

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 August

	Group	
	2017 R'000	2016 R'000
1 Revenue		
Turnover	26 809 101	24 170 879
Finance income	10 501	6 255
Other income	1 523 005	1 353 833
Distribution and logistics fees	683 022	651 730
Rental income	437	399
Advertising income, cost recoveries and other	839 546	701 704
	28 342 607	25 530 967
2 Depreciation and amortisation		
Depreciation of property, plant and equipment (see note 9)	259 657	237 824
Amortisation of intangible assets (see note 10)	37 409	26 320
Total depreciation and amortisation	297 066	264 144
Depreciation included in cost of merchandise sold and inventories	(13 839)	(11 482)
Depreciation and amortisation included in expenses	283 227	252 662
3 Occupancy costs		
Operating leases	746 130	654 097
Turnover rental expense	46 255	17 595
Movement in operating lease liability (see note 24)	2 617	9 941
Movement in provision for onerous contracts (see note 26)	(206)	1 194
	794 796	682 827
4 Employment costs		
Directors' emoluments (excluding incentives, see note 4.1)	21 630	19 790
Non-executive fees	3 210	2 926
Executive	18 420	16 864
Salary	17 182	14 780
Other benefits	1 238	2 084
Equity-settled share option costs (see note 20)	58 909	64 533
Long-term incentive scheme – TSR (see note 23)	149 020	96 119
Release of gain on cash flow hedge to profit or loss (see note 21)	(123 779)	(65 422)
Long-term incentive scheme – HEPS (see note 23)	49 113	52 063
Staff salaries and wages	2 477 494	2 203 402
Contributions to defined contribution plans	143 419	123 874
Leave pay costs (see note 23)	16 480	17 107
Bonuses (see note 23)	151 931	137 245
Increase in liability for defined benefit plans (see note 23)	1 074	1 473
Total employment costs	2 945 291	2 650 184
Employment costs included in cost of merchandise sold and inventories	(99 453)	(99 453)
Employment costs included in expenses	2 845 838	2 550 731
For further detail of directors' emoluments refer to the remuneration report on pages 65 to 67 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:		
	168 049	86 130
Short-term employee benefits	28 944	25 174
Post-employment benefits	2 217	2 938
Short-term incentive scheme	14 055	12 833
Long-term incentive scheme	122 743	43 630
Termination benefits	–	1 465
Share-based payments	90	90
Non-executive directors' fees	3 210	2 926
	171 259	89 056

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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 guaran- teed pay	RONA short- term incentive	Per- formance- based long-term incentive*	Total variable pay	Total
2017								
Bertina Engelbrecht	3 220	380	–	3 600	1 508	17 081	18 589	22 189
Michael Fleming	4 879	284	57	5 220	2 186	25 883	28 069	33 289
David Kneale**	9 083	515	2	9 600	6 031	48 000	54 031	63 631
Total	17 182	1 179	59	18 420	9 725	90 964	100 689	119 109
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

* 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 LTI payment to Mr Kneale has been capped at five times annual guaranteed pay in accordance with the rules of the scheme

The total number of ordinary shares in issue is 245 968 968 (2016: 246 137 763). The percentage of issued share capital held by directors is 0.22% (2016: 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 and directors' shareholdings are set out on page 71, which has been audited.

Non-executive directors' remuneration

Director	2017 Directors' fees (R'000)	2016 Directors' fees (R'000)
David Nurek	1 059	950
Fatima Abrahams*	459	409
John Bester	581	521
Nonkululeko Gobodo**	213	–
Fatima Jakoet	408	359
Nkaki Matlala***	161	417
Martin Rosen	329	270
Total	3 210	2 926
Total directors' remuneration		
Executive directors	119 109	59 519
Non-executive directors	3 210	2 926
Total directors' remuneration	122 319	62 445

* The fees paid to Professor Abrahams include an amount of R24 610 (2016: R21 740) for performing the role of chairman of The Clicks Group Employee Share Ownership Trust

