CLICKS GROUP LIMITED

Audited annual financial statements 2023

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The integrated report is the group's primary reporting medium and is supplemented by additional reports and information which is also available online at www.clicksgroup.co.za.

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Audited annual financial statements

For the year ended 31 August 2023

These are the audited annual financial statements of the group and the company for the year ended 31 August 2023.

They have been prepared under the supervision of the chief financial officer, G Traill (CA).

As a leader in the healthcare market Clicks Group is committed to increasing access to affordable healthcare for all South Africans. Clicks is the country's leading health, wellness and beauty retailer and foremost pharmacy chain, with an expanding network of over 880 stores and over 710 pharmacies supported by a growing digital presence. UPD is the country's leading full-range pharmaceutical wholesaler, providing the distribution capability for the group's healthcare strategy.

Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the annual financial statements and group annual financial statements of Clicks Group Limited,

comprising the statements of financial position at 31 August 2023; the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa and including the audit and risk committee report on page 6.

In addition, the directors are responsible for preparing the directors' report.

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

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

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

Approval of annual financial statements

The consolidated and separate annual financial statements of Clicks Group Limited, as identified in the first paragraph, were approved by the board of directors on 9 November 2023 and signed by:

David Nurek Independent non-executive chairman	**Bertina Engelbrecht** Chief executive officer	**Gordon Traill** Chief financial officer

Cape Town
9 November 2023

Certificate by the company secretary

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

M Welz
Company secretary

Cape Town
9 November 2023

Directors' responsibility

The Chief executive officer and the Chief financial officer, hereby confirm, in accordance with the JSE Listings Requirements 3.84(k) that –

a) the annual financial statements set out on pages 14 to 83, fairly present in all material respects the financial position, financial performance and cash flows of the group in terms of IFRS;

b) to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

c) internal financial controls have been put in place to ensure that material information relating to the group and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the group;

d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;

e) where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and where required, have taken steps to remedy the deficiencies; and

f) we are not aware of any fraud involving directors.

Bertina Engelbrecht
Chief executive officer

Gordon Traill
Chief financial officer

Cape Town
9 November 2023

Directors' report

Nature of business

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

Group financial results

The results of operations for the year are set out in the consolidated statement of comprehensive income on page 14. The profit attributable to ordinary shareholders for the year is R2 537.5 million (2022: R2 638.7 million).

Share capital

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

243 969 611	Ordinary shares issued at 31 August 2022
(2 808 812)	Repurchase and cancellation of shares: May 2023 – August 2023
241 160 799	Ordinary shares issued at 31 August 2023

Dividends to shareholders

Interim

The directors approved an interim dividend of 185.0 cents per ordinary share (2022: 180.0).

Final

The directors have approved a final ordinary dividend of 494.0 cents per ordinary share (2022: 457.0 cents per ordinary share). The source of such dividends will be from distributable reserves. The dividend will be payable on 29 January 2024 to shareholders registered on 26 January 2024.

Events after the financial year-end

The following significant events took place between the end of the financial year and the date of this report:

- the declaration of the final dividend; and
- the group repurchased and cancelled 3 098 334 Clicks Group Limited ordinary shares to the value of R834.8 million. Refer note 35.

Directors and secretary

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

Independent non-executive directors

David Nurek (chairman)
John Bester
Richard Inskip
Nomgando Matyumza
Mfundiso Njeke
Sango Ntsaluba
Penelope Osiris (née Moumakwa)
Christine Ramon

Executive directors

Chief executive officer: Bertina Engelbrecht.

Chief financial officer: Michael Fleming until 31 December 2022, and Gordon Traill from 1 January 2023.

The company secretary's details are set out on the inside back cover.

Retirement and re-election of directors

Christine Ramon and Richard Inskip were appointed by the board during the year preceding the AGM in February 2024 and accordingly retire in order to allow that their appointments be put before shareholders. John Bester leaves the board with the company's thanks.

Directors' interest in shares

Gordon Traill purchased shares on 3 January 2023.

Sango Ntsaluba purchased shares on 8 February 2023.

Bertina Engelbrecht purchased shares on 31 May 2023.

Transfer of 20 000 shares from The Nurek Family Trust, an associate of a director, DM Nurek, to the director's wife, J Nurek; and transfer by a director, DM Nurek, of his 50% interest in 45 000 shares held jointly by the director and the director's wife, to the director's wife, J Nurek (off-market transactions).

Incentive schemes

Information relating to the incentive schemes is set out on pages 57 to 59.

Special resolutions

Special resolutions passed at the annual general meeting held on 26 January 2023:

Special Resolution No. 1:
General authority to repurchase shares

Special Resolution No. 2:
Approval of directors' fees

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

Subsidiary companies

The names of the company's main subsidiaries and financial information relating thereto appear on page 83.

Audit and risk committee report

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

Role of the committee

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

The responsibilities of the committee are as follows:

Integrated reporting

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

Combined assurance

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

Finance function

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

Internal audit

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

Risk management

- Ensure the group has an effective policy and plan for risk management;
- Oversee the development and annual review of the risk management policy and plan;
- Monitor implementation of the risk management policy and plan;
- Make recommendations to the board on levels of risk tolerance and risk appetite;
- Ensure risk management is integrated into business operations;
- Ensure risk management assessments are conducted on a continuous basis;
- Ensure frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;

- Ensure that management considers and implements appropriate risk responses;
- Express the committee's opinion on the effectiveness of the system and process of risk management; and
- Ensure risk management reporting in the integrated report is comprehensive and relevant.

External audit

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

Composition of the committee

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

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

Independent non-executive director	Qualifications
Mfundiso Njeke	B Com, B Compt (Hons), CA (SA), H Dip Tax
Sango Ntsaluba	B Com, B Compt (Hons), H Dip Tax Law, M Com Development Finance, CA (SA)
Nomgando Matyumza	B Com, B Compt (Hons), CA(SA), LLB

At the 2024 annual general meeting, Mr Inskip, Ms Matyumza, Mr Njeke, Mr Ntsaluba and Ms Ramon will be recommended to shareholders for election to the audit and risk committee.

Biographical details of the committee members appear on pages 34 and 36 of the integrated annual report, with supplementary information contained in annexures to the notice of annual general meeting.

Fees paid to the committee members for 2023 and the proposed fees for 2024 are disclosed in the remuneration report on the group's website.

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

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

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

Internal audit

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

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

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

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

Internal control

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

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

Internal financial controls

The committee has considered the results of the formal documented review of the company's system of internal financial controls and risk management, including the design, implementation and effectiveness of the internal financial controls, conducted by the internal audit function during the 2023 year. The committee has also assessed information and explanations given by management and discussions with the external auditor on the results of the audit. Through this process no material matter has come to the attention of the audit and risk committee or the board that has caused the directors to believe that the company's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

External audit

The committee appraised the independence, expertise and objectivity of Ernst & Young Inc. (EY) as the external auditor, as well as approving the terms of engagement and the fees paid to EY.

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

The group has received confirmation from EY that the partners and staff responsible for the audit comply with all legal and professional requirements with regards to rotation and independence. The committee is satisfied that EY is independent of the company and complies with the JSE Listings Requirements.

The audit partner in charge of the audit, Malcolm Rapson, has previously served as the partner in charge of the audit (prior to partner mandatory rotation requirements resulting in his being replaced by Anthony Cadman, who served in this role for several years). EY will be completing its eleventh year as the group's external auditors for the 2023 financial year and will be obligated to rotate off due to mandatory rotation requirements.

EY has been the auditor of the group for the past eleven years and is considered independent. The audit and risk committee members are satisfied with the quality of work produced by the external auditors and are not aware of any adverse quality indicators.

The audit and risk committee has undertaken work to give effect to the group's policy of audit firm rotation. The board will be recommending KPMG for appointment as the group's auditor at the February 2024 AGM and the appointment of Ivan Engels as audit partner, to perform the audit for the 2024 financial year.

Policy on non-audit services

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

During the year EY received fees of R1 096 884 (2022: R670 321) for non-audit services, equating to 14% (2022: 9.9%) of the total audit remuneration. These services related mainly to agreed-upon procedures for third party confirmation, advisory services and the assurance of the systems related to distribution services provided by UPD to third parties.

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

Activities of the committee

The committee met five times during the financial year and attendance at the meetings is detailed in the integrated annual report on page 40. Members of the committee, the external auditor and the group head of internal audit may request a non-scheduled meeting if they consider this necessary. The chairman of the committee will determine if such a meeting should be convened.

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

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

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

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

An overview of the risk management process and function is set out in the corporate governance report on the Clicks website.

Evaluation of chief financial officer and finance function

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

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

Approval of the audit and risk committee report

The committee confirms that it has functioned in accordance with its terms of reference for the 2023 financial year and that its report to shareholders has been approved by the board.

Mfundiso Njeke
Chairman: Audit and risk committee

9 November 2023

Independent auditor's report

To the shareholders of Clicks Group Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Clicks Group Limited and its subsidiaries (the group) and company set out on pages 14 to 83, which comprise of the consolidated and separate statements of financial position as at 31 August 2023, 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 and the directors' shareholdings table on page 85.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 31 August 2023, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

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

Key audit matters

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

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

The Key Audit Matters apply only to the audit of the consolidated financial statements.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Business combinations The group acquired the subsidiaries H. Mallach and Associates Proprietary Limited, 180 Degrees Marketing Proprietary Limited and Sorbet Holdings Proprietary Limited for a total purchase price consideration of R275 million as reflected in note 34. International Financial Reporting Standard 3 Business Combinations (IFRS 3) requires the recognition and measurement of identifiable assets acquired, the liabilities assumed and the goodwill acquired in each business combination. In addition IFRS 3 determines disclosure requirements. Judgement is required for the recognition of the identifiable assets acquired and the liabilities assumed, for the measurement of such assets and liabilities and the determination of the amount of goodwill as part of the Purchase Price Allocation (PPA). In addition an assessment is required as to the adequacy of the disclosures of the business combinations. Due to the judgement required in the recognition of the identifiable assets acquired and the liabilities assumed, for the measurement of such assets and liabilities and the determination of the amount of goodwill we assess the business combinations of the investments in subsidiaries as a Key Audit Matter.	Our procedures, amongst others, included the following to assess the treatment of the acquisitions: We obtained an understanding of the nature of each transaction by obtaining the legal agreements and other supporting documentation, including but not limited to: • Purchase and Sales agreements • List of parties involved in each transaction • Percentage ownership before and after transaction • Consideration paid and allocation thereof We assessed the acquisition date of each business combination through evaluating when the Group obtained control of the subsidiary by reading the legal agreements and assessing when any conditions precedent and regulatory approvals were received. We obtained the Group's analysis of the PPA and their identification of assets acquired, liabilities assumed and goodwill allocation. For more significant balances in the PPA we obtained documentary or physical evidence to confirm the identification of the assets and liabilities and recalculated the measurement of the assets and liabilities and goodwill recognised. We assessed the appropriateness of significant Identifiable assets included as identifiable intangible assets recognised at fair value. We evaluated the fair values of intangible assets by reviewing the valuation methodologies, assumptions and input data for reasonableness and where appropriate included our valuation specialists in evaluation of the fair value assessments. We assessed the reasonableness of the disclosures in the financial statements based on the requirements of IFRS 3.

