based on profit for the year attributable to ordinary shareholders of Clicks Group Limited of R1 093.9 million (2015: R954.6 million) and headline earnings of R1 098.5 million (2015: R960.5 million) divided by the weighted average number of ordinary shares as follows:		
Reconciliation of headline earnings		
Profit attributable to equity holders of the parent	**1 093 872**	954 575
Adjusted for:		
	4 599	5 880
Loss on disposal of property, plant and equipment	**6 388**	9 446
Insurance recovery income on property, plant and equipment	**–**	(1 279)
Tax	**(1 789)**	(2 287)
Headline earnings	**1 098 471**	960 455

	2016 cents	2015 cents
Earnings per share	**460.5**	396.7
Headline earnings per share	**462.4**	399.2
Diluted earnings per share	**436.7**	381.5
Diluted headline earnings per share	**438.5**	383.9

	2016 '000	2015 '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	**246 138**	246 138
Treasury shares held for the full year and/or cancelled	**(6 254)**	(3 878)
Treasury shares purchased during the year weighted for the period held	**(2 319)**	(1 657)
Weighted average number of shares in issue for the year	**237 565**	240 603
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)	**237 565**	240 603
Dilutive effect of share options (net of treasury shares)	**12 936**	9 601
Weighted average diluted number of shares in issue for the year	**250 501**	250 204

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

	Group					
	2016		2015		2014	
	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	**398 102**	**48 402**	372 891	46 815	368 168	43 720
Computer equipment	**439 496**	**295 039**	367 010	252 768	324 245	222 167
Equipment	**269 975**	**166 331**	250 151	145 615	228 724	132 542
Furniture and fittings	**1 564 466**	**859 538**	1 360 727	725 890	1 184 438	614 548
Motor vehicles	**50 213**	**33 727**	46 296	30 138	44 064	27 464
	2 748 061	**1 403 037**	2 422 884	1 201 226	2 175 448	1 040 441

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 2014	25 809	324 448	102 078	96 182	569 890	16 600	1 135 007
Additions	–	4 748	56 100	30 261	220 185	4 740	316 034
Disposals	–	(24)	(144)	(761)	(9 463)	(448)	(10 840)
Depreciation	–	(3 096)	(43 792)	(21 146)	(145 775)	(4 734)	(218 543)
Carrying amount at 31 August 2015	**25 809**	**326 076**	**114 242**	**104 536**	**634 837**	**16 158**	**1 221 658**
Additions	**–**	**25 220**	**76 954**	**23 719**	**237 117**	**5 171**	**368 181**
Disposals	**–**	**–**	**(60)**	**(244)**	**(6 324)**	**(363)**	**(6 991)**
Depreciation	**–**	**(1 596)**	**(46 679)**	**(24 367)**	**(160 702)**	**(4 480)**	**(237 824)**
Carrying amount at 31 August 2016	**25 809**	**349 700**	**144 457**	**103 644**	**704 928**	**16 486**	**1 345 024**

	Group					
	2016		2015		2014	
	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	**1 116**	**469**	1 116	357	1 116	246
Capitalised and purchased computer software development	**332 749**	**171 313**	268 499	145 633	219 350	122 601
Contractual rights (see note 10.2)	**17 020**	**17 020**	17 020	17 020	17 020	15 016
	628 885	**194 802**	564 635	169 010	515 486	143 863

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

	Clicks trademark R'000	Other trademarks R'000	Capitalised software development R'000	Contractual rights R'000	Total R'000
Carrying amount at 1 September 2014	272 000	870	96 749	2 004	371 623
Additions	–	–	53 513	–	53 513
Amortisation	–	(111)	(27 396)	(2 004)	(29 511)
Carrying amount at 31 August 2015	272 000	759	122 866	–	395 625
Additions	**–**	**–**	**64 778**	**–**	**64 778**
Amortisation	**–**	**(112)**	**(26 208)**	**–**	**(26 320)**
Carrying amount at 31 August 2016	**272 000**	**647**	**161 436**	**–**	**434 083**

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 2016 financial year, whereafter a perpetuity growth rate of 6.5% (2015: 3.7%) 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 13.5% (2015: 12.5%) 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 reasonable possible change in any of these assumptions would not cause the carrying amount to exceed their recoverable amount.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

	Group	
	2016 R'000	2015 R'000
11 Goodwill		
Goodwill	**103 510**	103 510
Goodwill comprises:		
United Pharmaceutical Distributors Proprietary Limited ("UPD") (see note 11.1)	**96 277**	96 277
Kala Hari Medical Distributors Proprietary Limited ("Kala Hari") (see note 11.2)	**704**	704
Amalgamated Pharmacy Group Proprietary Limited ("Amalgamated Pharmacy Group") (see note 11.3)	**6 529**	6 529

Assessment of impairment of goodwill

11.1 Budgeted operating cash flows for the UPD business unit 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 cash-generating unit:

(i) A forecast horizon of three years was used. The forecast horizon comprises the three-year plan drafted in the last quarter of the 2016 financial year, whereafter a perpetuity growth rate of 6.5% (2015: 3.7%) 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 13.5% (2015: 12.5%) 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 reasonable possible change in any of these assumptions would not cause the carrying amount to exceed their recoverable amount.