** Appointed with effect from 1 March 2017

*** Retired with effect from 26 January 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

		Group	
		2017 R'000	2016 R'000
5	Other costs		
	Other operating costs include:		
	Fees paid for outside services		
	Technical services	22 024	19 035
	Loss in financial assets at fair value through profit or loss	1 161	523
	Foreign exchange losses – realised	1 996	1 461
	Impairment allowances raised/(reversed) – trade receivables (see note 18)	6 518	(86)
	Water and electricity	165 304	155 634
	Retail	152 562	145 010
	Distribution	12 742	10 624
6	Net financing costs		
	Recognised in profit or loss:		
	Interest income on bank deposits	9 977	5 763
	Other interest income	524	492
	Financial income	10 501	6 255
	Interest expense on financial liabilities measured at amortised cost	47 838	59 106
	Cash interest expense	41 591	45 086
	Other interest expense	6 247	14 020
	Financial expense	47 838	59 106
	Net financing cost	(37 337)	(52 851)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
7 Income tax expense				
South African normal tax				
Current tax				
Current year	513 303	461 218	31	22
Capital gains tax	–	1 114	–	1 114
Prior-year overprovision	(10 959)	(50 081)	–	–
Deferred tax				
Current year	(28 288)	(43 710)	–	–
Capital gains tax	–	8 011	–	–
Prior-year underprovision	18 431	34 159	–	–
Foreign tax				
Current tax				
Current year	4 706	7 713	–	–
Withholding tax	5 488	4 556	–	–
Deferred tax				
Current year	(5 611)	(2 329)	–	–
Prior-year underprovision	(440)	128	–	–
Taxation per income statement	496 630	420 779	31	1 136
Deferred tax – current year	(208 915)	(166 622)	–	–
Cash flow hedge recognised in other comprehensive income	(4 658)	(2 559)	–	–
Equity-settled transaction recognised in equity (see note 20)	(205 516)	(164 063)	–	–
Remeasurement of post-employment benefit obligations	1 259	–	–	–
Total income tax charge	287 715	254 157	31	1 136
<i>Reconciliation of rate of tax</i>	%	%	%	%
Standard rate – South Africa	28.00	28.00	28.00	28.00
Adjusted for:				
Capital gains tax	–	0.60	–	0.18
Disallowable expenditure	0.25	0.58	0.02	0.04
Exempt income and allowances	(0.97)	(0.58)	(28.02)	(28.04)
Foreign tax rate variations	–	(0.08)	–	–
Foreign withholding tax	0.31	0.30	–	–
Prior-year net under/(overprovision)	0.40	(1.04)	–	–
Effective tax rate	27.99	27.78	–	0.18

One of the subsidiaries of the group has an estimated tax loss of R42.2 million (2016: R18.9 million) available for set-off against future taxable income of that subsidiary. A deferred tax asset of R11.6 million (2016: R4.4 million) has been recognised in respect of the total estimated tax losses (see note 12).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

	Group	
	2017 R'000	2016 R'000
8 Earnings per share		
The calculation of basic and headline earnings per share at 31 August 2017 was based on profit for the year attributable to ordinary shareholders of Clicks Group Limited of R1 277.6 million (2016: R1 093.9 million) and headline earnings of R1 268.6 million (2016: R1 098.5 million) divided by the weighted average number of ordinary shares as follows:		
<i>Reconciliation of headline earnings</i>		
Profit attributable to equity holders of the parent	1 277 642	1 093 872
Adjusted for:		
	(9 090)	4 599
Loss on disposal of property, plant and equipment	4 868	6 388
Tax on disposal of property, plant and equipment	(1 362)	(1 789)
Gain on consolidation of the New Clicks Foundation Trust	(12 596)	–
Headline earnings	1 268 552	1 098 471
	2017 cents	2016 cents
Earnings per share	540.2	460.5
Headline earnings per share	536.3	462.4
Diluted earnings per share	505.7	436.7
Diluted headline earnings per share	502.1	438.5
	2017 '000	2016 '000
<i>Reconciliation of shares in issue to weighted average number of shares in issue</i>		
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	(9 612)	(6 254)
Treasury shares purchased during the year weighted for the period held	–	(2 319)
Weighted average number of shares in issue for the year	236 526	237 565
<i>Reconciliation of weighted average number of shares to weighted average diluted number of shares in issue</i>		
Weighted average number of shares in issue for the year (net of treasury shares)	236 526	237 565
Dilutive effect of share options (net of treasury shares)	16 115	12 936
Weighted average diluted number of shares in issue for the year	252 641	250 501

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

	2017		Group 2016		2015	
	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	409 525	54 038	398 102	48 402	372 891	46 815
Computer equipment	463 033	290 547	439 496	295 039	367 010	252 768
Equipment	282 149	174 130	269 975	166 331	250 151	145 615
Furniture and fittings	1 812 027	963 570	1 564 466	859 538	1 360 727	725 890
Motor vehicles	46 061	22 384	50 213	33 727	46 296	30 138
	3 038 604	1 504 669	2 748 061	1 403 037	2 422 884	1 201 226