Other information

The directors are responsible for the other information. The other information comprises the information included in the 86-page document titled "Clicks Group Limited Audited Annual Financial Statements 2023", which includes the Directors' Report, the Audit and Risk Committee's Report, and the Company Secretary's certificate as required by the Companies Act of South Africa, and the 81-page document titled "Clicks Group Limited Integrated Annual Report 2023." The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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 eleven years.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Malcolm Rapson
Chartered Accountant
Registered Auditor

9 November 2023

Waterway House
3 Dock Road
Cape Town

Consolidated statement of comprehensive income

for the year ended 31 August

	Notes	2023 R'000	2022 R'000
Revenue	1	**44 560 532**	42 500 019
Turnover	1	**41 621 681**	39 587 142
Cost of merchandise sold		**(32 307 830)**	(31 154 885)
Gross profit		**9 313 851**	8 432 257
Other income	1	**2 846 623**	2 541 537
Insurance proceeds – civil unrest	1, 33	**–**	325 887
Total income		**12 160 474**	11 299 681
Expenses		**(8 537 435)**	(7 649 266)
Depreciation and amortisation	2	**(1 460 574)**	(1 320 795)
Occupancy costs	3	**(189 309)**	(163 250)
Employment costs	4	**(4 393 494)**	(4 003 148)
Other costs	5	**(2 485 393)**	(2 147 507)
Impairment allowance – IFRS 9 ECL	18	**(8 665)**	(14 566)
Operating profit		**3 623 039**	3 650 415
Loss on disposal of property, plant and equipment		**(7 381)**	(4 460)
Insurance proceeds on property, plant and equipment – civil unrest	33	**–**	167 002
Profit before financing costs		**3 615 658**	3 812 957
Net financing expense	6	**(139 352)**	(164 835)
Financial income	1, 6	**92 228**	45 453
Financial expense	6	**(231 580)**	(210 288)
Profit before earnings from associates		**3 476 306**	3 648 122
Share of loss of associates	13	**(5 201)**	(8 974)
Profit before taxation		**3 471 105**	3 639 148
Income tax expense	7	**(933 577)**	(1 000 468)
Profit for the year		**2 537 528**	2 638 680
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss, net of tax			
Remeasurement of post-employment benefit obligations		**(159)**	1 033
Items that may be subsequently reclassified to profit or loss, net of tax			
Exchange differences on translation of foreign subsidiaries	21	**6 353**	11 837
Cash flow hedges		**53 226**	37 211
Cost of hedging reserve		**(17 846)**	(17 791)
Other comprehensive income for the year, net of tax		**41 574**	32 290
Total comprehensive income for the year		**2 579 102**	2 670 970
Earnings per share (cents)	8	**1 042.3**	1 080.1
Diluted earnings per share (cents)	8	**1 042.3**	1 080.1

Consolidated statement of financial position

at 31 August

	Notes	2023 R'000	2022 R'000
ASSETS			
Non-current assets		**7 201 109**	6 491 054
Property, plant and equipment	9	**2 643 136**	2 374 962
Right-of-use assets	23	**2 999 297**	2 827 826
Intangible assets	10	**968 207**	720 988
Goodwill	11	**204 829**	102 806
Deferred tax assets	12	**70 423**	108 145
Investment in associates	13	**21 214**	25 389
Loans receivable	14	**130 597**	91 814
Financial assets at fair value through profit or loss	15	**163 406**	145 052
Derivative financial assets	16	**–**	94 072
Current assets		**11 833 745**	11 372 862
Inventories	17	**6 309 809**	6 164 453
Trade and other receivables	18	**3 019 488**	3 047 040
Loans receivable	14	**28 030**	34 582
Cash and cash equivalents		**2 455 176**	2 014 553
Derivative financial assets	16	**21 242**	112 234
Total assets		**19 034 854**	17 863 916
EQUITY AND LIABILITIES			
Equity		**5 964 814**	5 698 807
Share capital	19	**2 412**	2 440
Share premium	19	**1 064 953**	1 064 953
Cash flow hedge reserve	20	**(2 984)**	7 234
Cost of hedging reserve		**(6 166)**	(4 983)
Foreign currency translation reserve	21	**(507)**	(6 860)
Distributable reserve		**4 907 106**	4 636 023
Non-current liabilities		**2 270 392**	2 238 914
Lease liabilities	23	**2 152 485**	2 087 725
Deferred tax liabilities	12	**–**	21 335
Employee benefits	22	**117 907**	129 854
Current liabilities		**10 799 648**	9 926 195
Trade and other payables	24	**9 268 898**	8 368 721
Lease liabilities	23	**1 086 440**	1 012 159
Employee benefits	22	**295 942**	354 552
Income tax payable		**146 735**	190 063
Derivative financial liabilities	16	**1 633**	700
Total equity and liabilities		**19 034 854**	17 863 916

Consolidated statement of changes in equity

for the year ended 31 August

R'000	Number of shares (Note 19) '000	Share capital (Note 19) R'000	Share premium (Note 19) R'000
Balance at 1 September 2021	245 557	2 456	1 064 953
Transactions with owners, recorded directly in equity			
Dividends declared to shareholders (refer note 25)	–	–	–
Shares repurchased and cancelled	(1 587)	(16)	–
Total transactions with owners	(1 587)	(16)	–
Total comprehensive income for the year	–	–	–
Profit for the year	–	–	–
Remeasurement of post-employment benefit obligations	–	–	–
Cash flow hedge reserve	–	–	–
Cost of hedging reserve	–	–	–
Exchange differences on translation of foreign subsidiaries	–	–	–
Transfer of reserves to inventories	–	–	–
Balance at 31 August 2022	**243 970**	**2 440**	**1 064 953**
Transactions with owners, recorded directly in equity			
Dividends declared to shareholders (refer note 25)	**–**	**–**	**–**
Shares repurchased and cancelled	**(2 809)**	**(28)**	**–**
Total transactions with owners	**(2 809)**	**(28)**	**–**
Total comprehensive income for the year	**–**	**–**	**–**
Profit for the year	**–**	**–**	**–**
Remeasurement of post-employment benefit obligations	**–**	**–**	**–**
Cash flow hedge reserve	**–**	**–**	**–**
Cost of hedging reserve	**–**	**–**	**–**
Exchange differences on translation of foreign subsidiaries	**–**	**–**	**–**
Transfer of reserves to inventories	**–**	**–**	**–**
Balance at 31 August 2023	**241 161**	**2 412**	**1 064 953**

Cash flow hedge reserve (Note 20) R'000	Cost of hedging reserve R'000	Foreign currency translation reserve (Note 21) R'000	Distributable reserve R'000	Total equity R'000
34 817	(7 167)	(18 697)	3 728 831	4 805 193
–	–	–	(1 286 940)	(1 286 940)
–	–	–	(445 581)	(445 597)
–	–	–	(1 732 521)	(1 732 537)
37 211	(17 791)	11 837	2 639 713	2 670 970
–	–	–	2 638 680	2 638 680
–	–	–	1 033	1 033
37 211	–	–	–	37 211
–	(17 791)	–	–	(17 791)
–	–	11 837	–	11 837
(64 794)	19 975	–	–	(44 819)
7 234	**(4 983)**	**(6 860)**	**4 636 023**	**5 698 807**
–	**–**	**–**	**(1 562 794)**	**(1 562 794)**
–	**–**	**–**	**(703 492)**	**(703 520)**
–	**–**	**–**	**(2 266 286)**	**(2 266 314)**
53 226	**(17 846)**	**6 353**	**2 537 369**	**2 579 102**
–	**–**	**–**	**2 537 528**	**2 537 528**
–	**–**	**–**	**(159)**	**(159)**
53 226	**–**	**–**	**–**	**53 226**
–	**(17 846)**	**–**	**–**	**(17 846)**
–	**–**	**6 353**	**–**	**6 353**
(63 444)	**16 663**	**–**	**–**	**(46 781)**
(2 984)	**(6 166)**	**(507)**	**4 907 106**	**5 964 814**

Consolidated statement of cash flows

for the year ended 31 August

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

	Notes	2023 R'000	2022 R'000
Cash effects from operating activities			
Profit before working capital changes		**5 190 836**	5 022 565
Working capital changes		**672 811**	(744 466)
Cash generated by operations		**5 863 647**	4 278 099
Interest received	6	**92 228**	45 453
Interest paid		**(218 946)**	(197 663)
Taxation paid		**(968 671)**	(938 159)
Acquisition of derivative financial asset used to hedge the long-term incentive scheme		**–**	(64 230)
Settlement of derivative financial asset used to hedge the long-term incentive scheme		**104 609**	80 515
Cash inflow from operating activities before dividends paid		**4 872 867**	3 204 015
Dividends paid to shareholders	25	**(1 562 794)**	(1 286 940)
Net cash effects from operating activities		**3 310 073**	1 917 075
Cash effects from investing activities			
Investment in property, plant and equipment and intangible assets to maintain operations		**(356 542)**	(337 616)
Investment in property, plant and equipment and intangible assets to expand operations		**(573 462)**	(499 983)
Proceeds from disposal of property, plant and equipment and intangible assets		**13 972**	1 503
Acquisition of investments	34	**(241 008)**	–
Investment in associate		**(14 193)**	(8 715)
Loan to associate		**–**	(153 721)
Repayment of loan by associate		**4 717**	46 808
Other loans receivable advanced		**(44 418)**	–
Other loans receivable repaid		**–**	707
Insurance proceeds on property, plant and equipment – civil unrest	33	**–**	167 002
Net cash effects from investing activities		**(1 210 934)**	(784 015)
Cash effects from financing activities			
Shares repurchased		**(703 520)**	(445 597)
Repayment of lease liabilities		**(954 996)**	(879 537)
Net cash effects from financing activities		**(1 658 516)**	(1 325 134)
Net increase/(decrease) in cash and cash equivalents		**440 623**	(192 074)
Cash and cash equivalents at the beginning of the year		**2 014 553**	2 206 627
Cash and cash equivalents at the end of the year		**2 455 176**	2 014 553

Notes to the consolidated statement of cash flows

for the year ended 31 August

	2023 R'000	2022 R'000
Cash flow information		
Profit before working capital changes		
Profit before taxation	**3 471 105**	3 639 148
Adjustment for:		
Non-cash flow items:	**1 572 998**	1 381 124
Depreciation and amortisation	**1 519 026**	1 374 610
Release of cash flow hedge to profit or loss	**64 620**	12 994
Fair value adjustments on financial assets at fair value through profit or loss	**(18 354)**	(19 170)
Impairment of loan	**–**	1 765
Net loss of associates	**7 706**	10 925
Items presented elsewhere in the consolidated statement of cash flows:	**7 381**	(162 542)
Loss on disposal of property, plant and equipment	**7 381**	4 460
Insurance proceeds on property, plant and equipment – civil unrest	**–**	(167 002)
Net financing expense	**139 352**	164 835
	5 190 836	5 022 565
Working capital changes		
Increase in inventories	**(127 165)**	(711 961)
Decrease in trade and other receivables	**50 357**	426 034
Increase/(decrease) in trade and other payables	**833 028**	(396 173)
Decrease in employee benefits	**(83 409)**	(62 366)
	672 811	(744 466)
Tax paid		
Income tax payable at the beginning of the year	**(190 063)**	(145 270)
Income tax – acquisitions	**(1 703)**	–
Normal tax charged to profit or loss	**(923 640)**	(982 952)
Income tax payable at the end of the year	**146 735**	190 063
	(968 671)	(938 159)
Cash and cash equivalents at the end of the year		
Current accounts	**210 691**	194 499
Short-term deposits	**20 795**	9 854
Money market fund*	**2 223 690**	1 810 200
	2 455 176	2 014 553
Acquisition of investment in subsidiaries		
The group acquired an interest in H. Mallach and Associates Proprietary Limited (trading as M-Kem) during the current financial year. The cash paid to obtain control was as follows:		
Total purchase price paid in cash	**50 000**	
Less: Cash of H. Mallach and Associates Proprietary Limited	**(8 789)**	
Cash paid to obtain control net of cash acquired	**41 211**	
The group acquired an interest in 180 Degrees Marketing Proprietary Limited during the current financial year. The cash paid to obtain control was as follows:		
Total purchase price paid in cash	**120 000**	
Less: Cash of 180 Degrees Marketing Proprietary Limited	**(5 441)**	
Cash paid to obtain control net of cash acquired	**114 559**	
The group acquired an interest in Sorbet Group Proprietary Limited during the current financial year. The cash paid to obtain control was as follows:		
Total purchase price paid in cash	**105 000**	
Less: Cash of Sorbet Group Proprietary Limited	**(19 762)**	
Cash paid to obtain control net of cash acquired	**85 238**	

* Low-risk corporate money market fund convertible into cash within one business day and held for short-term requirements.

Segmental analysis

for the year ended 31 August

R'000		Retail (Note 32) 31 August 2023	Retail (Note 32) 31 August 2022
Statement of financial position			
Property, plant and equipment		**2 287 344**	2 097 374
Right-of-use assets		**2 952 146**	2 763 578
Intangible assets		**780 895**	583 696
Goodwill		**108 552**	6 529
Inventories		**4 655 780**	4 108 677
Trade and other receivables		**661 561**	758 874
Cash and cash equivalents		**2 437 424**	2 010 279
Other assets		**892 395**	1 108 952
Total assets		**14 776 097**	13 437 959
Lease liabilities		**3 193 914**	3 040 230
Employee benefits – non-current		**108 432**	121 105
Trade and other payables		**5 915 107**	4 473 799
Employee benefits – current		**283 504**	319 114
Other liabilities		**3 690 602**	3 650 534
Total liabilities		**13 191 559**	11 604 782
Net assets		**1 584 538**	1 833 177
Statement of comprehensive income			
Turnover		**31 724 875**	29 405 126
Gross profit		**9 146 149**	8 227 580
Other income		**1 689 904**	1 726 276
Total income		**10 836 053**	9 953 856
Expenses		**(7 676 923)**	(6 893 465)
Depreciation and amortisation		**(1 413 734)**	(1 282 367)
Occupancy costs		**(187 099)**	(159 584)
Employment costs		**(4 034 839)**	(3 677 955)
Other costs		**(2 036 618)**	(1 761 669)
Impairment allowance – IFRS 9 ECL		**(4 633)**	(11 890)
Operating profit/(loss)		**3 159 130**	3 060 391
Ratios			
Increase/(decrease) in turnover	(%)	**7.9**	11.7
Selling price inflation	(%)	**7.0**	4.0
Comparable stores turnover growth	(%)	**3.5**	8.4
Gross profit margin	(%)	**28.8**	28.0
Total income margin	(%)	**34.2**	33.9
Operating expenses as a percentage of turnover	(%)	**24.2**	23.4
Increase in operating expenses	(%)	**11.4**	10.1
Increase/(decrease) in operating profit	(%)	**3.2**	27.6
Operating profit margin	(%)	**10.0**	10.4
Inventory days		**75**	71
Trade debtor days		**4**	6
Trade creditor days		**61**	49
Number of stores		**950**	898
as at 31 August 2022/2023		**898**	841
opened/acquired [(1)]		**59**	63
closed		**(7)**	(6)
Number of pharmacies		**711**	673
as at 31 August 2022/2023		**673**	621
new/converted		**45**	55
closed		**(7)**	(3)
Total leased area	(m^2)	**528 788**	493 242
Weighted retail trading area	(m^2)	**425 440**	397 120
Weighted annual sales per m^2	(R)	**73 200**	72 822
Number of permanent employees		**17 865**	15 885

The intragroup turnover elimination for the year comprises R6 959.0 million (2022: R6 500.4 million) of sales from Distribution to Retail and R319.5 million (2022: R239.9 million) of sales from Retail to Distribution.
(1) – Opened/acquired stores excludes 190 Sorbet franchise stores, but includes 4 corporate stores.