11.2 The same assumptions were applied to Kala Hari as this company is in the same business as UPD and accordingly none of the assumptions would change significantly. The fact that Kala Hari operates out of Botswana was considered, but this is also not expected to change the assumptions. The goodwill relating to Kala Hari has been attributed to the UPD business as a cash-generating unit.

11.3 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 2016 financial year, whereafter a perpetuity growth rate of 6.5% (2015: 3.7%) 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 13.5% (2015: 12.5%) 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 reasonable possible change in any of these assumptions would not cause the carrying amount to exceed their recoverable amount.

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

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
12 Deferred tax assets/(liabilities)				
Deferred tax assets	**347 400**	177 037	**–**	–
	347 400	177 037	**–**	–
Balance at the beginning of the year	**177 037**	123 553	**–**	–
Current deferred tax credit/(debit) to profit or loss (see note 7)	**3 741**	(709)	**–**	–
Current deferred tax credit to other comprehensive income or equity (see note 7)	**166 622**	54 193	**–**	–
Balance at the end of the year	**347 400**	177 037	**–**	–
Arising as a result of:				
Capital gains tax	**(48 110)**	(40 099)	**–**	–
Derivative financial assets and liabilities	**(67 009)**	(22 044)	**–**	–
Employee obligations	**457 544**	248 501	**–**	–
Income and expense accrual	**113 903**	82 216	**–**	–
Inventory	**28 080**	32 467	**–**	–
Onerous leases	**1 943**	488	**–**	–
Operating lease liability	**53 478**	50 668	**–**	–
Prepayments	**(18 585)**	(17 277)	**–**	–
Property, plant and equipment	**(94 777)**	(75 466)	**–**	–
Tax losses	**4 369**	1 019	**–**	–
Trademarks	**(76 172)**	(76 172)	**–**	–
Other	**(7 264)**	(7 264)	**–**	–
Balance at the end of the year	**347 400**	177 037	**–**	–

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 includes an asset of R3.0 million (2015: R12.9 million liability) recognised in other comprehensive income (see note 21). Employee obligations includes an asset of R266.1 million (2015: R102.1 million) recognised in equity (see note 20).

In respect of the deferred tax asset recognised by one (2015: 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

13 Investment in an associate

The group acquired a strategic 25% interest in Sorbet Brands Proprietary Limited ("Sorbet Brands") on 1 September 2015. R15 million was paid on signing of the contract with two contingent payments of R2.5 million each, payable on 31 August 2016 and 31 August 2017 respectively on achievement of turnover targets.

Refer to note 27 detailing this contingent consideration. Sorbet Brands holds all the trademark rights of the Sorbet brand in southern 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	
	2016 R'000	2015 R'000
Assets		
Non-current assets	**80 000**	–
Current assets	**5 656**	–
Liabilities		
Current liabilities	**3 123**	–
Equity	**82 533**	–
Group's carrying amount of the investment	**20 282**	–
Summarised Statement of comprehensive income		
Income	**12 755**	–
Expenses	**(236)**	–
Profit before taxation	**12 519**	–
Income tax expense	**(3 505)**	–
Profit for the year	**9 014**	–
Total comprehensive income for the year	**9 014**	–
Group's proportionate share of profit for the year	**2 254**	–
Dividends received from associate	**1 638**	–

		Group	
		2016 R'000	2015 R'000
14	**Loans receivable**		
	New Clicks Foundation Trust (see note 14.1)	**5 021**	5 021
	Triton Pharmacare Capital Investments Proprietary Limited ("Triton") (see note 14.2)	**–**	7 982
	Sign and Seal Trading 205 Proprietary Limited ("Style Studio") (see note 14.3)	**4 500**	–
	Non-current loans receivable	**9 521**	13 003
	Triton (see note 14.2)	**8 476**	–
	Current loans receivable	**8 476**	–
	Total loans receivable	**17 997**	13 003

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

14.2 The loan to Triton consists of a long-term loan of R8.5 million repayable on 31 August 2017.

The long-term loan is interest free and is carried at amortised cost discounted at a market-related rate of 6.0% over five years.

A second mortgage bond over property purchased by Triton and a special notarial bond over movable assets serve as security for the loan.

14.3 The loan to Style Studio is unsecured, interest free and repayable within 10 business days of demand.

		Group	
		2016 R'000	2015 R'000
15	**Financial assets at fair value through profit or loss**		
	Investment in Guardrisk Insurance Company Limited (Cell number 171)	**16 145**	16 668
	Total financial assets at fair value through profit or loss	**16 145**	16 668

This 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.