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 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
Additions	–	11 423	83 587	29 429	318 743	12 785	455 967
Disposals	–	–	(205)	(1 552)	(4 691)	(951)	(7 399)
Depreciation	–	(5 636)	(55 353)	(23 502)	(170 523)	(4 643)	(259 657)
Carrying amount at 31 August 2017	25 809	355 487	172 486	108 019	848 457	23 677	1 533 935

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

	2017		Group 2016		2015	
	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	581	1 116	469	1 116	357
Capitalised and purchased computer software development	334 974	153 826	332 749	171 313	268 499	145 633
Contractual rights (see note 10.2)	22 015	18 095	17 020	17 020	17 020	17 020
	636 105	178 502	628 885	194 802	564 635	169 010

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 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
Additions	–	4 995	56 888	61 883
Amortisation	–	(1 187)	(36 222)	(37 409)
Disposals	–	–	(954)	(954)
Carrying amount at 31 August 2017	272 000	4 455	181 148	457 603

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:

- A forecast horizon of three years was used. The forecast horizon comprises the three-year plan drafted in the last quarter of the 2017 financial year, whereafter a perpetuity growth rate of 7.0% (2016: 6.5%) is used.
- The values assigned to the three-year plan revenue and cost growth assumptions reflect current trends, anticipated market developments and management's experience.
- 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.
- A discount rate of 14.0% (2016: 13.5%) 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 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 acquired contractual rights relating to medicine formulas.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

	Group	
	2017 R'000	2016 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
Kalahari Medical Distributors Proprietary Limited ("Kalahari") (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 2017 financial year, whereafter a perpetuity growth rate of 6.5% (2016: 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 14.0% (2016: 13.5%) 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 reasonably possible change in any of these assumptions would not cause the carrying amounts to exceed their recoverable amounts.

11.2 The same assumptions were applied to Kalahari as this company is in the same business as UPD and accordingly none of the assumptions would change significantly. The fact that Kalahari operates out of Botswana was considered, but this is also not expected to change the assumptions. The goodwill relating to Kalahari 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 2017 financial year, whereafter a perpetuity growth rate of 7.0% (2016: 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

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 14.0% (2016: 13.5%) 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 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	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
12 Deferred tax assets/(liabilities)				
Deferred tax assets	572 223	347 400	–	–
	572 223	347 400	–	–
Balance at the beginning of the year	347 400	177 037	–	–
Current deferred tax credit to profit or loss (see note 7)	15 908	3 741	–	–
Current deferred tax credit to other comprehensive income or equity (see note 7)	208 915	166 622	–	–
Balance at the end of the year	572 223	347 400	–	–
Arising as a result of:				
Capital gains tax	(48 110)	(48 110)	–	–
Derivative financial assets and liabilities	(106 893)	(67 009)	–	–
Employee obligations	718 112	457 544	–	–
Income and expense accrual	125 767	113 903	–	–
Inventory	30 628	28 080	–	–
Onerous leases	1 940	1 943	–	–
Operating lease liability	54 471	53 478	–	–
Prepayments	(19 225)	(18 585)	–	–
Property, plant and equipment	(112 696)	(94 777)	–	–
Tax losses	11 665	4 369	–	–
Trademarks	(76 172)	(76 172)	–	–
Other	(7 264)	(7 264)	–	–
Balance at the end of the year	572 223	347 400	–	–

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 R4.7 million (2016: R2.6 million liability) recognised in other comprehensive income (see note 21). Employee obligations includes an asset of R471.7 million (2016: R266.1 million) recognised in equity (see note 20).

In respect of the deferred tax asset recognised by one (2016: 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, paid during 2016 and 2017 respectively, on achievement of turnover targets.