Distribution (Note 32)		Intragroup elimination		Total operations	
31 August 2023	31 August 2022	31 August 2023	31 August 2022	31 August 2023	31 August 2022
355 792	277 588	**–**	–	**2 643 136**	2 374 962
47 151	64 248	**–**	–	**2 999 297**	2 827 826
187 312	137 292	**–**	–	**968 207**	720 988
96 277	96 277	**–**	–	**204 829**	102 806
1 805 492	2 183 643	**(151 463)**	(127 867)	**6 309 809**	6 164 453
3 302 648	3 182 005	**(944 721)**	(893 839)	**3 019 488**	3 047 040
17 752	4 274	**–**	–	**2 455 176**	2 014 553
3 591 485	3 447 505	**(4 048 968)**	(3 945 169)	**434 912**	611 288
9 403 909	9 392 832	**(5 145 152)**	(4 966 875)	**19 034 854**	17 863 916
45 011	59 654	**–**	–	**3 238 925**	3 099 884
9 475	8 749	**–**	–	**117 907**	129 854
4 305 397	4 795 647	**(951 606)**	(900 725)	**9 268 898**	8 368 721
12 438	35 438	**–**	–	**295 942**	354 552
504 806	504 805	**(4 047 040)**	(3 943 241)	**148 368**	212 098
4 877 127	5 404 293	**(4 998 646)**	(4 843 966)	**13 070 040**	12 165 109
4 526 782	3 988 539	**(146 506)**	(122 909)	**5 964 814**	5 698 807
17 175 276	16 922 347	**(7 278 470)**	(6 740 331)	**41 621 681**	39 587 142
186 996	207 831	**(19 294)**	(3 154)	**9 313 851**	8 432 257
1 413 337	1 370 601	**(256 618)**	(229 453)	**2 846 623**	2 867 424
1 600 333	1 578 432	**(275 912)**	(232 607)	**12 160 474**	11 299 681
(1 112 827)	(981 552)	**252 315**	225 751	**(8 537 435)**	(7 649 266)
(46 840)	(38 428)	**–**	–	**(1 460 574)**	(1 320 795)
(3 871)	(5 241)	**1 661**	1 575	**(189 309)**	(163 250)
(358 655)	(325 193)	**–**	–	**(4 393 494)**	(4 003 148)
(699 429)	(610 014)	**250 654**	224 176	**(2 485 393)**	(2 147 507)
(4 032)	(2 676)	**–**	–	**(8 665)**	(14 566)
487 506	596 880	**(23 597)**	(6 856)	**3 623 039**	3 650 415
1.5	(2.6)	**8.0**	5.8	**5.1**	5.5
1.0	1.5	**–**	–	**4.9**	3.0
–	–	**–**	–	**3.5**	8.4
1.1	1.2	**–**	–	**22.4**	21.3
9.3	9.3	**–**	–	**29.2**	28.5
6.5	5.8	**–**	–	**20.5**	19.3
13.4	5.5	**–**	–	**11.6**	7.9
(18.3)	12.1	**–**	–	**(0.7)**	29.0
2.8	3.5	**–**	–	**8.7**	9.2
39	48	**–**	–	**71**	72
53	45	**–**	–	**34**	27
72	72	**–**	–	**71**	63
–	–	**–**	–	**950**	898
–	–	**–**	–	**898**	841
–	–	**–**	–	**59**	63
–	–	**–**	–	**(7)**	(6)
–	–	**–**	–	**711**	673
–	–	**–**	–	**673**	621
–	–	**–**	–	**45**	55
–	–	**–**	–	**(7)**	(3)
–	–	**–**	–	**528 788**	493 242
–	–	**–**	–	**425 440**	397 120
–	–	**–**	–	**73 200**	72 822
582	607	**–**	–	**18 447**	16 492

Accounting policies

Clicks Group Limited is a company domiciled in South Africa. The consolidated financial statements as at and for the year ended 31 August 2023 comprise the company, its subsidiaries and associates (collectively referred to as "the group").

Basis of preparation

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

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

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgements and assumptions that affect the accounting policies and the reported amounts of assets, liabilities, income and expenses. Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

Significant accounting estimates and judgements

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

Allowance for net realisable value of inventories

The group evaluates its inventory to ensure that it is carried at the lower of cost or net realisable value. Provision is made against slow moving, obsolete and damaged inventories. Damaged inventories are identified and written down through the inventory counting procedures conducted within each business. Allowance for slow moving and obsolete inventories is assessed by each business as part of their ongoing financial reporting. Obsolescence is assessed based on comparison of the level of inventory holding to the projected likely future sales less selling costs using factors existing at the reporting date. Refer to note 17 for further detail.

Rebates received from vendors

The group enters into agreements with many of its vendors providing for inventory purchase rebates based upon achievement of specified volumes of purchases, with many of these agreements applying to the calendar year. For certain agreements, the rebates increase as a proportion of purchases as higher quantities or values of purchases are made relative to the prior period. The group accrues the receipt of vendor rebates as part of its cost of sales for products sold, taking into consideration the cumulative purchases of inventory to date. Rebates are accrued monthly, with an extensive reassessment of the rebates earned being performed at the reporting date. Consequently, the rebates actually received may vary from that accrued in the financial statements.

Impairment of financial assets

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

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

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

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

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

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

Impairment of non-financial assets

Goodwill and intangible assets with an indefinite useful life are tested for impairment at least annually.

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

Intangible assets with an indefinite useful life:

The group assesses intangible assets with an indefinite useful life for impairment annually or whenever there is an indication of potential impairment. The group evaluates the carrying value of intangible assets with an indefinite useful life by comparing their recoverable amount to their carrying amounts. The recoverable amount is determined based on the higher of the asset's fair value less costs to sell or its value in use. Fair value is determined using appropriate valuation techniques. Value in use is calculated by discounting estimated future cash flows generated by the asset.

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

Goodwill: Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated.

The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable pre-tax discount rate that is reflective of the cash-generating unit's risk profile, in order to calculate the value-in-use. Details of the assumptions used in the impairment test are detailed in note 11.

Assessment of useful lives and residual values of property, plant and equipment and right-of-use assets:

Assessments of estimated useful lives and residual values are performed annually after considering factors such as technological innovation, maintenance programmes, relevant market information and management consideration. In assessing residual values the group considers the remaining life of the asset, its projected disposal value and future market conditions. The group assesses the right-of-use assets for impairment upon identification of any impairment indicators.

Income taxes

The group is subject to income tax in numerous jurisdictions. Significant judgement is required in determining the provision for tax as there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax issues based on estimates of the taxes that are likely to become due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted. The group assesses how uncertain tax positions affect the determination of income tax and deferred income tax. The group also considers whether tax authorities will accept certain tax treatments, determines the probabilities of the acceptance and the impact on income tax and deferred income tax. Refer to notes 7 and 12 for further detail.

Employee benefits liabilities

Post-retirement defined benefits are provided for certain existing and former employees. Actuarial valuations are performed to assess the financial position of the relevant funds and are based on assumptions which include mortality rates, healthcare inflation, the expected long-term rate of return on investments, the discount rate and current market conditions. Refer to note 22 for further detail, including a sensitivity analysis.

Measurement of share-based payments

The cumulative expense recognised in terms of the group's share-based payment scheme reflects the extent, in the opinion of management, to which the vesting period has expired and the number of rights to options granted that will ultimately vest. At the end of each reporting date the unvested rights are adjusted by the number forfeited during the period to reflect the actual number of instruments outstanding. Management is of the opinion that this represents the most accurate estimate of the number of instruments that will ultimately vest. The fair value attached to share options granted is valued using the Monte Carlo option pricing model. The key assumptions used in the calculation include estimates of the group's expected share price volatility, dividend yield, risk-free interest rate and forfeiture rate.

Clicks ClubCard customer loyalty scheme

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

Insurance cell captive

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

Measurement of financial instruments

The fair value of financial instruments that are not traded in an active market and are material to the group, is determined by using valuation techniques outlined in note 27, which may include the use of external independent valuators to value these unquoted financial instruments.

Valuation of lease liabilities and right-of-use assets

The application of IFRS 16 requires the group to make judgements and estimates that affect the valuation of lease liabilities and the valuation of right-of-use assets. These include determining contracts in the scope of IFRS 16, determining the lease term and determining the interest rate used for discounting future cash flows.

The group generally enters into property leases with renewal options. The lease term determined by the group generally comprises non-cancellable periods of lease contracts, periods covered by an option to extend the lease if the group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the group is reasonably certain not to exercise that option. The same term is applied as economic useful life of right-of-use assets.

The group applies judgement in evaluating whether it is reasonably certain or not to exercise the option to renew or terminate the lease. It considers all relevant factors that create an economic incentive to exercise either the renewal or termination. The group has concluded that at the inception of the lease, there are significant uncertainties as to whether the group may exercise the extension options. Therefore, renewal periods for property leases are generally not included as part of the lease term as these are not reasonably certain to be exercised at the commencement date.

After the commencement date the group will reassess the lease term upon the occurrence of a significant event or change in circumstances that are within the control of the group and affect whether the group is reasonably certain or not to exercise an option not previously included in its determination of the lease term. The group will also reassess its estimation of the non-cancellable period for any lease terminating within 12 months. Any change to the non-cancellable period will be considered a change in estimate and will be applied prospectively. The carrying amount of the lease liability is adjusted to reflect the payments to be made over the revised term, which are discounted at the revised discount rate. An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being depreciated over the remaining (revised) lease term.

The group cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the group would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the group could borrow at, which requires estimation when no observable rates are available.

The group uses a portfolio approach when determining the discount rate as lease terms are similar, and are concluded under similar economic conditions. The majority of leases are concluded in South Africa and are negotiated at a group level. The group estimates the IBR using observable inputs (such as JIBAR) and adjusts it with certain entity-specific estimates such as a credit spread applicable to the lease term and a group specific discount, taking into account the group's credit rating observed in the period when the lease contract commences or is modified.

Business combinations

Purchase price allocations require the application of significant accounting estimates and judgements to determine the fair value of identifiable assets acquired, liabilities assumed and any non-controlling interests in a business combination. These estimates and judgements are crucial in assessing the fair value of acquired assets and liabilities, which directly impact the allocation of the purchase price and subsequent recognition and measurement of goodwill. When determining the fair value of assets and liabilities, the group exercises judgement in selecting appropriate valuation techniques and uses techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Key estimates and judgements include the determination of appropriate discount rates, cash flow projections, useful lives, residual values and market participant assumptions. These estimates and judgements require the careful consideration of historical data, industry trends, economic conditions and other relevant factors.

Basis of consolidation

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

The group considers all relevant facts and circumstances in assessing whether it has the power over an investee and reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control. The financial results of subsidiaries are included in the consolidated financial statements from the date that control was obtained and, where applicable, up to the date that control ceased. All intragroup transactions and balances, including any unrealised gains and losses arising from intragroup transactions, are eliminated on consolidation. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. The company carries its investments in subsidiaries at cost less accumulated impairment.

Fair value measurement

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

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

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

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

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

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

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

Goodwill

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

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

Contingent consideration

In accordance with IFRS 3, Business Combinations, the group recognises and accounts for a contingent consideration arising from business combinations. The group's contingent consideration represents obligations that arise from the group's commitment to transfer additional assets to the acquiree upon the occurrence of specified future events. The group's contingent consideration is initially recognised at fair value at the acquisition date as part of the purchase consideration. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss. The group periodically reassesses the fair value of the contingent consideration, taking into account any new information and developments that may affect the probability of the contingency's outcome. Any adjustments resulting from these reassessments are recorded in the financial statements in the reporting period in which they occur.

Investment in associates

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

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

Foreign currency

Functional and presentation currency

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

Foreign currency transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of group entities at rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the rates of exchange ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign exchange differences arising on translation are recognised in profit or loss.

Foreign operations

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

Financial instruments

Initial recognition and measurement

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

Financial assets

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

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

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

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

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

Financial liabilities

Classification of financial liabilities

The group classifies financial liabilities into appropriate categories based on their contractual cash flow characteristics and the group's business model for managing them.