		Group			
		2016		2015	
		Assets R'000	Liabilities R'000	Assets R'000	Liabilities R'000
16	**Derivative financial instruments**				
	Equity derivative hedge – non-current	**231 242**	**–**	81 662	–
	Forward exchange contracts – current	**–**	**(26 971)**	24 507	–

All derivatives noted above are classified as held for trading and measured at fair value through profit or loss.

Equity derivative hedge
European call options have been purchased to hedge the cash-settled share-based payment obligation relating to tranches 9 and 10 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 with settlement on 5 September 2017 and 5 September 2018 respectively for the hedges.

Refer to note 21 detailing the equity derivative hedges' impact on profit or 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 2016 was R493.1 million (2015: R252.5 million). Refer to note 21 detailing the foreign exchange hedging impact on profit or loss and other comprehensive income.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

	Group 2016 R'000	Group 2015 R'000
17 Inventories		
Inventories comprise:		
Goods for resale	**3 375 540**	3 085 896
Goods in transit	**103 177**	164 018
	3 478 717	3 249 914
Inventories stated at net realisable value	**62 781**	55 554

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 2016 R'000	Group 2015 R'000
18 Trade and other receivables		
Trade and other receivables comprise:		
Trade receivables	**1 643 043**	1 489 854
Less: impairment of trade receivables	**(24 081)**	(28 678)
Trade receivables – net	**1 618 962**	1 461 176
Prepayments	**91 755**	76 580
Income accruals	**160 278**	106 197
Income tax receivable	**–**	4 077
Logistics fees receivable	**118 725**	134 177
Other (refer to note 18.1)	**22 976**	89 409
	2 012 696	1 871 616

The carrying amount of trade and other receivables approximates their fair value. Trade and other receivables are predominantly non-interest bearing. Refer to note 30.4 for the credit risk management of trade and other receivables.

The movement in the doubtful debt provision in respect of trade receivables during the year was as follows:

	Group 2016 R'000	Group 2015 R'000
Balance at 1 September	**28 678**	28 113
Impairment provision (reversed)/raised	**(86)**	12 089
Impairment loss utilised	**(4 511)**	(11 524)
Balance at 31 August	**24 081**	28 678

18.1 Other receivables consist of staff loans and sundry customer receivables.

	Group and Company 2016 R'000	Group and Company 2015 R'000
19 Share capital and share premium		
Authorised – group and company		
600 million (2015: 600 million) ordinary shares of one cent each	**6 000**	6 000
50 million (2015: 50 million) "A" ordinary shares of one cent each	**500**	500
Issued ordinary shares – group and company		
246.138 million (2015: 246.138 million) ordinary shares of one cent each and 29.153 million (2015: 29.153 million) "A" ordinary shares of one cent each	**2 754**	2 754
Share premium – group	**3 497**	3 497
Share premium – company	**14 089**	14 089

The company and the group have different values for share premium due to preliminary expenses of R2.1 million being written off against the share premium of a subsidiary company on the acquisition of certain businesses in 1996. The balance of the difference is due to the difference in value between the cancellation of shares at a holding company level at market value while on consolidation the cancellation is carried out at cost.

	Ordinary shares '000	"A" ordinary shares '000	Group and Company Total 2016 '000	Group and Company Total 2015 '000
Reconciliation of total number of shares in issue to net number of shares in issue				
Total number of shares in issue at the end of the year	246 138	29 153	**275 291**	275 291
Treasury shares held at the end of the year	(9 614)	(29 153)	**(38 767)**	(35 407)
Net number of shares in issue at the end of the year	236 524	–	**236 524**	239 884

	R'000	R'000
Of the shares in issue, the group holds the following treasury shares:		
Shares held by a subsidiary – 9.444 million (2015: 6.084 million) ordinary shares of one cent each – cost	**702 556**	412 385
Shares held by the New Clicks Holdings Share Trust – 0.170 million (2015: 0.170 million) ordinary shares of one cent each – cost	**1 450**	1 450
Shares held by the Clicks Group Employee Share Ownership Trust – 29.153 million (2015: 29.153 million) "A" ordinary shares of one cent each – cost	**292**	292
	704 298	414 127

No ordinary shares were cancelled during the current financial year (2015: nil).

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

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 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, on 2 February 2011.

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

	Group	
	Number of shares 2016	Number of shares 2015
"A" shares issued in terms of the ESOP	**29 153 295**	29 153 295

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 during the year	Balance at the end of the year
2016						
February 2011	**R41.54**	**14 040 004**	**–**	**–**	**(1 008 456)**	**13 031 548**
February 2012	**R41.11**	**2 350 520**	**–**	**–**	**(164 045)**	**2 186 475**
February 2013	**R60.00**	**4 108 925**	**–**	**–**	**(372 842)**	**3 736 083**
February 2014	**R56.78**	**2 934 104**	**–**	**–**	**(408 052)**	**2 526 052**
February 2015	**R90.32**	**2 822 693**	**–**	**–**	**(485 262)**	**2 337 431**
February 2016	**R86.75**	**–**	**385 383**	**–**	**–**	**385 383**
Unallocated share options						**4 950 323**
						29 153 295
2015						
February 2011	R41.54	15 160 100	–	–	(1 120 096)	14 040 004
February 2012	R41.11	2 843 205	–	–	(492 685)	2 350 520
February 2013	R60.00	4 778 134	–	–	(669 209)	4 108 925
February 2014	R56.78	4 298 777	–	–	(1 364 673)	2 934 104
February 2015	R90.32	–	3 119 681	–	(296 988)	2 822 693
Unallocated share options						2 897 049
						29 153 295

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

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

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

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

The share option reserve recognises the cost at the fair value of the options on the date issued to employees, accrued over the vesting period.