Refer to note 27 detailing this contingent liability. 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	
	2017 R'000	2016 R'000
Assets		
Non-current assets	80 000	80 000
Current assets	2 744	5 656
Liabilities		
Current liabilities	2 146	3 123
Equity	80 598	82 533
Group's carrying amount of the investment	20 039	20 282
Summarised Statement of comprehensive income		
Income	16 490	12 755
Expenses	(380)	(236)
Profit before taxation	16 110	12 519
Income tax expense	(4 511)	(3 505)
Profit for the year	11 599	9 014
Total comprehensive income for the year	11 599	9 014
Group's proportionate share of profit for the year	2 900	2 254
Dividends received from associate	3 143	1 638

	Group	
	2017 R'000	2016 R'000
14 Loans receivable		
New Clicks Foundation Trust (see note 14.1)	–	5 021
Sign and Seal Trading 205 Proprietary Limited ("Style Studio") (see note 14.3)	4 500	4 500
Non-current loans receivable	4 500	9 521
Triton Pharmacare Capital Investments Proprietary Limited ("Triton") (see note 14.2)	9 000	8 476
Current loans receivable	9 000	8 476
Total loans receivable	13 500	17 997

14.1 The loan to New Clicks Foundation Trust is unsecured, interest free and no fixed date for repayment has been determined. During the current year New Clicks Foundation Trust was consolidated in accordance with IFRS 10 – Consolidated Financial Statements. Subsequently, the loan became an intergroup loan which was eliminated on consolidation.

14.2 The loan to Triton is interest free, carried at amortised cost and is repayable on demand.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

	Group	
	2017 R'000	2016 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)	11 279	16 145
Listed equity instruments (see note 15.2)	10 941	–
Collective investment schemes (see note 15.2)	3 896	–
Listed preference shares (see note 15.2)	1 464	–
Total financial assets at fair value through profit or loss	27 580	16 145

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 In the current year New Clicks Foundation Trust has been consolidated in the group in accordance with IFRS 10. The trust invests in various financial assets comprising listed equity instruments, collective investment schemes and listed preference shares.

	Group			
	2017		2016	
	Assets R'000	Liabilities R'000	Assets R'000	Liabilities R'000
16 Derivative financial instruments				
Equity derivative hedge – non-current	134 891	–	231 242	–
Equity derivative hedge – current	190 848	–	–	–
Forward exchange contracts – current	–	(9 142)	–	(26 971)

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, 10 and 11 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 2017, 2018 and 2019 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 2017 was R623.5 million (2016: R493.1 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	
	2017 R'000	2016 R'000
17 Inventories		
Inventories comprise:		
Goods for resale	3 636 496	3 375 540
Goods in transit	117 298	103 177
	3 753 794	3 478 717
Inventories stated at net realisable value	40 685	62 781

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	
	2017 R'000	2016 R'000
18 Trade and other receivables		
Trade and other receivables comprise:		
Trade receivables	1 732 032	1 643 043
Less: impairment of trade receivables	(30 599)	(24 081)
Trade receivables – net	1 701 433	1 618 962
Prepayments	101 281	91 755
Income accruals	177 972	160 278
Logistics fees receivable	223 251	118 725
Other (refer to note 18.1)	8 782	22 976
	2 212 719	2 012 696

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	
	2017 R'000	2016 R'000
Balance at 1 September	24 081	28 678
Impairment provision raised/(reversed)	6 518	(86)
Impairment loss utilised	–	(4 511)
Balance at 31 August	30 599	24 081

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

	Group and Company	
	2017 R'000	2016 R'000
19 Share capital and share premium		
Authorised – group and company		
600 million (2016: 600 million) ordinary shares of one cent each	6 000	6 000
50 million (2016: 50 million) "A" ordinary shares of one cent each	500	500
Issued ordinary shares – group and company		
245.969 million (2016: 246.138 million) ordinary shares of one cent each and 29.153 million (2016: 29.153 million) "A" ordinary shares of one cent each	2 752	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.

	Group and Company		Total 2017 '000	Total 2016 '000
	Ordinary shares '000	"A" ordinary shares '000		
<i>Reconciliation of total number of shares in issue to net number of shares in issue</i>				
Total number of shares in issue at the end of the year	245 969	29 153	275 122	275 291
Treasury shares held at the end of the year	(9 443)	(29 153)	(38 596)	(38 765)
Net number of shares in issue at the end of the year	236 526	–	236 526	236 526

	R'000	R'000
Of the shares in issue, the group holds the following treasury shares:		
Shares held by a subsidiary – 9.443 million (2016: 9.443 million) ordinary shares of one cent each – cost	702 556	702 556
Shares held by the New Clicks Holdings Share Trust – nil (2016: 0.170 million) ordinary shares of one cent each – cost	–	1 450
Shares held by the Clicks Group Employee Share Ownership Trust – 29.153 million (2016: 29.153 million) "A" ordinary shares of one cent each – cost	292	292
	702 848	704 298

168 795 shares were cancelled during the current financial year (2016: 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.