A financial liability is classified, at initial recognition in either of the following categories:

- financial liability at fair value through profit or loss;
- financial liabilities classified at fair value through profit or loss are initially recognised at fair value, any gains or losses arising on remeasurement are recognised in profit or loss;
- financial liabilities at amortised costs; or
- financial liabilities classified at amortised cost are recognised at fair value plus transaction costs, in the case of a financial liability not at fair value through profit or loss.

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

Financial assets or at fair value through profit or loss

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

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

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

Cash and cash equivalents

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

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in money market instruments, net of bank overdrafts, all of which are available for use by the group unless otherwise stated. Outstanding payments are included in trade and other payables.

Interest-bearing borrowings

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

Trade and other payables

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

Derivative financial instruments and hedging activities

The group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investing activities, as well as market risk arising on cash-settled share-based compensation schemes and employee benefits. In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes. Subsequent to initial recognition derivatives are measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. Where a derivative financial instrument is used to hedge the variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in a firm commitment, the hedge is classified as a cash flow hedge.

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

Cash flow hedges

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

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

The group designates the spot element of forward contracts as a hedge instrument. As such, the hedging relationship of the hedge instruments to the hedged risk components is equal but opposite. Hedge effectiveness testing is based on the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items. Hedge ineffectiveness arises from differences in the timing of the cash flows of the hedged items and the hedging instruments, as well as changes to the forecasted amount of cash flows of hedged items and hedging instruments. The forward element is recognised directly in a separate cost of hedging reserve under equity. The forward contracts hedge foreign currency risk relating to inventory purchases. Upon recognition of the inventory the amount accumulated in the cost of hedging reserve is removed from the reserve and recognised directly in the initial cost of inventory. This does not constitute a reclassification adjustment and will therefore be transferred directly out of equity and not through OCI.

Derivatives not qualifying for hedge accounting

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

Derecognition

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership or control of the financial asset are transferred. Where the group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

Financial liabilities

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

Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment, including owner occupied buildings, are stated at historical cost less accumulated depreciation and accumulated impairment losses. Land is stated at cost less impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Installation and other costs, which comprise materials and direct labour costs necessarily incurred in order to acquire property, plant and equipment, are also included in cost. When parts of property, plant and equipment have different useful lives they are accounted for as separate items (major components) of property, plant and equipment. Borrowing costs are capitalised in line with the accounting policy outlined under financial expenses. Gains or losses on the disposal of property, plant and equipment, comprising the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss.

Subsequent costs

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits embodied within the item will flow to the group and its cost can be measured reliably. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of the asset in order to reduce the cost of the asset to its residual value. Residual value is the amount that an entity could receive for the asset at the reporting date if the asset were already of the age and the condition that it will be in when the entity expects to dispose of it. Residual value does not include expected future inflation. Land is not depreciated.

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

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

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

Leases

Initial recognition and measurement

The group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee

The group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The election for short-term leases shall be made by class of the underlying asset to which the right of use relates. The election for leases for which the underlying asset is of low-value can be made on a lease-by-lease basis. The group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The group recognises lease payments in respect of leases of low-value assets and short-term leases that have a lease term of 12 months or less as an expense on a straight-line basis over the lease term.

A right-of-use asset and a lease liability are recognised at the commencement date of the contract for all leases conveying the right to control the use of an identified asset for a period of time.

The right-of-use assets are initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives; and
- any initial direct cost incurred by the group.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. These include:

- fixed payments, less any lease incentive receivables;
- variable lease payments that depend on a rate, initially measured using the rate as at the commencement date;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising an option to terminate the lease.

The lease payments exclude variable elements which are dependent on external factors such as sales volume. Variable payments not included in the initial measurement of the lease liability are recognised directly in profit or loss in the period in which the event or condition that triggers payment occurs.

In calculating the present value of lease payments the group uses its incremental borrowing rate at the lease commencement date since the interest rate implicit in the lease is not readily determinable. After the commencement date the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The lease term determined by the group comprises:

- non-cancellable periods of lease contracts;
- periods covered by an option to extend the lease if the group is reasonably certain to exercise that option at the inception of the lease; and
- periods covered by an option to terminate the lease if the group is reasonably certain not to exercise that option at the inception of the lease.

Subsequent measurement

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation, any accumulated impairment losses and adjusted for any remeasurement of the lease liability.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The lease liability is measured by increasing the carrying value to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made and remeasuring the carrying amount to reflect any remeasurement or lease modifications.

Intangible assets (other than goodwill)

Intangible assets (other than goodwill) are initially recognised at cost if acquired externally, or at fair value if acquired as part of a business combination. Expenditure on internally generated development activity is capitalised if the product or process is technically and commercially feasible, the group has sufficient resources to complete development, the group has intention to complete and use or sell it, it is probable that future economic benefits relating to the asset will flow to the group and the cost can be measured reliably. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the associated intangible asset. Other research and development expenditure is recognised in profit or loss as an expense when incurred. No value is attached to internally developed and maintained trademarks or brand names. Expenditure incurred to maintain trademarks and brand names is recognised in profit or loss as incurred. Intangible assets which have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment. Intangible assets that are assessed as having a finite useful life are amortised over their useful lives on a straight-line basis from the date they become available for use and are tested for impairment if indications exist that they may be impaired. Intangible assets with indefinite useful lives are not amortised and are tested annually for impairment. The estimated useful lives of intangible assets for the current and comparative periods are as follows:

Capitalised software development	5 to 10 years
Purchased computer software	3 to 5 years
Contractual rights	5 years
Trademarks	Indefinite useful life
Other trademarks	10 to 20 years

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

Inventories

Merchandise for resale is valued on the weighted average cost basis and is stated at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition, and is stated net of purchase incentives.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and sell the product. The cost of merchandise sold includes normal shrinkage, wastage and inventory losses. Obsolete, redundant and slow moving inventories are identified on a regular basis and are written down to their net realisable value. The carrying amount of inventory is recognised as an expense in the period in which the related revenue is recognised.

Impairment of assets

Non-financial assets

The carrying amounts of the group's non-financial assets other than inventories (see accounting policy note for inventories) and deferred tax assets (see accounting policy note for deferred tax), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date. Whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount, an impairment loss is recognised in profit or loss. As goodwill is not capable of generating cash flows independently of other assets, in assessing the recoverable amount of goodwill, it is allocated to cash-generating units on a reasonable and consistent basis. Where appropriate, corporate assets are also allocated to cash-generating units on a reasonable and consistent basis. The recoverable amount of the cash-generating unit (including an allocation of goodwill and corporate assets) is assessed with reference to the future cash flows of the cash-generating unit. Where an impairment is identified for a cash-generating unit, the impairment is applied first to the goodwill allocated to the cash-generating unit and then to other assets on a pro rata basis comprising the cash-generating unit, provided that each identifiable asset is not reduced to below its recoverable amount.

Recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and its value in use. Recoverable amounts are estimated for individual assets or, if an asset does not generate largely independent cash flows, for a cash-generating unit. A cash-generating unit is the smallest collection of assets capable of generating cash flows independent of other assets or other cash-generating units. The fair value less costs of disposal is the amount obtainable from the sale of an asset or cash-generating unit in an orderly transaction between market participants at the measurement date. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or cash-generating unit and from its disposal at the end of its useful life. The estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Reversal of impairment losses

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

An impairment loss is reversed only to the extent that the carrying amount of the affected asset is not increased to an amount higher than the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in prior years. The reversal is recorded as income in profit or loss. An impairment loss in respect of goodwill is never reversed.

Financial assets

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

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

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

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

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

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

Share capital

Share capital

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

Share premium

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

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

Share repurchases

Ordinary shares in Clicks Group Limited have been acquired by the group in terms of an approved share repurchase programme. Immediately after the repurchases an instruction letter is sent to the JSE to cancel these shares. The cost of these shares is deducted from distributable reserves, the share capital is reduced with the issued ordinary share value and the number of shares is deducted from both the number of shares in issue and the weighted average number of shares.

Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised as an expense during the period in which the employee renders the related service. Accruals for employee entitlements to wages, salaries, bonuses and annual leave represent the amount which the group has a present obligation to pay as a result of employees' services provided up to the reporting date.

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

Other long-term employee benefits

Liabilities for long-term employee benefits, other than pension plans, which are not expected to be settled within 12 months, are discounted to present value using the market yields at the reporting date on government bonds with maturity dates that most closely match the terms of maturity of the group's related liabilities.

Defined contribution retirement funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The group operates a retirement scheme comprising a number of defined contribution funds in South Africa, the assets of which are held in separate trustee administered funds. The retirement schemes are funded by payments from employees and the relevant group entity. Contributions to these funds are recognised as an expense in profit or loss as incurred.

Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments are available.

Post-retirement medical aid benefits – defined benefit plans

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

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

The calculation is performed by a qualified actuary using the projected unit credit method.

Current service costs represents the increase in the defined benefit plan resulting from employee services in the current year and is recognised in profit or loss as employee services are rendered. Past service costs are recognised in profit or loss at the earlier of the date of the plan amendment or curtailment, and the date that the group recognises restructuring-related costs. The group recognises actuarial gains or losses from defined benefit plans immediately in OCI.

Cash-settled share-based compensation benefits

The group grants cash-settled appreciation rights to management in terms of a long-term incentive scheme. The value of these appreciation rights are linked to the total shareholder return (capital gain plus dividends) over the vesting period. The cost of cash-settled transactions is measured initially at fair value at the grant date, further details of which are given in note 22.1. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense (see note 4).

Cash-settled earnings-based compensation benefits

The group grants cash-settled appreciation rights to management in terms of a long-term incentive scheme. The value of these appreciation rights are linked to the performance of diluted headline earnings per shares (HEPS). The liability, which is not expected to be settled within 12 months, is discounted to present value using market yields at the reporting date on government bonds with maturity dates that most closely match the terms of maturity of the group's related liabilities. Any difference between projected performance and actual performance is recognised through an actuarial gain or loss based on the projected unit credit method which is recognised immediately in profit or loss.

Provisions

A provision is recognised when the group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is determined by discounting the anticipated future cash flows expected to be required to settle the obligation at a pre-tax rate that reflects the risks specific to the liability. A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and net cost of continuing with the contract. Before a provision is established, the group recognises any impairment loss on the asset associated with that contract. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Financial guarantees

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

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

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

Revenue

Revenue from contracts with customers

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

Turnover

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

Distribution and logistics fee income

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

Advertising income

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

Variable consideration/deferred revenue

Right of return

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

Loyalty cards

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

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

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

Gift cards/vouchers

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

Assets and liabilities arising from revenue from contracts with customers

Right of return assets

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

Refund liabilities

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

Financial income

Financial income comprises interest income and dividend income. Interest income is recognised in profit or loss on a time proportion basis, taking account of the principal outstanding and the effective interest rate over the period to maturity when it is probable that such income will accrue to the group.

Dividend income is recognised when the right to receive payment is established.

Financial expenses

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

Income taxes

Income tax expense on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in OCI or directly in equity in which case the tax is recognised in OCI or in equity, respectively. Current tax is the expected tax payable on the taxable profit for the current year using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years. Deferred tax is recognised for all temporary differences between the tax value of an asset or liability and the carrying amount for financial reporting purposes, except for the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities, to the extent that they will probably not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously. Deferred tax assets are recognised for all deductible temporary differences and tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Dividends withholding tax

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

Segment reporting

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

Earnings per share

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

Recent accounting developments

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

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

Supplier finance arrangements

The IASB has issued new requirements which calls for more transparency regarding the impact of supplier finance arrangements on the financial statements. The amendments introduce two new disclosure objectives – one in IAS 7 and another in IFRS 7 as follows:

- Assess the impact of supplier finance arrangements on the group's liabilities and cashflows; and
- Assess and understand the impact of supplier finance arrangements on the group's exposure to liquidity risk and how the group might be affected if the arrangements were no longer available.

The above amendments are effective for periods beginning on or after 1 January 2024. The group has elected not to early adopt this amendment.

Notes to the annual financial statements

for the year ended 31 August

		Group	
		2023 R'000	2022 R'000
1	**Revenue**		
	Revenue from contracts with customers		
	Goods sold to customers	**41 621 681**	39 587 142
	Other income	**2 846 623**	2 541 537
	Distribution and logistics fees	**1 283 509**	1 266 787
	Advertising and other income	**1 563 114**	1 274 750
	Total revenue from contracts with customers	**44 468 304**	42 128 679
	Insurance proceeds – civil unrest	**–**	325 887
	Financial income	**92 228**	45 453
	Total revenue	**44 560 532**	42 500 019
2	**Depreciation and amortisation**		
	Depreciation of property, plant and equipment (see note 9)	**507 691**	453 978
	Depreciation of right-of-use assets (see note 23)	**920 282**	830 365
	Amortisation of intangible assets (see note 10)	**91 053**	90 267
	Total depreciation and amortisation	**1 519 026**	1 374 610
	Depreciation included in cost of merchandise sold	**(58 452)**	(53 815)
	Depreciation and amortisation included in expenses	**1 460 574**	1 320 795
3	**Occupancy costs**		
	Turnover rental expense	**46 554**	45 521
	Other rental expenses[1]	**142 755**	128 020
	Rental concessions	**–**	(10 291)
	Total occupancy cost	**189 309**	163 250

[1] Other rental expenses include expenses paid to landlords related to property leases not qualifying for IFRS 16 recognition, other than the turnover rental expense, which is separately disclosed.