	Group	
	2016 R'000	2015 R'000
Share option reserve		
Balance at the beginning of the year	**254 592**	135 091
	228 596	119 501
Equity-settled share-based payment expense	**64 533**	52 084
Deferred tax recorded directly in equity arising on consolidation	**164 063**	67 417
Balance at the end of the year	**483 188**	254 592
	217 050	152 517
Equity-settled share-based payment expense in opening retained earnings	**152 517**	100 433
Equity-settled share-based payment expense	**64 533**	52 084
Deferred tax recorded directly in equity arising on consolidation	**266 138**	102 075
Estimate of options not yet vested but expected to vest	**483 188**	254 592

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

	Group 2016 R'000	Group 2015 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 the year	**35 196**	1 958
Movement in cash flow hedge	**(9 139)**	46 164
Movement in cash flow hedge relating to forward exchange contracts	**(49 196)**	27 247
Movement in cash flow hedge relating to equity derivative hedges	**40 057**	18 917
Deferred tax recognised in other comprehensive income	**2 559**	(12 926)
Balance at the end of the year	**28 616**	35 196

The cash flow hedge reserve represents the cumulative portion of gains or losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is reclassified to profit or loss only when the hedged transaction affects profit or loss. During the year there was a mark-to-market gain of R119.3 million (2015: R105.2 million) and R128.4 million was recycled to profit or loss (2015: R59.1 million). R63 million (2015: R44.6 million) of the recycled gains are included in cost of merchandise sold and R65.4 million (2015: R14.5 million) are included under employment costs. R49.2 million loss (2015: R27.2 million gain) will be recycled to profit or loss in 2017 relating to forward exchange contracts and R40.1 million gain (2015: R18.9 million gain) will be recycled to profit or loss as and when the related employment costs affect profit or loss relating to the equity derivative hedge.

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

	Group 2016 R'000	Group 2015 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	**5 805**	6 331
	5 805	6 331
Reconciliation of foreign currency translation reserve		
Balance at the beginning of the year	**6 331**	1 554
Exchange differences on translation of foreign subsidiaries	**(526)**	4 777
Balance at end of the year	**5 805**	6 331

	Group 2016 R'000	Group 2015 R'000
23 Employee benefits		
Long-term incentive schemes	**156 488**	74 132
Post-retirement medical obligations	**58 644**	53 903
Total long-term employee benefits	**215 132**	128 035
Accounted for as follows:		
Long-term employee benefits recognised in terms of IFRS 2 – Share-based Payments (see note 23.1)	**116 947**	22 851
Long-term employee benefits recognised in terms of IAS 19 – Employee Benefits	**98 185**	105 184
Total long-term employee benefits	**215 132**	128 035

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 2014	–
Expense from cash-settled share-based payment	22 851
Balance at 31 August 2015	**22 851**
Expense from cash-settled share-based payment	**96 119**
Early settlement	**(2 023)**
Balance at 31 August 2016	**116 947**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

23 Employee benefits (continued)

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

During 2016 the group issued 1.1 million (2015: 1.4 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 contractual life of the September 2014 options outstanding at year-end was one year.

The contractual life of the September 2015 options outstanding at year-end was two years.

Details of share option allocations – 2016

	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	**R120.56**	**1 300 507**	**–**	**–**	**(74 993)**	**1 225 514**
September 2015 options	**R77.07**	**–**	**1 090 359**	**–**	**(77 969)**	**1 012 390**

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

	Share price at grant date	Risk-free rate (%)	Expected dividend yield (%)	Expected volatility (%)	Expected forfeiture rate (%)
September 2014 options three-year vesting period	R66.34	7.65	2.07	33.20	4.00
September 2015 options three-year vesting period	R93.82	7.65	2.07	33.20	4.00

Details of share option allocations – 2015

	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	R57.68	–	1 428 333	–	(127 826)	1 300 507

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

	Share price at grant date	Risk-free rate (%)	Expected dividend yield (%)	Expected volatility (%)	Expected forfeiture rate (%)
September 2014 options three-year vesting period	R66.34	7.58	2.25	28.30	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 twelve-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)