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 2017	Number of shares 2016
"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
2017						
February 2011	R41.54	13 031 548	-	-	(174 241)	12 857 307
February 2012	R41.11	2 186 475	-	-	(269 146)	1 917 329
February 2013	R60.00	3 736 083	-	-	(651 922)	3 084 161
February 2014	R56.78	2 526 052	-	-	(404 620)	2 121 432
February 2015	R90.32	2 337 431	-	-	(246 037)	2 091 394
February 2016	R86.75	385 383	-	-	(49 285)	336 098
February 2017	R120.29	-	209 163	-	-	209 163
Unallocated share options						6 536 411
						29 153 295
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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

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	
	2017 R'000	2016 R'000
Share option reserve		
Balance at the beginning of the year	483 188	254 592
	264 425	228 596
Equity-settled share-based payment expense	58 909	64 533
Deferred tax recorded directly in equity arising on consolidation	205 516	164 063
Balance at the end of the year	747 613	483 188
	275 959	217 050
Equity-settled share-based payment expense in opening retained earnings	217 050	152 517
Equity-settled share-based payment expense	58 909	64 533
Deferred tax recorded directly in equity arising on consolidation	471 654	266 138
Estimate of options not yet vested but expected to vest	747 613	483 188

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

		Group	
		2017 R'000	2016 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	28 616	35 196
	Movement in cash flow hedge	(17 892)	(9 139)
	Movement in cash flow hedge relating to forward exchange contracts	22 145	(49 196)
	Movement in cash flow hedge relating to the equity derivative hedge	(40 037)	40 057
	Deferred tax recognised in other comprehensive income	4 658	2 559
	Balance at the end of the year	15 382	28 616

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 R48.3 million (2016: R119.3 million) and a net gain of R66.2 million was recycled to profit or loss (2016: R128.4 million). R57.6 million loss (2016: R63 million gain) of the amount recycled is included in cost of merchandise sold and R123.8 million gain (2016: R65.4 million gain) is included under employment costs. R2.2 million gain (2016: R49.2 million loss) will be recycled to profit or loss in 2018 relating to forward exchange contracts and R19.1 million gain (2016: R40.1 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	
		2017 R'000	2016 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	(756)	5 805
		(756)	5 805
	Reconciliation of foreign currency translation reserve		
	Balance at the beginning of the year	5 805	6 331
	Exchange differences on translation of foreign subsidiaries	(6 561)	(526)
	Balance at the end of the year	(756)	5 805

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

	Group	
	2017 R'000	2016 R'000
23 Employee benefits		
Long-term incentive schemes	150 628	156 488
Post-retirement medical obligations	58 603	58 644
Total long-term employee benefits	209 231	215 132
<i>Accounted for as follows:</i>		
Long-term employee benefits recognised in terms of IFRS 2 – Share-based Payments (see note 23.1)	98 567	116 947
Long-term employee benefits recognised in terms of IAS 19 – Employee Benefits (see note 23.2)	110 664	98 185
Total long-term employee benefits	209 231	215 132
Long-term employee benefits recognised in terms of IFRS 2 – Share-based Payments		
		Long-term incentive scheme – TSR (note 23.1) R'000
Long-term cash-settled share-based payment liability		
Balance at 1 September 2015		22 851
Expense from cash-settled share-based payment		96 119
Early settlement		(2 023)
Balance at 31 August 2016		116 947
Expense from cash-settled share-based payment		149 020
Early settlement		(1 751)
Reclassification to short-term benefits		(165 649)
Balance at 31 August 2017		98 567

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 2017 the group issued 0.9 million (2016: 1.1 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 2014 options outstanding at year-end are due for settlement.

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

The contractual life of the September 2016 options outstanding at year-end was two years.