		Group 2023 R'000	Group 2022 R'000
4	**Employment costs**		
	Directors' emoluments (excluding incentives, see note 4.1)	**23 309**	25 274
	Non-executive fees	**6 426**	6 069
	Executive	**16 883**	19 205
	Salary	**15 666**	17 627
	Other benefits	**1 217**	1 578
	Long-term incentive scheme – TSR (see note 22)	**(19 038)**	28 435
	Release of gain on cash flow hedge to profit or loss	**64 620**	12 994
	Long-term incentive scheme – HEPS (see note 22)	**33 655**	14 880
	Staff salaries and wages	**4 041 922**	3 696 767
	Contributions to defined contribution plans	**220 963**	199 907
	Leave pay costs (see note 22)	**19 186**	14 195
	Bonuses (see note 22)	**198 071**	183 139
	Post-retirement medical aid benefit (see note 22)	**736**	749
	Total employment costs	**4 583 424**	4 176 340
	Employment costs included in cost of merchandise sold and inventories	**(189 930)**	(173 192)
	Employment costs included in expenses	**4 393 494**	4 003 148

For further detail of directors' emoluments refer to Remuneration report available on the group website.

	Group 2023 R'000	Group 2022 R'000
Included in total employment costs are the following aggregate amounts (including directors' emoluments) relating to transactions with key management personnel:	**92 502**	102 177
Short-term employee benefits	**33 851**	33 359
Post-employment benefits	**2 639**	2 589
Short-term incentive scheme	**14 797**	15 247
Long-term incentive scheme	**9 786**	50 982
Retirement benefits	**31 429**	–
Non-executive directors' fees	**6 426**	6 069
	98 928	108 246

4 Employment costs (continued)

4.1 Directors' remuneration

Executive directors' remuneration

Director R'000	Salary	Pension fund	Other benefits	Total annual guaranteed pay	RONA short-term incentive	Performance based long-term incentive[1]	Total Variable pay	Total
2023								
Bertina Engelbrecht	**9 465**	**604**	**–**	**10 069**	**5 679**	**3 670**	**9 349**	**19 418**
Michael Fleming[4]	**2 491**	**124**	**–**	**2 615**	**1 230**	**–**	**1 230**	**3 845**
Gordon Traill[5]	**3 710**	**489**	**–**	**4 199**	**1 974**	**2 002**	**3 976**	**8 175**
Total	**15 666**	**1 217**	**–**	**16 883**	**8 883**	**5 672**	**14 555**	**31 438**
2022								
Bertina Engelbrecht[3]	7 603	575	–	8 178	4 722	13 011	17 733	25 911
Michael Fleming	6 689	589	57	7 335	3 668	18 880	22 548	29 883
Vikesh Ramsunder[2]	3 335	165	192	3 692	–	–	–	3 692
Total	17 627	1 329	249	19 205	8 390	31 891	40 281	59 486

[1] Payments relating to the performance for the year ended 31 August are paid in November. The expense is provided for over the three-year vesting period in the relevant financial year.
[2] Vikesh Ramsunder resigned as CEO 31 December 2021.
[3] Bertina Engelbrecht appointed as CEO 1 January 2022.
[4] Michael Fleming retired on 31 December 2022 and received payment of a long service award and of incentive amounts in respect of long-term incentive schemes, in the amount of R31.4 million which payment constituted part of the lump sum payable to him on his retirement.
[5] Gordon Traill appointed as CFO 1 January 2023. The remuneration disclosed is as of date of appointment.

The total number of ordinary shares in issue is 241 160 799 (2022: 243 969 611). Percentage of issued share capital held by directors is 0.1% (2022: 0.1%).

Non-executive directors' remuneration

Director (R'000)	2023 directors' fees Holding company	Subsidiary company	Total	2022 directors' fees Holding company	Subsidiary company	Total
David Nurek	**1 665**	**–**	**1 665**	1 602	–	1 602
Fatima Abrahams[1, 2]	**297**	**70**	**367**	803	170	973
John Bester	**615**	**–**	**615**	717	–	717
Fatima Daniels[3, 4]	**–**	**–**	**–**	241	68	309
Martin Rosen[5]	**204**	**–**	**204**	527	–	527
Mfundiso Njeke	**947**	**–**	**947**	763	–	763
Penelope Osiris (neé Moumakwa)[6]	**516**	**108**	**624**	503	–	503
Sango Ntsaluba[7]	**828**	**–**	**828**	675	–	675
Richard Inskip[8]	**77**	**–**	**77**	–	–	–
Nomgando Matyumza[9]	**744**	**–**	**744**	–	–	–
Christine Ramon[10]	**355**	**–**	**355**	–	–	–
Total	**6 248**	**178**	**6 426**	5 831	238	6 069

Total directors' remuneration	2023	2022
Executive directors	**31 438**	59 486
Non-executive directors	**6 426**	6 069
Total directors' remuneration	**37 864**	65 555

[1] The fees paid to Professor Abrahams include fees for her appointment as director of Clicks Retailers Proprietary Limited and New Clicks South Africa Proprietary Limited.
[2] Retired as a non-executive director 26 January 2023.
[3] The fees paid to Fatima Daniels include fees for her appointment as director of Clicks Retailers Proprietary Limited and New Clicks South Africa Proprietary Limited.
[4] Retired as a non-executive director 26 January 2022.
[5] Retired as a non-executive director 26 January 2023.
[6] The fees paid to Penelope Osiris (neé Moumakwa) include fees for her appointment as director of Clicks Retailers Proprietary Limited and New Clicks South Africa Proprietary Limited.
[7] Appointed as a non-executive director effective 1 September 2021.
[8] Appointed as a non-executive director effective 1 July 2023.
[9] Appointed as a non-executive director effective 1 September 2022.
[10] Appointed as a non-executive director effective 7 February 2023.

		Group 2023 R'000	Group 2022 R'000
5	**Other costs**		
	Other operating costs include:		
	Fees paid for outside services		
	Technical services	**29 548**	29 079
	Foreign exchange (gains)/losses – realised	**(576)**	3 364
	Water and electricity	**336 790**	279 789
	Retail	**316 845**	258 788
	Distribution	**19 945**	21 001
6	**Net financing expense**		
	Recognised in profit or loss:		
	Interest income on bank deposits and investments	**75 331**	34 306
	Other interest income	**16 897**	11 147
	Financial income	**92 228**	45 453
	Interest expense on financial liabilities measured at amortised cost	**218 946**	197 639
	Cash interest expense	**16 410**	11 475
	Lease liability interest expense (see note 23)	**202 536**	186 164
	Other interest expense (see note 22.2)	**12 634**	12 649
	Financial expense	**231 580**	210 288
	Net financing expense	**139 352**	164 835

		Group 2023 R'000	Group 2022 R'000	Company 2023 R'000	Company 2022 R'000
7	**Income tax expense**				
	South African normal tax				
	Current tax				
	Current year	**902 292**	972 165	**502**	450
	Capital gains tax	**–**	5 110	**–**	–
	Prior year overprovision	**(11 500)**	(12 137)	**–**	–
	Deferred tax				
	Current year	**6 134**	13 546	**–**	–
	Change in tax rate	**–**	2 348	**–**	–
	Prior-year underprovision	**453**	2 265	**–**	–
	Foreign tax				
	Current tax				
	Current year	**20 438**	13 579	**–**	–
	Withholding tax	**12 410**	4 235	**–**	–
	Deferred tax				
	Current year	**2 914**	2 113	**–**	–
	Prior-year underprovision/(overprovision)	**436**	(2 756)	**–**	–
	Income tax expense per statement of comprehensive income	**933 577**	1 000 468	**502**	450
	Deferred tax – current year	**(4 276)**	(9 878)	**–**	–
	Cash flow hedge recognised in other comprehensive income	**19 687**	14 432	**–**	–
	Cash flow hedge recognised in equity	**(23 466)**	(25 198)	**–**	–
	Remeasurement of post-employment benefit obligations	**(59)**	305	**–**	–
	Cost of hedging reserve	**(438)**	863	**–**	–
	Change in tax rate	**–**	(280)	**–**	–
	Total income tax charge	**929 301**	990 590	**502**	450
	Reconciliation of rate of tax	**%**	%	**%**	%
	Standard rate – South Africa	**27.00**	28.00	**27.00**	28.00
	Adjusted for:				
	Disallowable expenditure[1]	**0.43**	0.35	**–**	–
	Exempt income and allowances[2]	**(0.55)**	(0.81)	**(26.98)**	(27.98)
	Foreign tax rate variations	**(0.03)**	(0.03)	**–**	–
	Foreign withholding tax	**0.36**	0.13	**–**	–
	Prior-year net underprovision	**(0.31)**	(0.35)	**–**	–
	Capital gains tax	**–**	0.14	**–**	–
	Change in tax rate	**–**	0.06		
	Effective tax rate	**26.90**	27.49	**0.02**	0.02

[1] Disallowable expenditure consists of expenses not in the production of income and expenditure of a capital nature, which includes legal fees, consulting fees, share related expenses and donations.

[2] Exempt income consists of tax-free allowances received such as the employment tax incentive and the learnership tax allowance.

Three (2022: one) of the subsidiaries of the group have an estimated tax loss of R99.4 million (2022: R71.9 million) available for set-off against future taxable income of that subsidiary. A deferred tax asset of R27.0 million (2022: R23.1 million) has been recognised in respect of the total estimated tax loss (see note 12).

8 Earnings per share

The calculation of basic and headline earnings per share at 31 August 2023 was based on profit for the year attributable to ordinary shareholders of Clicks Group Limited of R2 537.5 million (2022: R2 638.7 million) and headline earnings of R2 542.9 million (2022: R2 522.9 million) divided by the weighted average number of ordinary shares as follows:

	Group	
	2023 R'000	2022 R'000
Reconciliation of headline earnings		
Profit attributable to equity holders of the parent	**2 537 528**	2 638 680
Adjusted for:	**5 388**	(115 810)
Loss on disposal of property, plant and equipment	**7 381**	4 460
Insurance proceeds on property, plant and equipment – civil unrest	**–**	(167 002)
Total tax effect of adjustments	**(1 993)**	46 732
Headline earnings	**2 542 916**	2 522 870

	2023 cents	2022 cents
Earnings per share	**1 042.3**	1 080.1
Headline earnings per share	**1 044.5**	1 032.7
Diluted earnings per share	**1 042.3**	1 080.1
Diluted headline earnings per share	**1 044.5**	1 032.7

	2023 '000	2022 '000
Reconciliation of shares in issue to weighted average number of shares in issue		
Total number of shares in issue at the beginning of the year	**243 970**	245 557
Treasury shares purchased during the year weighted for the period held	**(510)**	(1 251)
Weighted average number of shares in issue for the year	**243 460**	244 306
Reconciliation of weighted average number of shares to weighted average diluted number of shares in issue		
Weighted average number of shares in issue for the year	**243 460**	244 306
Dilution	**–**	–
Weighted average diluted number of shares in issue for the year	**243 460**	244 306

	Group			
	2023		2022	
	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	–
Buildings	**606 465**	**(84 224)**	585 598	(80 911)
Computer equipment	**743 757**	**(459 660)**	631 379	(400 113)
Equipment	**614 746**	**(297 168)**	495 293	(246 053)
Furniture and fittings	**3 141 112**	**(1 684 314)**	2 783 574	(1 437 184)
Motor vehicles	**65 086**	**(28 473)**	44 234	(26 664)
	5 196 975	**(2 553 839)**	4 565 887	(2 190 925)

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 2021	25 809	493 181	180 948	197 777	1 222 629	17 758	2 138 102
Additions	–	20 050	125 583	102 278	441 270	5 349	694 530
Disposals	–	(8)	(344)	(827)	(1 731)	(782)	(3 692)
Depreciation	–	(8 536)	(74 921)	(49 988)	(315 778)	(4 755)	(453 978)
Carrying amount at 31 August 2022	**25 809**	**504 687**	**231 266**	**249 240**	**1 346 390**	**17 570**	**2 374 962**
Additions	**–**	**20 637**	**140 175**	**124 503**	**475 845**	**23 159**	**784 319**
Additions due to acquisitions of subsidiaries	**–**	**864**	**1 070**	**730**	**1 141**	**772**	**4 577**
Disposals	**–**	**–**	**(706)**	**(177)**	**(11 586)**	**(562)**	**(13 031)**
Depreciation	**–**	**(3 947)**	**(87 708)**	**(56 718)**	**(354 992)**	**(4 326)**	**(507 691)**
Carrying amount at 31 August 2023	**25 809**	**522 241**	**284 097**	**317 578**	**1 456 798**	**36 613**	**2 643 136**

	Group			
	2023		2022	
	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	–
Link trademark	**6 000**	**(6 000)**	6 000	(6 000)
Other trademarks	**85 831**	**(1 118)**	1 117	(1 112)
Purchased and capitalised computer software development	**1 000 599**	**(406 304)**	767 023	(323 274)
Contractual rights (see note 10.2)	**57 825**	**(40 626)**	40 573	(35 339)
	1 422 255	**(454 048)**	1 086 713	(365 725)

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

	Clicks trademark R'000	Other trademarks and contractual rights R'000	Purchased and capitalised computer software development R'000	Total R'000
Carrying amount at 1 September 2021	272 000	6 383	392 074	670 457
Additions	–	3 314	139 755	143 069
Amortisation	–	(4 458)	(85 809)	(90 267)
Disposals	–	–	(2 271)	(2 271)
Carrying amount at 31 August 2022	272 000	5 239	443 749	720 988
Additions	**–**	**1 522**	**144 163**	**145 685**
Additions due to acquisitions of subsidiaries	**–**	**100 443**	**100 466**	**200 909**
Amortisation	**–**	**(5 292)**	**(85 761)**	**(91 053)**
Disposals	**–**	**–**	**(8 322)**	**(8 322)**
Carrying amount at 31 August 2023	**272 000**	**101 912**	**594 295**	**968 207**

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.