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

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

Long-term employee benefits	Long-term incentive scheme – HEPS (note 23.2) R'000	Post-retirement medical obligations (note 23.3) R'000	Total R'000
Balance at 1 September 2014	65 956	49 380	115 336
Current service cost	53 886	1 474	55 360
Benefit payments	–	(1 244)	(1 244)
Interest cost	8 634	5 356	13 990
Actuarial gain recognised in profit or loss	(25 668)	–	(25 668)
Actuarial gain recognised in other comprehensive income arising from changes in demographic assumptions	–	(6 026)	(6 026)
Actuarial loss recognised in other comprehensive income arising from changes in financial assumptions	–	4 963	4 963
Reclassification to short-term employee benefits	(51 527)	–	(51 527)
Balance at 31 August 2015	**51 281**	**53 903**	**105 184**
Current service cost	**48 088**	**1 473**	**49 561**
Benefit payments	**(2 139)**	**(1 377)**	**(3 516)**
Interest cost	**7 265**	**4 645**	**11 910**
Actuarial loss recognised in profit or loss	**3 975**	**–**	**3 975**
Reclassification to short-term employee benefits	**(68 929)**	**–**	**(68 929)**
Balance at 31 August 2016	**39 541**	**58 644**	**98 185**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

23 Employee benefits (continued)

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

During 2016 the group issued 2.2 million (2015: 2.3 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 R46.07 (2015: R40.42) 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.

23.3 Post-retirement medical obligations

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

An actuarial valuation of the Clicks post-retirement medical aid scheme has determined that the unfunded liability in respect of pensioner post-retirement medical benefits amounts to R58.6 million (2015: R53.9 million). Provision has been made for the full unfunded liability.

The principal actuarial assumptions at the last valuation date (31 August 2015) are:

(i) a discount rate of 8.5% per annum;

(ii) general increases to medical aid contributions of 7.2%;

(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, with females rated down three years.

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):

	2016 R'000	2015 R'000
– Medical aid inflation increases by 1% per annum over assumptions made	**7 400**	10 458
– Medical aid inflation decreases by 1% per annum over assumptions made	**(5 102)**	(8 361)
– Discount rate increases by 1% per annum over assumptions made	**(5 593)**	(8 114)
– Discount rate decreases by 1% per annum over assumptions made	**6 728**	10 300
– Retirement age decreases by two years	**6 875**	6 400
– Life expectancy of male pensioners increases by one year	**972**	872
– Life expectancy of male pensioners decreases by one year	**(995)**	(894)
– Life expectancy of female pensioners increases by one year	**1 333**	1 215
– Life expectancy of female pensioners decreases by one year	**(1 350)**	(1 198)
The following undiscounted payments are expected contributions in future years from post-retirement medical obligations.		
Within 12 months	**1 458**	1 377
Between 2 and 5 years	**7 679**	6 929
Between 5 and 10 years	**16 311**	14 508
Between 10 and 20 years	**90 500**	79 716
Between 20 and 30 years	**183 088**	171 342
Between 30 and 40 years	**188 023**	185 078
Beyond 40 years	**134 813**	143 714
Total expected payments	**621 872**	602 664

The average duration of the post-retirement medical obligations at year-end is 21.9 years (2015: 21.9 years).

23 Employee benefits (continued)

23.3 Post-retirement medical obligations (continued)

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

	Post-retirement medical obligations				
	2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000
Defined benefit obligation	**58 644**	53 903	49 380	45 306	42 763
Experience adjustments on plan liabilities	**–**	(1 063)	–	(1 221)	–

Short-term employee benefits	Long-term incentive scheme – HEPS (note 23.2) R'000	Leave pay accrual (note 23.4) R'000	Bonus accrual (note 23.5) R'000	Overtime accrual (note 23.6) R'000	Total R'000
Balance at 1 September 2014	37 074	54 092	97 333	1 995	190 494
Reclassification from long-term employee benefits	51 527	–	–	–	51 527
Benefit payments	(39 796)	(10 843)	(115 074)	(1 418)	(167 131)
Charge included in profit or loss	–	13 423	124 738	1 892	140 053
Balance at 31 August 2015	**48 805**	**56 672**	**106 997**	**2 469**	**214 943**
Reclassification from long-term employee benefits	**68 929**	**–**	**–**	**–**	**68 929**
Benefit payments	**(48 798)**	**(12 451)**	**(135 509)**	**(7 243)**	**(204 001)**
Charge included in profit or loss	**–**	**17 107**	**137 245**	**7 763**	**162 115**
Balance at 31 August 2016	**68 936**	**61 328**	**108 733**	**2 989**	**241 986**

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

23.5 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

23 Employee benefits (continued)

23.6 The overtime accrual is in respect of overtime worked in August 2016 which is paid in September 2016.

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 13 705 (2015: 8 556) at year-end.

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 2 227 South African employees were principal members of a medical aid scheme, of which 1 552 were principal members with Horizon, 573 were principal members of a Discovery Health medical aid scheme, and 102 were principal members of various other medical aid schemes.

At year-end five Botswana employees were principal members with BOMaid and one with PULA, 16 Namibian employees were principal members of Namibia Health Plan and 16 Swaziland employees were principal members of Swazimed.