Details of share option allocations – 2017

	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	R159.52	1 225 514	–	–	(49 657)	1 175 857
September 2015 options	R114.72	1 012 390	–	–	(48 370)	964 020
September 2016 options	R53.51	–	861 807	–	(40 537)	821 270

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	6.75	1.92	20.10	4.00
September 2015 options – three-year vesting period	R93.82	6.75	1.92	20.10	4.00
September 2016 options – three-year vesting period	R126.03	6.75	1.92	20.10	4.00

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

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

23 Employee benefits (continued)**23.2 Long-term employee benefits recognised in terms of IAS 19 – Employee Benefits**

	Long-term incentive scheme – HEPS (note 23.3) R'000	Post- retirement medical obligations (note 23.4) R'000	Total R'000
Long-term employee benefits			
Balance at 1 September 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
Current service cost	49 733	1 074	50 807
Benefit payments	(516)	(1 170)	(1 686)
Interest cost	6 710	4 550	11 260
Actuarial gain recognised in profit or loss	(620)	–	(620)
Actuarial gain recognised in other comprehensive income	–	(4 495)	(4 495)
Reclassification to short-term employee benefits	(42 787)	–	(42 787)
Balance at 31 August 2017	52 061	58 603	110 664

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

During 2017 the group issued 2.1 million (2016: 2.2 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 R52.62 (2016: R46.07) 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

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 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 2017) are:

- (i) a discount rate of 8.7% 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.

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):

	2017 R'000	2016 R'000
– Medical aid inflation increases by 1% per annum over assumptions made	10 163	7 400
– Medical aid inflation decreases by 1% per annum over assumptions made	(8 258)	(5 102)
– Discount rate increases by 1% per annum over assumptions made	(7 990)	(5 593)
– Discount rate decreases by 1% per annum over assumptions made	9 975	6 728
– Retirement age decreases by two years	6 920	6 875
– Life expectancy of male pensioners increases by one year	1 171	972
– Life expectancy of male pensioners decreases by one year	(1 176)	(995)
– Life expectancy of female pensioners increases by one year	1 349	1 333
– Life expectancy of female pensioners decreases by one year	(1 332)	(1 350)
The following undiscounted payments are expected contributions in future years from post-retirement medical obligations.		
Within 12 months	1 800	1 458
Between 2 and 5 years	9 330	7 679
Between 5 and 10 years	18 397	16 311
Between 10 and 20 years	89 631	90 500
Between 20 and 30 years	159 301	183 088
Between 30 and 40 years	148 732	188 023
Beyond 40 years	98 278	134 813
Total expected payments	525 469	621 872

The average duration of the post-retirement medical obligations at year-end is 19.2 years (2016: 21.9 years).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

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				
	2017 R'000	2016 R'000	2015 R'000	2014 R'000	2013 R'000
Defined benefit obligation	58 603	58 644	53 903	49 380	45 306
Experience adjustments on plan liabilities	–	–	(1 063)	–	(1 221)

Short-term employee benefits	Long-term incentive scheme – TSR (note 23.1) R'000	Long-term incentive scheme – HEPS (note 23.2) 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 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
Reclassification from long-term employee benefits	165 649	42 787	–	–	–	208 436
Benefit payments	–	(71 022)	(8 316)	(143 954)	(8 067)	(231 359)
Charge included in profit or loss	–	–	16 480	151 931	6 986	175 397
Balance at 31 August 2017	165 649	40 701	69 492	116 710	1 908	394 460

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's 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)

23.7 The overtime accrual is in respect of overtime worked in August 2017 which is paid in September 2017.

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 Senthaga 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 14 307 (2016: 13 705) 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 2 464 (2016: 2 227) South African employees were principal members of a medical aid scheme, of whom 1 817 (2016: 1 552) were principal members with Horizon, 535 (2016: 573) were principal members of a Discovery Health medical aid scheme and 112 (2016: 102) were principal members of various other medical aid schemes.

At year-end six (2016: five) Botswana employees were principal members with BOMaid and one with PULA, 15 (2016: 16) Namibian employees were principal members of Namibia Health Plan and 17 (2016: 16) Swaziland employees were principal members of Swazimed.

At year-end 29.4% (2016: 26.2%) 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

	Group	
	2017 R'000	2016 R'000
24 Lease commitments		
Operating lease liability	193 026	190 409
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 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	714 035	650 493
– Later than one year, not later than five years	4 191 244	3 223 857
– Later than five years	858 545	781 238
	5 763 824	4 655 588
Future minimum lease payments receivable under non-cancellable operating leases due, which relate to Intercare Management Healthcare Proprietary Limited:		
– Not later than one year	3 183	4 126
– Later than one year, not later than five years	5 779	8 962
	8 962	13 088
The net future minimum lease payments under non-cancellable operating leases due:		
– Not later than one year	710 852	646 367
– Later than one year, not later than five years	4 185 465	3 214 895
– Later than five years	858 545	781 238
	5 754 862	4 642 500