10 Intangible assets (continued)

Assessment of impairment of intangible assets: (continued)

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 2023 financial year, whereafter a perpetuity growth rate of 7.0% (2022: 7.0%) is used.

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

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

iv) A discount rate of 10.7% (2022: 10.9%) 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 contractual rights relating to medicine formulae. These contractual rights are amortised over five years.

	Group	
	2023 R'000	2022 R'000
11 Goodwill		
Balance at the beginning of the year	**102 806**	102 806
Acquired in business acquisition	**102 023**	–
Balance at the end of the year	**204 829**	102 806
Goodwill comprises:		
United Pharmaceutical Distributors Proprietary Limited (UPD) (see note 11.1)	**96 277**	96 277
Amalgamated Pharmacy Group Proprietary Limited (Amalgamated Pharmacy Group) (see note 11.2)	**6 529**	6 529
180 Degrees Marketing Proprietary Limited (see note 11.2)	**66 589**	–
H. Mallach and Associates Proprietary Limited (see note 11.2)	**21 057**	–
Sorbet Holdings Proprietary Limited (see note 11.3)	**14 377**	–

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 2023 financial year, whereafter a perpetuity growth rate of 6.5% (2022: 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 10.7% (2022: 10.9%) 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 Goodwill (continued)

Assessment of impairment of goodwill: (continued)

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

Due to the synergies that arose on acquisition, the goodwill relating to the purchase of the 24-hour pharmacy business has been attributed to H. Mallach and Associates Proprietary Limited as a cash-generating unit, which represents the lowest level within the group at which the goodwill is monitored for internal management purposes.

Due to the synergies that arose on acquisition, the goodwill relating to the purchase of the software development business has been attributed to 180 Degrees Marketing Proprietary Limited 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 acquisitions 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 2023 financial year, whereafter a perpetuity growth rate of 7.0% (2022: 7.0%) is used.

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

iii) The key assumptions for the recoverable amount are the long-term growth rate and the discount rate. The long-term growth rate used is purely for the impairment testing of 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 10.7% (2022: 10.9%) 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.

11 Goodwill (continued)

Assessment of impairment of goodwill: (continued)

11.3 Due to the synergies that arose on acquisition, the goodwill relating to the purchase of the salon beauty franchise has been attributed to Sorbet Holdings Proprietary Limited 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 Sorbet 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 2023 financial year, whereafter a perpetuity growth rate of 7.0% is used.

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

iii) The key assumptions for the recoverable amount are the long-term growth rate and the discount rate. The long-term growth rate used is purely for the impairment testing of 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 10.7% per annum, being the group's pre-tax weighted average cost of capital, was used. The group's pre-tax weighted average cost of capital is deemed appropriate as the business 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 2023 R'000	Group 2022 R'000	Company 2023 R'000	Company 2022 R'000
12 Deferred tax assets/(liabilities)				
Deferred tax assets	70 423	108 145	–	–
Deferred tax liabilities	–	(21 335)	–	–
	70 423	86 810	–	–
Balance at the beginning of the year	86 810	94 448	–	–
Deferred tax on acquisition of subsidiaries	(10 726)	–	–	–
Current deferred tax charge to profit or loss (see note 7)	(9 937)	(17 516)	–	–
Current deferred tax credit to other comprehensive income and equity (see note 7)	4 276	9 878	–	–
Balance at the end of the year	70 423	86 810	–	–
Arising as a result of:				
Capital gains tax	(46 392)	(46 392)	–	–
Derivative financial assets and liabilities	(12 253)	(51 898)	–	–
Employee obligations	91 637	114 531	–	–
Provisions and accruals	174 332	151 811	–	–
Inventories	42 396	41 987	–	–
Lease liabilities	87 312	99 150	–	–
Prepayments	(29 945)	(29 522)	–	–
Property, plant and equipment and intangible assets	(160 219)	(142 476)	–	–
Tax losses	26 977	23 071	–	–
Trademarks	(103 422)	(73 452)	–	–
Balance at the end of the year	70 423	86 810	–	–

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 R3.8 million (2022: R10.8 million) recognised in other comprehensive income and equity.

In respect of the deferred tax asset recognised by three (2022: one) subsidiary companies, the directors consider that sufficient future taxable income will be generated by the subsidiary companies to utilise the deferred tax assets recognised.

13 Investment in associates

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 on 31 August 2016 and 31 August 2017 respectively, on achievement of turnover targets. Sorbet Brands holds all the trademark rights of the Sorbet brand in South Africa. The group's interest in Sorbet Brands was accounted for using the equity method in the consolidated financial statements.

As of 1 June 2023, the group acquired 100% of the issued share capital of all Sorbet group entities, including Sorbet Brands. The group has derecognised its investment in associate in Sorbet Brands and consolidated 100% of the assets, liabilities, income and expenses of Sorbet Brands. Refer to note 34.

The group acquired a 22.67% economic interest in Mistragystix Proprietary Limited in the 2021 financial year for R13 million, paid on signing of the contract.

An additional investment was made during the 2023 financial year to the value of R21.7 million (2022: R8.7 million). The increase in the investment is proportionate to the shareholding therefore, the shareholding percentage remained the same.

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

The following amounts represent the group's interest in the associates:

	Group	
	2023 R'000	2022 R'000
Group's carrying amount of the investments	**21 214**	25 389
Group's proportionate share of loss for the year	**(5 201)**	(8 974)
Dividends received from associate	**1 137**	1 951

	Group	
	2023 R'000	2022 R'000
14 Loans receivable		
AfroBotanics Proprietary Limited (see note 14.1)	**200**	800
Mistragystix Proprietary Limited (see note 14.2)	**99 000**	91 014
Abbott Laboratories SA Proprietary Limited (see note 14.3)	**31 397**	–
Non-current loans receivable	**130 597**	91 814
UPD Owner-Driver Scheme	**–**	8 188
Mistragystix Proprietary Limited (see note 14.2)	**11 000**	–
Abbott Laboratories SA Proprietary Limited (see note 14.3)	**17 030**	–
JGB Couriers Proprietary Limited (see note 14.4)	**–**	57
Mistragystix Proprietary Limited (see note 14.5)	**–**	18 867
Mistragystix Proprietary Limited (see note 14.6)	**–**	7 470
Current loans receivable	**28 030**	34 582
Total loans receivable	**158 627**	126 396

14 Loans receivable (continued)

14.1 The loan is unsecured, interest free and repayable within 10 business days of demand.

14.2 The loan carries interest at three-month JIBAR plus 5.36% and is fully repayable by 1 September 2026. The loan is secured by a pledge and cession of the shareholders' of Mistragistix Proprietary Limited's shares and underlying company assets (including moveable assets and stock) in favour of K2021423995 (South Africa) Proprietary Limited, a subsidiary of Clicks Group Limited.

14.3 The loan is unsecured and interest free. R7.4 million is repayable on 19 January 2024 followed by monthly instalments of R1.5 million commencing on 9 February 2024. The loan will be fully repaid on 14 August 2026.

14.4 The loan is unsecured, interest free and was settled on 30 April 2023.

14.5 The loan carries interest at three-month JIBAR plus 7.36% and was fully repaid by 31 August 2023. The loan is secured by a pledge and cession of the shareholders' of Mistragystix Proprietary Limited's shares and underlying company assets (including moveable assets and stock) in favour of K2021423995 (South Africa) Proprietary Limited.

14.6 The loan is unsecured, interest free and was repaid in full on 15 December 2022.

15 Financial assets at fair value through profit or loss

	Group	
	2023 R'000	2022 R'000
Investment in Guardrisk Insurance Company Limited (Cell number 171) (see note 15.1)	**10 913**	8 806
Collective investment scheme funds (see note 15.2)	**152 493**	136 246
Total financial assets at fair value through profit or loss	**163 406**	145 052

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

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

16 Derivative financial instruments

	Group			
	2023		2022	
	Assets R'000	Liabilities R'000	Assets R'000	Liabilities R'000
Non-current				
Equity derivative hedge – non-current	–	–	94 072	–
Current				
Equity derivative hedge – current	**7 973**	–	93 987	–
Forward exchange contracts – current	**13 269**	**(1 633)**	18 247	(700)
	21 242	**(1 633)**	112 234	(700)

Equity derivative hedge

European call options have been purchased to hedge the cash-settled share-based payment obligation relating to tranches 15 and 16 of the total shareholder return long-term incentive scheme (refer to note 22.1).

The expiration date of these hedging instruments and the vesting dates of the hedged items coincide on 31 August 2023 and 2024 respectively. Refer to note 20 detailing the equity derivative hedges' impact on profit or loss and other comprehensive income.

The fair value of these equity derivative hedges are calculated using a Monte Carlo option pricing model with reference to the closing share price, 180-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 2023 was R678 million (2022: R683 million). Refer to note 20 detailing the foreign exchange hedging impact on profit or loss and other comprehensive income.

17 Inventories

	Group	
	2023 R'000	2022 R'000
Inventories comprise:		
Goods for resale	**5 962 649**	5 856 593
Right of return asset	**19 117**	19 107
Goods in transit	**328 043**	288 753
Total inventories	**6 309 809**	6 164 453
Inventories stated at net realisable value[1]	**72 323**	89 988
The group's inventory balances is stated net of impairment allowances. The analysis of impairment allowances are as follows:		
Balance at the beginning of the year	**71 525**	68 525
Inventory allowance raised during the year	**16 878**	7 000
Inventory allowance derecognised on sale of goods	**(18 553)**	(4 000)
Balance at the end of the year	**69 850**	71 525

[1] 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.

18 Trade and other receivables

Trade and other receivables comprise:

	Group 2023 R'000	Group 2022 R'000
Trade receivables	**2 072 261**	1 703 732
Less: impairment of trade receivables	**(22 263)**	(41 715)
Trade receivables – net	**2 049 998**	1 662 017
Prepayments	**152 993**	118 450
Income accruals	**392 240**	421 886
Logistics fees and other receivables (see note 18.1)	**424 257**	844 687
Total trade and other receivables	**3 019 488**	3 047 040

The carrying amount of trade and other receivables approximates their fair value. Trade and other receivables are predominantly non-interest bearing. Refer to note 27.4 for the credit risk management of trade and other receivables.

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

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

	Group 2023 R'000	Group 2022 R'000
Balance at 1 September	**41 715**	19 960
Impairment provision (reversed)/raised	**(13 683)**	22 868
Impairment loss utilised	**(5 769)**	(1 113)
Balance at 31 August	**22 263**	41 715
The impairment allowance can be reconciled as follows:		
Trade receivables expected credit loss reversed/(recognised)	**13 683**	(22 868)
Other receivables impairment (allowance)/recovery	**(22 348)**	8 302
	(8 665)	(14 566)

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

19 Share capital and share premium

	Group and Company	
	2023 R'000	2022 R'000
Authorised – group and company		
600 million (2022: 600 million) ordinary shares of one cent each	**6 000**	6 000
Issued ordinary shares – group and company		
241.161 million (2022: 243.970 million) ordinary shares of one cent each	**2 412**	2 440
Share premium – group	**1 064 953**	1 064 953
Share premium – company	**3 301 189**	3 301 189

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

	Group and Company	
Ordinary shares	Total 2023 '000	Total 2022 '000
Reconciliation of total number of shares in issue to net number of shares in issue		
Total number of shares in issue at the end of the year	**241 161**	243 970
Net number of shares in issue at the end of the year	**241 161**	243 970

During the year, the group repurchased and cancelled 2 808 812 Clicks Group Limited ordinary shares.

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.

20 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.