At year-end 26.2% (2015: 23.1%) 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 2016 R'000	Group 2015 R'000
24 Lease commitments		
Operating lease liability	**190 409**	180 468
Operating leases with fixed escalations are charged to the statement of comprehensive income on a straight-line basis.		
The associated liability 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 turnover threshold.		
Future minimum lease payments under non-cancellable operating leases due:		
– Not later than one year	**650 493**	590 809
– Later than one year, not later than five years	**3 223 857**	2 816 413
– Later than five years	**781 238**	360 916
	4 655 588	3 768 138
Future minimum lease payments receivable under non-cancellable operating leases due, which relate to Intercare Management Healthcare Proprietary Limited:		
– Not later than one year	**4 126**	13 303
– Later than one year, not later than five years	**8 962**	20 086
	13 088	33 389
The net future minimum lease payments under non-cancellable operating leases due:		
– Not later than one year	**646 367**	577 506
– Later than one year, not later than five years	**3 214 895**	2 796 327
– Later than five years	**781 238**	360 916
	4 642 500	3 734 749

Generally, leases are taken out on five or ten-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, GNC and Claire's.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

	Group 2016 R'000	Group 2015 R'000
25 Trade and other payables		
The following are included in trade and other payables:		
Trade payables	**4 212 129**	4 144 170
Other loyalty programme deferred income (see note 25.1)	**81 765**	108 594
Non-trade payables and accruals (see note 25.2)	**854 517**	645 350
	5 148 411	4 898 114

25.1 Other 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 76% of all vouchers 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 and unredeemed gift cards.

	Group 2016 R'000	Group 2015 R'000
26 Provisions		
Provision for onerous contracts		
Balance at the beginning of the year	**5 745**	9 882
Movement in provision during the year recognised in occupancy costs	**1 194**	(4 137)
Balance at the end of the year	**6 939**	5 745
Current	**6 939**	5 745
Non-current	**–**	–
	6 939	5 745

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 the group's risk adjusted pre-tax weighted average cost of capital rate.

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

	Group 2016 R'000	Group 2015 R'000
27 Financial liability at fair value through profit or loss		
Contingent consideration arising from investment in associate	**2 331**	–
Total financial liabilities at fair value through profit or loss	**2 331**	–

The group acquired a 25% interest in Sorbet Brands Proprietary Limited in the current year for a purchase price of R15.0 million on signing of the contract and two contingent payments of R2.5 million each, payable on 31 August 2016 and 31 August 2017 respectively, on achievement of certain milestones.

The final contingent payment has been discounted to present value using the group's borrowing rate at year-end and is within level 3 of the fair value hierarchy.

		Group	
		2016 R'000	2015 R'000
28	**Dividends to shareholders**		
	Previous year final cash dividend out of distributable reserves – 169.5 cents per share paid 25 January 2016 (2015: 136.5 cents per share paid 26 January 2015 out of distributable reserves)	**417 204**	335 978
	Current year interim cash dividend out of distributable reserves – 76 cents per share paid 4 July 2016 (2015: 65.5 cents per share paid 6 July 2015 out of distributable reserves)	**187 064**	161 220
	"A" shares – Previous year final cash dividend out of distributable reserves – 23.5 cents per share paid 25 January 2016 (2015: 19 cents per share paid 30 January 2015)	**6 851**	5 539
	Total dividends to shareholders	**611 119**	502 737
	Dividends on treasury shares	**(24 780)**	(11 358)
	Dividends on "A" shares held in trust	**(582)**	(621)
	Dividends paid outside the group	**585 757**	490 758

On 27 October 2016 the directors approved the final proposed dividend of 196 cents per share and 27.2 cents per "A" 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 2017.

Dividend policy
The dividend cover is 1.7 (2015: 1.7) times.

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

29 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

29 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 30.2. The effect of this movement is based on the outstanding forward foreign exchange contracts held by the group at year-end.

Interest rate risk

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

The group's interest rate risk arises from long-term and short-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. During 2015 and 2016 the group's borrowings at variable rates were denominated in Rands.

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

Price risk

The group's 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, 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 incurred 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.

29 Financial risk management (continued)

Liquidity risk

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

The group's approach is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the group's reputation. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by holding availability through credit lines. At year-end the group's total uncommitted facilities available was R2 025 million (2015: R1 967 million) of which the full balance remained undrawn (2015: nil drawn down).

See note 30.5 for details of maturity analysis of the group's financial liabilities.

Capital risk management

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

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The group'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 2016 the shareholders' interest to total assets was 29.3% (2015: 26.6%).

30 Financial instruments

Market risk

30.1 Treasury risk management

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

30.2 Foreign exchange risk management

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

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

The group has measured these instruments at fair value (see note 16).