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	
	2017 R'000	2016 R'000
25 Trade and other payables		
The following are included in trade and other payables:		
Trade payables	4 500 821	4 212 129
Other loyalty programme deferred income (see note 25.1)	97 190	81 765
Non-trade payables and accruals (see note 25.2)	877 171	854 517
	5 475 182	5 148 411
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 74% 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 and unredeemed gift cards.		
26 Provisions		
Provision for onerous contracts		
Balance at the beginning of the year	6 939	5 745
Movement in provision during the year recognised in occupancy costs	(206)	1 194
Balance at the end of the year	6 733	6 939
Current	6 733	6 939
Non-current	–	–
	6 733	6 939
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).		
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 prior year for a purchase price of R15.0 million on signing of the contract and settled two contingent payments of R2.5 million each during the prior year and current year respectively.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

	Group	
	2017 R'000	2016 R'000
28 Dividends to shareholders		
Previous year final cash dividend out of distributable reserves – 196 cents per share paid 30 January 2017 (2016: 169.5 cents per share paid 25 January 2016 out of distributable reserves)	482 430	417 204
Current year interim cash dividend out of distributable reserves – 88 cents per share paid 3 July 2017 (2016: 76 cents per share paid 4 July 2016 out of distributable reserves)	216 452	187 064
“A” shares – Previous year final cash dividend out of distributable reserves – 27.2 cents per share paid 30 January 2017 (2016: 23.5 cents per share paid 25 January 2016)	7 930	6 851
Total dividends to shareholders	706 812	611 119
Dividends on treasury shares	(28 507)	(24 780)
Dividends on “A” shares held in trust	(906)	(582)
Dividends paid outside the group	677 399	585 757

On 24 October 2017 the directors approved the final proposed dividend of 234 cents per share and 32.2 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 2018.

Dividend policy

The dividend payout ratio is 60%.

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 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 2016 and 2017 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

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 173 million and USD46 million (2016: R2 025 million and USD48 million) of which the full balance remained undrawn (2016: nil drawn down).

See note 30.5 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, 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 2017 the shareholders' interest to total assets was 34.0% (2016: 29.3%).

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).

Exposure to currency risk – foreign exchange contracts	31 August 2017				31 August 2016			
	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	27 634	4 653	4 913	90 941	18 498	3 251	2 263	103 377
Forward exchange contracts subject to cash flow hedging	26 574	2 382	2 785	87 153	17 546	1 845	1 978	62 803
Net exposure	1 060	2 271	2 128	3 788	952	1 406	285	40 574

The following exchange rates applied during the year:

	Average rate		Reporting date mid-spot rate	
	2017	2016	2017	2016
USD	13.46	14.74	13.02	14.49
GBP	17.24	21.48	16.98	19.06
EUR	14.99	16.56	15.79	16.30
CNY	1.97	2.26	1.97	2.18

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	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Decrease in pre-tax other comprehensive income	(36 640)	(27 456)	(4 130)	(4 069)	(4 236)	(3 322)	(17 344)	(14 464)
Increase in profit before tax	1 392	1 384	3 857	2 680	3 359	464	830	8 845

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 2017		31 August 2016	
		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	1 701 433	1 701 433	1 618 962	1 618 962
Logistics fees receivable (see note 18)	Loans and receivables	223 251	223 251	118 725	118 725
Other receivable (see note 18)	Loans and receivables	8 782	8 782	22 976	22 976
Loans receivable (see note 14)	Loans and receivables	13 500	13 500	17 997	17 997
Financial assets at fair value through profit or loss (see note 15)	Assets at fair value	27 580	27 580	16 145	16 145
Cash and cash equivalents	Loans and receivables	700 473	700 473	369 800	369 800
Equity derivative contracts used for cash flow hedging (see note 16)	Assets at fair value	325 739	325 739	231 242	231 242
Financial liabilities					
Forward exchange contracts used for cash flow hedging (see note 16)	Financial liabilities measured at fair value	9 142	9 142	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	5 260 353	5 260 353	4 968 333	4 968 333

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)****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.

The fair value of listed equity and other similar instruments is determined by reference to the quoted price in active markets.