	Group	
	2023 R'000	2022 R'000
Reconciliation of cash flow hedging reserve		
Balance at the beginning of year	**7 234**	34 817
Change in tax rate	**–**	100
Movement relating to forward exchange contracts	**(3 634)**	2 438
Total gain for the year recognised in other comprehensive income	**59 810**	67 232
Gains reclassified to inventories directly from the statement of changes in equity	**(63 444)**	(64 794)
Movement relating to the equity derivative hedge	**(6 584)**	(30 121)
Total loss for the year in other comprehensive income	**(54 646)**	(20 806)
Losses/(gains) reclassified to employment cost in other comprehensive income	**48 062**	(9 315)
Balance at the end of the year	**(2 984)**	7 234

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

21 Foreign currency translation reserve

	Group 2023 R'000	Group 2022 R'000
Unrealised loss on the translation of assets and liabilities of subsidiaries whose financial statements are denominated in foreign currencies	**(507)**	(6 860)
	(507)	(6 860)
Reconciliation of foreign currency translation reserve		
Balance at the beginning of the year	**(6 860)**	(18 697)
Exchange differences on translation of foreign subsidiaries	**6 353**	11 837
Balance at end of the year	**(507)**	(6 860)

22 Employee benefits

	Group 2023 R'000	Group 2022 R'000
Long-term incentive schemes	**54 949**	71 010
Post-retirement medical obligations	**62 958**	58 844
Total long-term employee benefits	**117 907**	129 854
Accounted for as follows:		
Long-term employee benefits recognised in terms of IFRS 2: Share-based Payments (See note 22.1)	**14 835**	36 643
Long-term employee benefits recognised in terms of IAS 19: Employee Benefits (See note 22.2)	**103 072**	93 211
Total long-term employee benefits	**117 907**	129 854

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

Long-term cash-settled share-based payment liability	Long-term incentive scheme – TSR (note 22.1) R'000
Balance at 1 September 2021	84 752
Expense from cash-settled share-based payment	28 435
Reclassification to short-term benefits	(76 544)
Balance at 31 August 2022	36 643
Release from cash-settled share-based payment	(19 038)
Reclassification to short-term benefits	(2 770)
Balance at 31 August 2023	14 835

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

During 2023, the group issued 0.4 million (2022: 0.4 million) cash-settled appreciation rights to management. The value of these appreciation rights are linked to the TSR (capital gain plus dividends) over a three-year, four-year and five-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 2019 options were settled during the year.

The September 2020 (tranche 15) options outstanding at year-end are due for settlement.

The contractual life of the September 2021 (tranche 16) options outstanding at year-end was one year.

The contractual life of the September 2022 (tranche 17) options outstanding at year-end was two years for 60% of the tranche, three-years for 20% and four-years for the remaining 20%.

22 Employee benefits (continued)

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

Details of share option allocations – 2023:

	Option price	Balance at the beginning of the year	Granted during the year	Delivered during the year[1]	Forfeited during the year	Balance at the end of the year
September 2019 options	–	372 561	–	(372 561)	–	–
September 2020 options	R0.00	307 474	–	(38 805)	(22 082)	246 587
September 2021 options	R18.79	402 332	–	(16 923)	(39 754)	345 655
September 2022 options	R83.86	–	408 755	–	–	408 755

[1] The exercise date VWAP was R278.87.

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

	Share price at grant date	Risk-free rate (%)	Expected dividend yield (%)	Expected volatility (%)	Expected forfeiture rate (%)
September 2020 options three-year vesting period	R237.77	7.62	1.80	26.13	4.00
September 2021 options three-year vesting period	R288.97	7.62	1.80	26.13	4.00
September 2022 options three-year vesting period	R298.29	7.95	2.35	20.69	4.00

Details of share option allocations – 2022:

	Option price	Balance at the beginning of the year	Granted during the year	Delivered during the year[2]	Forfeited during the year	Balance at the end of the year
September 2018 options	–	419 109	–	(419 109)	–	–
September 2019 options	R198.38	520 985	–	–	(148 424)	372 561
September 2020 options	R127.92	473 355	–	–	(165 881)	307 474
September 2021 options	R107.13	–	402 332	–	–	402 332

[2] The exercise date VWAP at which the options were delivered was R288.97.

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

	Share price at grant date	Risk-free rate (%)	Expected dividend yield (%)	Expected volatility (%)	Expected forfeiture rate (%)
September 2019 options – three-year vesting period	R199.01	7.62	1.80	26.13	4.00
September 2020 options – three-year vesting period	R237.77	7.62	1.80	26.13	4.00
September 2021 options – three-year vesting period	R288.97	7.62	1.80	26.13	4.00

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

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

The implied volatility is the 180-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.

22 Employee benefits (continued)

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

Long-term employee benefits	Long-term incentive scheme – HEPS (note 22.3) R'000	Post-retirement medical obligations (note 22.4) R'000	Total R'000
Balance at 1 September 2021	43 958	56 454	100 412
Current service cost	39 550	749	40 299
Benefit payments	–	(2 668)	(2 668)
Interest expense	7 250	5 399	12 649
Actuarial gain recognised in profit or loss	(24 670)	–	(24 670)
Actuarial gain recognised in other comprehensive income			
– financial assumptions	–	(330)	(330)
Actuarial gain recognised in other comprehensive income			
– demographical assumptions	–	(760)	(760)
Reclassification to short-term employee benefits	(31 721)	–	(31 721)
Balance at 31 August 2022	**34 367**	**58 844**	**93 211**
Current service cost	**38 806**	**736**	**39 542**
Benefit payments	**–**	**(3 212)**	**(3 212)**
Interest expense	**6 262**	**6 372**	**12 634**
Actuarial gain recognised in profit or loss	**(5 151)**	**–**	**(5 151)**
Actuarial gain recognised in other comprehensive income			
– financial assumptions	**–**	**(942)**	**(942)**
Actuarial loss recognised in other comprehensive income			
– demographical assumptions	**–**	**1 160**	**1 160**
Reclassification to short-term employee benefits	**(34 170)**	**–**	**(34 170)**
Balance at 31 August 2023	**40 114**	**62 958**	**103 072**

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

During 2023, the group issued 1.1 million (2022: 1.2 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 over a three-year projection for tranche 15 and 16 and is based on a three-year projection of 60%, a four-year projection of 20% and a five-year projection of 20% of diluted HEPS for tranche 17.

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 R115.67 (2022: R100.91) 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.

22.4 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 R63.0 million (2022: R58.8 million). Provision has been made for the full unfunded liability.

The principal actuarial assumptions at the last valuation date (31 August 2023) are:

i) a discount rate of 12.5% (2022: 11.6%) per annum;
ii) general increases to medical aid contributions of 8.4% (2022: 8.3%);
iii) a retirement age of 65 (2022: 65);
iv) husbands are on average four (2022: 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 (Light) 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/(income) to other comprehensive income):

	2023 R'000	2022 R'000
– Medical aid inflation increases by 1% per annum over assumptions made	**7 255**	7 474
– Medical aid inflation decreases by 1% per annum over assumptions made	**(6 223)**	(6 333)
– Discount rate increases by 1% per annum over assumptions made	**(6 009)**	(6 027)
– Discount rate decreases by 1% per annum over assumptions made	**7 104**	7 202
– Retirement age decreases by two years	**4 344**	4 486
– Life expectancy of male pensioners increases by one year	**924**	1 782
– Life expectancy of male pensioners decreases by one year	**(906)**	(863)
– Life expectancy of female pensioners increases by one year	**630**	1 240
– Life expectancy of female pensioners decreases by one year	**(1 261)**	(1 231)

The following undiscounted payments are expected contributions in future years from post-retirement medical obligations.

	2023 R'000	2022 R'000
Within 12 months	**3 758**	2 956
Between 2 and 5 years	**17 691**	15 262
Between 5 and 10 years	**33 888**	29 134
Between 10 and 20 years	**128 061**	116 478
Between 20 and 30 years	**165 926**	161 027
Between 30 and 40 years	**123 051**	125 505
Beyond 40 years	**46 323**	53 806
Total expected payments	**518 698**	504 168

The average duration of the post-retirement medical obligations at year-end is 13.0 years (2022: 14.8 years).

22 Employee benefits (continued)

22.4 Post-retirement medical obligations (continued)

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

	Post-retirement medical obligations				
	2023 R'000	2022 R'000	2021 R'000	2020 R'000	2019 R'000
Defined benefit obligation	**62 958**	58 844	56 454	52 931	61 671

Short-term employee benefits

	Long-term incentive scheme – TSR (note 22.1) R'000	Long-term incentive scheme – HEPS (note 22.3) R'000	Leave pay accrual (note 22.5) R'000	Bonus accrual (note 22.6) R'000	Overtime accrual (note 22.7) R'000	Total R'000
Balance at 1 September 2021	79 648	41 383	89 858	130 008	9 119	350 016
Reclassification from long-term employee benefits	76 544	31 721	–	–	–	108 265
Benefit payments	(79 647)	(38 450)	(10 937)	(172 057)	(34 963)	(336 054)
Charge included in profit or loss	–	–	14 195	183 139	34 991	232 325
Balance at 31 August 2022	**76 545**	**34 654**	**93 116**	**141 090**	**9 147**	**354 552**
Reclassification from long-term employee benefits	**2 770**	**34 170**	**–**	**–**	**–**	**36 940**
Benefit payments	**(79 315)**	**(39 229)**	**(8 565)**	**(187 159)**	**(42 814)**	**(357 082)**
Charge included in profit or loss	**–**	**–**	**19 186**	**198 071**	**44 275**	**261 532**
Balance at 31 August 2023	**–**	**29 595**	**103 737**	**152 002**	**10 608**	**295 942**

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

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

22.7 The overtime accrual is in respect of overtime worked in August 2023 which is paid in September 2023.

22 Employee benefits (continued)

22.8 Pension and provident funds

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

These funds are:

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

All permanent full-time staff members in South Africa, Lesotho and Swaziland are obliged to join one of the funds. Employees in Namibia are members of the Namflex Umbrella Pension Fund and those in Botswana are members of the Sentlhaga Pension Fund.

The funds are all defined contribution schemes and the group carries no liability in relation to these funds. All funds provide death and disability cover, while the negotiated funds also include a funeral benefit. Combined membership across the funds was 17 671 (2022: 16 238) at year-end.

22.9 Medical aid funds

Membership of one of the Discovery Health Medical Aid Scheme benefit options is actively encouraged.

At year-end 14 186 (2022: 13 284) South African employees were principal members of a medical aid scheme, of which 14 142 (2022: 12 233) were principal members of a Discovery Health medical aid scheme, and 44 (2022: 51) were principal members of various other medical aid schemes.

At year-end three (2022: three) Botswana employees were principal members with BOMaid, 19 (2022: 18) Namibian employees were principal members of Namibia Health Plan and 21 (2022: 22) Swaziland employees were principal members of Momentum.

At year-end 77.9% (2022: 80.8%) 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.

23 Leases

The group enters into lease agreements for all of its retail stores, its distribution administration building and other equipment items. The group accounts for its leases of retail stores and its distribution administration buildings in terms of IFRS 16 and applies the "short-term leases" and "low-value items" exemptions to its equipment leases, assessed by class of the underlying asset and on a lease-by-lease basis, respectively. Leases of the group's retail stores have an average lease term of five years (2022: five years), although leases could be negotiated with varying terms. Several of these lease contracts include renewal options. The group assesses on a contract-by-contract basis whether it's probable that these options will be entered into and whether the options should be capitalised to the lease term 12 months prior to the option being exercisable. The group discounts future lease payments at the group's average incremental borrowing rate on inception of the lease, which was 8.7% at 31 August 2023 (5.6% at 31 August 2022). The group entered into lease contracts for stores which have not opened yet, amounting to R54.2 million (2022: R58.8 million).

Reconciliation of right of use assets

	Total R'000
As at 1 September 2021	2 601 684
Additions	985 608
New stores	288 738
Renewals	696 870
Depreciation	(830 365)
Remeasurements, modifications and terminations	70 899
As at 31 August 2022	2 827 826
Additions	1 020 399
New stores	257 930
Business acquisitions	109 666
Renewals	652 803
Depreciation	(920 282)
Remeasurements, modifications and terminations	71 354
As at 31 August 2023	2 999 297

Reconciliation of lease liabilities

As at 1 September 2021	2 922 914
Additions	985 608
New stores	288 738
Renewals	696 870
Interest	186 164
Payments	(1 065 701)
Remeasurements, modifications and terminations	70 899
As at 31 August 2022	3 099 884
Additions	1 022 683
New stores	257 930
Business acquisitions	111 950
Renewals	652 803
Interest	202 536
Payments	(1 157 532)
Remeasurements, modifications and terminations	71 354
As at 31 August 2023	3 238 925

23 Leases (continued)

	2023 R'000	2022 R'000
Non-current lease liabilities	**2 152 485**	2 087 725
Current lease liabilities	**1 086 440**	1 012 159
	3 238 925	3 099 884

The group's rental agreements include both fixed and variable payments. The fixed rental payments relate to base rentals that are paid to landlords based on the contractual obligation on the group. The variable rental payments consist of both other lease related costs not included in the lease liability, as well as turnover rentals, which represents lease payments calculated as a percentage of the turnover of the specific store. The percentage payable is determined as part of the rental agreement. Turnover rental averages 0.1% (2022: 0.1%) of turnover.