	31 August 2016				31 August 2015			
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	**18 498**	**3 251**	**2 263**	**103 377**	16 026	1 196	1 604	44 155
Forward exchange contracts subject to cash flow hedging	**17 546**	**1 845**	**1 978**	**62 803**	14 283	200	–	37 321
Net exposure	**952**	**1 406**	**285**	**40 574**	1 743	996	1 604	6 834

The following exchange rates applied during the year:

	Average rate		Reporting date mid-spot rate	
	2016	2015	**2016**	2015
USD	**14.74**	11.79	**14.49**	13.31
GBP	**21.48**	18.49	**19.06**	20.71
EUR	**16.56**	13.86	**16.30**	15.11
CNY	**2.26**	1.92	**2.18**	2.09

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

30 Financial instruments (continued)

30.2 Foreign exchange risk management (continued)

Foreign exchange rate sensitivity analysis

The following table details the group's sensitivity to a 10% 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 reasonable 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	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Decrease in pre-tax other comprehensive income	**(27 456)**	(17 496)	**(4 069)**	(394)	**(3 322)**	–	**(14 464)**	(7 365)
Increase in profit before tax	**1 384**	2 342	**2 680**	2 062	**464**	2 424	**8 845**	1 429

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

30.3 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 2016		31 August 2015	
		Carrying value R'000	Fair value R'000	Carrying value R'000	Fair value R'000
Financial assets					
Trade receivables (see note 18)	Loans and receivables	**1 618 962**	**1 618 962**	1 461 176	1 461 176
Logistics fees receivable (see note 18)	Loans and receivables	**118 725**	**118 725**	134 177	134 177
Other receivable (see note 18)	Loans and receivables	**22 976**	**22 976**	89 409	89 409
Loans receivable (see note 14)	Loans and receivables	**17 997**	**17 997**	13 003	13 003
Financial assets at fair value through profit or loss (see note 15)	Assets at fair value	**16 145**	**16 145**	16 668	16 668
Cash and cash equivalents	Loans and receivables	**369 800**	**369 800**	400 738	400 738
Equity derivative contracts used for cash flow hedging (see note 16)	Assets at fair value	**231 242**	**231 242**	81 662	81 662
Forward exchange contracts used for cash flow hedging (see note 16)	Assets at fair value	**–**	**–**	24 507	24 507
Financial liabilities					
Forward exchange contracts used for cash flow hedging (see note 16)	Financial liabilities measured at fair value	**26 971**	**26 971**	–	–
Financial liability at fair value through profit or loss (see note 27)	Financial liabilities measured at fair value	**2 331**	**2 331**	–	–
Trade and other payables (see note 25)	Financial liabilities measured at amortised cost	**4 968 333**	**4 968 333**	4 733 826	4 733 826

30 Financial instruments (continued)

30.3 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, interest rate 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.

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.

Interest rates used in determining fair value

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

	2016 %	2015 %
Borrowings	**10.50**	9.50
Leases	**n/a**	n/a

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

30 Financial instruments (continued)

30.3 Fair values of financial instruments (continued)

Financial assets and financial liabilities measured at fair value

Group	Level 2 R'000	Level 3 R'000	Total R'000
2016			
Financial assets			
Financial assets at fair value through profit or loss (see note 15)	**16 145**	**–**	**16 145**
Equity derivative contracts used for cash flow hedging (see note 16)	**231 242**	**–**	**231 242**
Total	**247 387**	**–**	**247 387**
Financial liabilities			
Forward exchange contracts used for cash flow hedging (see note 16)	**26 971**	**–**	**26 971**
Financial liability at fair value through profit or loss (see note 27)	**–**	**2 331**	**2 331**
Total	**26 971**	**2 331**	**29 302**
2015			
Financial assets			
Financial assets at fair value through profit or loss (see note 15)	16 668	–	16 668
Equity derivative contracts used for cash flow hedging (see note 16)	81 662	–	81 662
Forward exchange contracts used for cash flow hedging (see note 16)	24 507	–	24 507
Total	122 837	–	122 837

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

30.4 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, 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	
	2016 R'000	2015 R'000
Derivative financial assets (see note 16)	**231 242**	106 169
Trade receivables (see note 18)	**1 618 962**	1 461 176
Logistics fees receivable (see note 18)	**118 725**	134 177
Other receivable (see note 18)	**22 976**	89 409
Cash and cash equivalents	**369 800**	400 738
Loans receivable (see note 14)	**17 997**	13 003
	2 379 702	2 204 672

30 Financial instruments (continued)

30.4 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.

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

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

	Carrying amount 2016 R'000	2015 R'000
Retail customers	**80 622**	78 626
Distribution customers	**1 538 340**	1 382 550
	1 618 962	1 461 176

Retail customers

The ageing of trade receivables at the reporting date was:

	2016			2015		
	Gross R'000	Impairment R'000	Net R'000	Gross R'000	Impairment R'000	Net R'000
Not past due	**84 922**	**(4 300)**	**80 622**	84 396	(5 770)	78 626
Past due 0 – 30 days	**–**	**–**	**–**	13	(13)	–
Past due more than 31 days	**–**	**–**	**–**	117	(117)	–
Total	**84 922**	**(4 300)**	**80 622**	84 526	(5 900)	78 626

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.