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:

	2017 %	2016 %
Borrowings	10.25	10.50
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 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
2017				
Financial assets				
Financial assets at fair value through profit or loss (see note 15)	16 301	11 279	–	27 580
Equity derivative contracts used for cash flow hedging (see note 16)	–	325 739	–	325 739
Total	16 301	337 018	–	353 319
Financial liabilities				
Forward exchange contracts used for cash flow hedging (see note 16)	–	9 142	–	9 142
Total	–	9 142	–	9 142
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

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 have 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	
	2017 R'000	2016 R'000
Derivative financial assets (see note 16)	325 739	231 242
Trade receivables (see note 18)	1 701 433	1 618 962
Logistics fees receivable (see note 18)	223 251	118 725
Other receivable (see note 18)	8 782	22 976
Cash and cash equivalents	700 473	369 800
Loans receivable (see note 14)	13 500	17 997
Total	2 973 178	2 379 702

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

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	
	2017 R'000	2016 R'000
Retail customers	103 035	80 622
Distribution customers	1 598 398	1 538 340
Total	1 701 433	1 618 962

Retail customers

The ageing of trade receivables at the reporting date was:

	2017			2016		
	Gross R'000	Impairment R'000	Net R'000	Gross R'000	Impairment R'000	Net R'000
Not past due	101 605	(4 700)	96 905	84 922	(4 300)	80 622
Past due 0 – 30 days	2 347	(100)	2 247	–	–	–
Past due more than 31 days	7 083	(3 200)	3 883	–	–	–
Total	111 035	(8 000)	103 035	84 922	(4 300)	80 622

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:

	2017			2016		
	Gross R'000	Impairment R'000	Net R'000	Gross R'000	Impairment R'000	Net R'000
Not past due	1 431 141	–	1 431 141	1 276 046	(65)	1 275 981
Past due 0 – 30 days	145 774	–	145 774	185 993	(700)	185 293
Past due more than 31 days	44 082	(22 599)	21 483	96 082	(19 016)	77 066
Total	1 620 997	(22 599)	1 598 398	1 558 121	(19 781)	1 538 340

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	
	2017 R'000	2016 R'000
Insured	1 563 908	1 548 178
Uninsured	57 089	9 943
	1 620 997	1 558 121

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	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Balance at the beginning of the year	(4 300)	(5 900)	(19 781)	(22 778)
Additional allowances made	(3 700)	–	(2 818)	86
Trade receivables written off during the year as uncollectible	–	1 600	–	2 911
Balance at the end of the year	(8 000)	(4 300)	(22 599)	(19 781)

The creation of impairment losses have been included in "other costs" in profit or loss (see note 5).

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

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
2017			
Liabilities			
Derivative financial liabilities (see note 16)	9 142	9 142	9 142
Trade and other payables (see note 25)	5 260 353	5 260 353	5 260 353
	5 269 495	5 269 495	5 269 495
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

31 Capital commitments

	Group	
	2017 R'000	2016 R'000
Capital expenditure approved by the directors		
Contracted	184 028	25 866
Not contracted	496 485	551 534
	680 513	577 400

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 173 million and USD46 million (2016: R2 025 million and USD48 million) with respect to facilities held with various banks. At year-end these facilities had no drawings by group companies (2016: 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 69.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

33 Related party transactions (continued)

33.1 Group (continued)

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.

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 70.

	Group	
	2017 R'000	2016 R'000
Transactions with Sorbet Brands Proprietary Limited		
Dividends received	3 143	1 638
Royalties paid	2 984	3 117
Other related parties		
The Clicks Helping Hand Trust	4 087	8 097

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

Contributions to pension and provident fund

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 August

		Company	
		2017 R'000	2016 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	706 812	624 055
	Total dividends received from related parties	706 812	624 055
	33.2.2 Dividends paid		
	New Clicks South Africa Proprietary Limited	28 507	24 366
	Clicks Group Employee Share Ownership Trust	7 930	6 851
	New Clicks Holdings Share Trust	331	414
	Total dividends paid to related parties	36 768	31 631
	33.2.3 Loans to/(by) subsidiary companies		
	New Clicks South Africa Proprietary Limited	(217 997)	(216 903)
	Clicks Group Employee Share Ownership Trust	291	291
	Clicks Centurion Proprietary Limited	9 000	9 000
	New Clicks Holdings Share Trust	(19 682)	–
		(228 388)	(207 612)

A schedule of the loans and investments in related parties is included on page 69.

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 of Clicks, a specialist health, beauty and homeware retailer; Claire's, a specialty retailer of fashionable jewellery and accessories at affordable prices; GNC, a specialty 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 services 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 16. 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. Segmental 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.