INDEPENDENT AUDITOR'S REPORT

to the shareholders of Clicks Group Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Clicks Group Limited and its subsidiaries (the group) set out on pages 10 to 69, which comprise the consolidated and separate statements of financial position as at 31 August 2017, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Clicks Group Limited as at 31 August 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of Clicks Group Limited in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Clicks Group Limited. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Clicks Group Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Key audit matter	How the matter was addressed in the audit
Provisions against inventories	
Inventories are disclosed in note 17 – Inventories. Management identifies slow moving, obsolete and damaged inventories on a regular basis and these are recorded at the lower of cost or estimated net realisable value. Inventory provisions require management to make significant accounting estimates and judgements. These include identification of damaged, slow moving and obsolete inventory and assessing the level of provisions required including based on comparing the inventory holding to the projected likely future sales less estimated selling costs using factors existing at the reporting date. Given this, and the quantum of the inventories balance we have considered the provisions against inventories to be a key audit matter.	Our procedures included, amongst others: • Assessing the reasonableness of the methodologies applied by management for consistency with prior years and our knowledge of industry practice. • Evaluating the assumptions and estimates applied to the methodologies for slow moving, obsolete and damaged inventories by: – testing the identification of such inventory for each business; – testing the accuracy of historical information and data trends; – assessing changing trends applied against the current inventory balances; and – performing analytical procedures on obsolescence levels and write down rates. • Testing the estimated future sales values, less estimated costs to sell against the carrying value of the inventories. • Recalculating the arithmetical accuracy of the computations.

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Key audit matter	How the matter was addressed in the audit
Share based compensation arrangements: Long-Term Incentive (LTI) Scheme and Employee Share Ownership Programme (ESOP)	
The Group has a Long-term Incentive (LTI) scheme as set out in note 23, which includes the Total Shareholder Return LTI and an Employee Share Ownership Programme (ESOP) as set out in note 20, both of which are considered to be share based compensation arrangements and are accounted for in terms of IFRS 2: Share-based Payment. The Group uses derivative financial instruments to hedge market risk relating to the cash-settled share based compensation LTI scheme which are classified as cash flow hedges. The share based compensation arrangements require the use of judgement and estimates, including, where applicable, to determine fair values of the incentives at grant date and at the reporting date. The valuation of the derivative financial instruments requires the use of an option pricing model. Cash flow hedge accounting requires an assessment of the effective and ineffective portion of the hedge. In addition, the Group has a recharge arrangement for the ESOP between the Company, Clicks Group Limited, and subsidiary companies. The taxation considerations of these arrangements result in deductible temporary differences which gives rise to deferred taxation assets. Given the accounting complexity and quantitative materiality of the LTI and ESOP arrangements and level of judgement involved in management estimates that are required to value the ESOP, LTI and derivative financial instruments together with considering hedge accounting, recharge arrangements and taxation consequences we consider these share based compensation arrangements to be a key audit matter.	Our procedures included, amongst others: • Evaluating the arrangements and accounting consequences in terms of the requirements of IFRS. • Assessing the methodology, models and assumptions employed by management in determining the values for ESOP options, the derivative financial instruments and cash-settled liabilities and recalculating the values determined by management, including, where appropriate, through the use of our quantitative advisory specialists. • Testing the hedge effectiveness of the derivative financial instrument using our quantitative advisory specialists. • Recalculating the recharge arrangement in terms of the Company's accounting policy. • Assessing the taxation consequences, including by using our taxation specialists, and recalculating the deductible temporary differences and resulting deferred taxation assets. • Assessing whether the recognition and measurement criteria used in the accounting records was consistent with the requirements of IFRS. • Considering the adequacy and accuracy of the related disclosures in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report, the audit and risk committee's report, the company secretary's certificate as required by the Companies Act of South Africa and the directors' responsibility statement, analysis of shareholders, shareholders' diary and corporate information, which we obtained prior to the date of this report, and the Integrated Annual Report and five-year review, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

When we read the Integrated Annual Report and five-year review, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

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

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if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.

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

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

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

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of Clicks Group Limited for 5 years.

Ernst + Young Inc.

Ernst & Young Inc.
Director - Malcolm Peter Rapson
Chartered Accountant (SA)
Registered Auditor

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

10 November 2017