Distribution customers

The ageing of trade receivables at the reporting date was:

	2016			2015		
	Gross R'000	Impairment R'000	Net R'000	Gross R'000	Impairment R'000	Net R'000
Not past due	**1 276 046**	**(65)**	**1 275 981**	1 055 980	–	1 055 980
Past due 0 – 30 days	**185 993**	**(700)**	**185 293**	295 452	–	295 452
Past due more than 31 days	**96 082**	**(19 016)**	**77 066**	53 896	(22 778)	31 118
Total	**1 558 121**	**(19 781)**	**1 538 340**	1 405 328	(22 778)	1 382 550

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

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

30 Financial instruments (continued)

30.4 Credit risk management (continued)

The split between insured and uninsured debtors is as follows:

	Gross amount	
	2016 R'000	2015 R'000
Insured	**1 548 178**	1 385 002
Uninsured	**9 943**	20 326
	1 558 121	1 405 328

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

Impairment loss

The impairment is determined based on information regarding the financial position of each trade receivable at year-end.

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

	Retail		Distribution	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000
Balance at the beginning of the year	**(5 900)**	(4 500)	**(22 778)**	(23 613)
Additional allowances made	**–**	(7 170)	**86**	(4 919)
Trade receivables written off during the year as uncollectible	**1 600**	5 770	**2 911**	5 754
Balance at the end of the year	**(4 300)**	(5 900)	**(19 781)**	(22 778)

The creation of impairment losses have been included in "other costs" in profit or loss.

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

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. None of the loans are considered to be impaired at the end of the financial year.

30.5 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.

30 Financial instruments (continued)

30.5 Liquidity risk management (continued)

Liquidity and interest risk tables

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

	Carrying amount R'000	Contractual cash flows R'000	One year or less R'000
2016			
Liabilities			
Derivative financial liabilities (see note 16)	**26 971**	**26 971**	**26 971**
Financial liability at fair value through profit or loss (see note 27)	**2 331**	**2 500**	**2 500**
Trade and other payables (see note 25)	**4 968 333**	**4 968 333**	**4 968 333**
	4 997 635	**4 997 804**	**4 997 804**
2015			
Liabilities			
Trade and other payables (see note 25)	4 733 826	4 733 826	4 733 826
	4 733 826	4 733 826	4 733 826

31 Capital commitments

	Group	
	2016 R'000	2015 R'000
Capital expenditure approved by the directors		
Contracted	**25 866**	20 713
Not contracted	**551 534**	411 587
	577 400	432 300

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

32 Financial guarantees

Group companies provide surety for other group companies to the value of R2 025 million (2015: R1 967 million) with respect to facilities held with various banks. At year-end these facilities had no drawings by group companies (2015: nil). The fair values of the financial guarantees are considered negligible.

33 Related party transactions

33.1 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 67.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

33 Related party transactions (continued)

33.1 Group (continued)

Directors and key management

Related party transactions include:

(i) dividends paid and received from subsidiary companies and associates;

(ii) interest received from or paid to subsidiary companies; and

(iii) loans to or from subsidiary companies.

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 69.

	Group	
	2016 R'000	2015 R'000
Transactions with Sorbet Brands Proprietary Limited		
Dividends received	**1 638**	–
Royalties paid	**3 117**	–
Other related parties		
The group has identified The New Clicks Foundation Trust and The Clicks Helping Hand Trust as related parties because of the group's involvement in the charitable and developmental activities of the trusts. The group has not consolidated these entities as it is not exposed to variable returns from them and any non-financial benefit is considered to be insignificant. The total net assets and net income for the two entities are R20.5 million (2015: R16.2 million) and R4.8 million (2015: R2.1 million) respectively. Donations to these entities during the year from subsidiary companies were:		
The Clicks Helping Hand Trust	**8 097**	5 729
The New Clicks Foundation Trust	**–**	–

No financial benefits were derived by the group from these relationships. See note 14 for further information relating to the loan balances owing by the charitable trusts.

Contributions to pension and provident fund

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

	Company 2016 R'000	Company 2015 R'000
33 Related party transactions (continued)		
33.2 Company		
The company has the following related party transactions:		
33.2.1 Dividends received		
New Clicks South Africa Proprietary Limited	**624 055**	400 000
Total dividends received from related parties	**624 055**	400 000
33.2.2 Dividends paid		
New Clicks South Africa Proprietary Limited	**24 366**	11 017
Clicks Group Employee Share Ownership Trust	**6 851**	5 539
New Clicks Holdings Share Trust	**414**	341
Total dividends paid to related parties	**31 631**	16 897
33.2.3 Loans to/(by) subsidiary companies		
New Clicks South Africa Proprietary Limited	**(216 903)**	(228 589)
Clicks Group Employee Share Ownership Trust	**291**	291
Clicks Centurion Proprietary Limited	**9 000**	9 000
	(207 612)	(219 298)

A schedule of the loans and investments in related parties is included on page 67.

Details regarding dividends relating to treasury shares are included in note 28.

34 Borrowing powers

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

35 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; Claire's, 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 page 13. 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.