	2023 R'000	2022 R'000
Fixed rental payments reducing the lease liability	**1 157 532**	1 065 701
Rent concessions[1]	**–**	(10 291)
Rental payments as a result of short-term leases	**23 190**	25 313
Rental payments as a result of low-value assets	**9 697**	8 559
Variable lease payments not reducing the lease liability	**180 786**	166 047
Total cash outflow	**1 371 205**	1 255 329

[1] The civil unrest in KwaZulu-Natal (KZN) in July 2021 impacted 53 stores. Several of the impacted stores could not open immediately after the unrest due to the significant damage suffered. The group received rental concessions for several of these stores. The group also received rental concessions for stores where the Covid-19 lockdown affected the stores' ability to trade. All rental concessions were recognised in profit or loss and were not assessed to be lease modifications.

Maturity of lease commitments

The group leases all its retail premises and certain of its pharmaceutical distribution centre sites.

The lease agreements provide for minimum payments together, in certain instances, with contingent rental payments determined on the basis of achieving a specified threshold turnover.

The leases are discounted at the group's average borrowing rate.

Future minimum lease payments under non-cancellable leases due:

	2023 R'000	2022 R'000
– Not later than one year	**1 130 772**	1 012 159
– Later than one year, not later than five years	**2 477 780**	2 306 842
– Later than five years	**217 855**	42 434
	3 826 407	3 361 435

		Group	
		2023 R'000	2022 R'000
24	**Trade and other payables**		
	The following are included in trade and other payables:		
	Trade payables	**7 216 445**	6 169 278
	Loyalty programme deferred income (see note 24.1)	**163 555**	143 884
	Refund liability	**31 892**	31 762
	Non-trade payables and accruals (see note 24.2)	**1 857 006**	2 023 797
		9 268 898	8 368 721
	The following are excluded from financial liabilities (see note 27.5), but included in trade and other payables:		
	Loyalty programme deferred income (see note 24.1)	**(163 555)**	(143 884)
	Other deferred income	**(202 751)**	(148 684)
	Value-added tax	**(277 576)**	(271 672)
	Financial liabilities (see note 27.5)	**8 625 016**	7 804 481

24.1 Loyalty programme deferred income

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

Based on the historic redemption rate, it is assumed that 90% 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.

Revenue recognised during the current year which was included in the loyalty programme deferred income opening balance amounted to R144 million.

Revenue recognised during the current year which was included in the other deferred income opening balance amounted to R149 million.

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

		Group	
		2023 R'000	2022 R'000
25	**Dividends to shareholders**		
	Previous year final cash dividend out of distributable reserves – 457.0 cents per share paid 30 January 2023 (2022: 347.5 cents per share paid 31 January 2022 out of distributable reserves)	**1 114 941**	847 795
	A current year interim cash dividend of 185.0 cents per share was paid 3 July 2023 out of distributable reserves (2022: 180.0 cents per share paid 4 July 2022 out of distributable reserves)	**447 853**	439 145
	Total dividends to shareholders	**1 562 794**	1 286 940

On 24 October 2023, the directors approved the final proposed dividend of 494.0 cents per share.

The source of such a dividend will be from distributable reserves and paid in cash and will be recognised in the statement of changes in equity in 2024.

Dividend payout ratio

The dividend payout ratio is 65.0%.

For further details refer to the directors' report on page 4.

26 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.

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

Interest rate risk

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

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

Price risk

The group's 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 note 22.1). 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 for tranche 15 and 16 of the LTI scheme. 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. The group has not purchased any options to settle tranche 17 of the LTI scheme and is therefore exposed to price risk in terms of this tranche.

Credit risk

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

26 **Financial risk management** (continued)

Trade and other receivables

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

In relation to the Distribution business, the risk management has been delegated to the management of the subsidiary business.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers.

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

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

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

The main components of this allowance are specific loss components that relate to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been expected but not yet identified.

The collective loss allowance is determined based on historical data of payment statistics of similar financial assets and forward looking information.

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 were R3 639 million and USD 62 million (2022: R3 439 million and USD 62 million).

See note 27.5 for details for maturity analysis of the group's financial liabilities.

Capital risk management

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

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders and issue new shares. The group's target of maintaining a ratio of shareholders' interest to total assets is in the range of 30% to 35%. This is obtained through achieving the group's earnings targets, management of working capital, share buy-backs and dividends.

In 2023 the shareholders' interest to total assets was 31.3% (2022: 31.9%).

27 Financial instruments

Market risk

27.1 Treasury risk management

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

27.2 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 2023				31 August 2022			
	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	**25 975**	**3 465**	**8 203**	**111 152**	24 002	2 368	6 171	110 761
Forward exchange contracts subject to cash flow hedging	**18 290**	**1 400**	**5 311**	**76 759**	18 912	2 594	3 935	103 927
Net exposure	**7 685**	**2 065**	**2 892**	**34 393**	5 090	(226)	2 236	6 834

The following exchange rates applied during the year:

	Average rate		Reporting date mid-spot rate	
	2023	2022	2023	2022
USD	**18.07**	15.58	**18.71**	16.89
GBP	**22.02**	20.23	**23.80**	19.75
EUR	**19.18**	17.11	**20.43**	16.96
CNY	**2.56**	2.39	**2.58**	2.47

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	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Decrease in pre-tax other comprehensive income	**(33 736)**	(30 960)	**(3 320)**	(5 265)	**(10 808)**	(6 745)	**(19 974)**	(25 331)
Increase in profit before tax	**14 383**	8 599	**4 916**	446	**5 909**	3 794	**8 890**	1 687

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

27 Financial instruments (continued)

27.3 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 2023		31 August 2022	
		Carrying value R'000	Fair value R'000	Carrying value R'000	Fair value R'000
Financial assets					
Trade receivables (see note 18)	Amortised cost	**2 049 998**	**2 049 998**	1 662 017	1 662 017
Logistics fees and other receivables (see note 18)	Amortised cost	**424 257**	**424 257**	844 687	844 687
Loans receivable (see note 14)	Amortised cost	**158 627**	**158 627**	126 396	126 396
Financial assets at fair value through profit or loss (see note 15)	Financial assets at fair value through profit or loss	**163 406**	**163 406**	145 052	145 052
Cash and cash equivalents	Amortised cost	**2 455 176**	**2 455 176**	2 014 553	2 014 553
Equity derivative contracts designated as hedging instruments (see note 16)	Financial assets at fair value through OCI	**7 973**	**7 973**	188 059	188 059
Forward exchange contracts designated as hedging instruments (see note 16)	Financial assets at fair value through OCI	**13 269**	**13 269**	18 247	18 247
Financial liabilities					
Trade and other payables (see note 24)	Financial liabilities measured at amortised cost	**8 625 016**	**8 625 016**	7 804 481	7 804 481
Lease liabilities (see note 23)	Financial liabilities measured at amortised cost	**3 238 925**	**3 238 925**	3 099 884	3 099 884
Forward exchange contracts designated as hedging instruments (see note 16)	Financial liabilities measured at fair value through other comprehensive income	**1 633**	**1 633**	700	700

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 unit trusts are determined by reference to the quoted price in an active market.

27 Financial instruments (continued)

27.3 Fair values of financial instruments (continued)

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.

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
2023				
Financial assets				
Financial assets at fair value through profit or loss – Investment in Guardrisk Insurance Company Limited (see note 15)	**–**	**10 913**	**–**	**10 913**
Financial assets at fair value through profit or loss – collective investment schemes (see note 15)	**152 493**	**–**	**–**	**152 493**
Equity derivative contracts designated as hedging instruments (see note 16)	**–**	**7 973**	**–**	**7 973**
Forward exchange contracts designated as hedging instruments (see note 16)	**–**	**13 269**	**–**	**13 269**
Total	**152 493**	**32 155**	**–**	**184 648**
Financial liabilities				
Forward exchange contracts designated as hedging instruments (see note 16)	**–**	**(1 633)**	**–**	**(1 633)**
2022				
Financial assets				
Financial assets at fair value through profit or loss – Investment in Guardrisk Insurance Company Limited (see note 15)	–	8 806	–	8 806
Financial assets at fair value through profit or loss – collective investment schemes (see note 15)	136 246	–	–	136 246
Equity derivative contracts designated as hedging instruments (see note 16)	–	188 059	–	188 059
Forward exchange contracts designated as hedging instruments (see note 16)	–	18 247	–	18 247
Total	136 246	215 112	–	351 358
Financial liabilities				
Forward exchange contracts designated as hedging instruments (see note 16)	–	(700)	–	(700)

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

27 Financial instruments (continued)

27.4 Credit risk management

Credit risk refers to the risk that a counterparty may default on its contractual obligation resulting in financial loss to the group. The group is exposed to credit risk arising from cash equivalents, a money market investment, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to Distribution and Retail customers, including outstanding receivables and committed transactions. Management 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	
	2023 R'000	2022 R'000
Derivative financial assets (see note 16)	**21 242**	206 306
Trade receivables (see note 18)	**2 049 998**	1 662 017
Logistics fees and other receivables (see note 18)	**424 257**	844 687
Cash and cash equivalents	**2 455 176**	2 014 553
Loans receivable (see note 14)	**158 627**	126 396
	5 109 300	4 853 959

Trade receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers who purchase from the group. The group uses the expected credit loss model whereby a provision matrix is performed on the simplified method to calculate the provision.

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

	Carrying amount	
	2023 R'000	2022 R'000
Retail customers	**104 868**	180 535
Distribution customers	**1 945 130**	1 481 482
	2 049 998	1 662 017

27 Financial instruments (continued)

27.4 Credit risk management (continued)

Expected credit loss model

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

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

	Retail		Distribution	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Balance at the beginning of the year	**(25 353)**	(6 609)	**(16 362)**	(13 351)
Impairment allowance reversed/(recognised) during the year	**16 363**	(18 744)	**(2 680)**	(4 124)
Trade receivables written off during the year as uncollectable	**–**	–	**5 769**	1 113
Balance at the end of the year	**(8 990)**	(25 353)	**(13 273)**	(16 362)

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

Amounts charged to the allowance account are generally written off to the financial asset when there is no expectation of recovery.

Retail customers

The ageing of trade receivables at the reporting date was:

	2023				2022			
	Loss rate %	Estimated gross carrying amount at default R'000	Expected credit loss R'000	Net R'000	Loss rate %	Estimated gross carrying amount at default R'000	Expected credit loss R'000	Net R'000
Not past due	**7.9**	**113 858**	**(8 990)**	**104 868**	12.3	205 888	(25 353)	180 535

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.

27 Financial instruments (continued)

27.4 Credit risk management (continued)

Distribution customers

The ageing of trade receivables at the reporting date was:

	2023				2022			
	Loss rate %	Estimated gross carrying amount at default R'000	Expected credit loss R'000	Net R'000	Loss rate %	Estimated gross carrying amount at default R'000	Expected credit loss R'000	Net R'000
Not past due	**0.4**	**1 914 141**	**(7 541)**	**1 906 600**	0.3	1 375 291	(4 542)	1 370 749
Past due 0 – 30 days	**0.3**	**24 349**	**(64)**	**24 285**	0.2	57 225	(114)	57 111
Past due more than 31 days	**28.5**	**19 913**	**(5 668)**	**14 245**	17.9	65 328	(11 706)	53 622
Total	**0.7**	**1 958 403**	**(13 273)**	**1 945 130**	1.1	1 497 844	(16 362)	1 481 482

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.

The split between insured and uninsured debtors is as follows:

	Gross amount	
	2023 R'000	2022 R'000
Insured	**1 958 403**	1 494 167
Uninsured	**-**	3 677
	1 958 403	1 497 844

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.

Cash and cash equivalents

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

Other loans

Other loans are reviewed at least on an annual basis to assess their recoverability. The recoverability of the loans have been assessed and no impairments have been noted.

27 Financial instruments (continued)

27.5 Liquidity risk management

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

Liquidity and interest risk tables

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

	Carrying amount R'000	Contractual cash flows R'000	Not later than one year R'000	Later than one year, not later than five years R'000	Later than five years R'000
2023					
Liabilities					
Derivative financial liabilities (see note 16)	**1 633**	**1 633**	**1 633**	**–**	**–**
Trade and other payables (see note 24)	**8 625 016**	**8 625 016**	**8 625 016**	**–**	**–**
Lease liabilities (see note 23)	**3 238 925**	**3 826 407**	**1 130 772**	**2 477 780**	**217 855**
	11 865 574	**12 453 056**	**9 757 421**	**2 477 780**	**217 855**
2022					
Liabilities					
Derivative financial liabilities (see note 16)	700	700	700	–	–
Trade and other payables (see note 24)	7 804 481	7 804 481	7 804 481	–	–
Lease liabilities (see note 23)	3 099 884	3 361 435	1 012 159	2 306 842	42 434
	10 905 065	11 166 616	8 817 340	2 306 842	42 434

28 Capital commitments

	Group	
	2023 R'000	2022 R'000
Capital expenditure approved by the directors		
Contracted	**142 032**	226 474
Not contracted	**737 518**	709 363
	879 550	935 837

Capital commitments relate to the group's investment in property, plant and equipment and intangible assets to maintain and expand operations.

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

29 Financial guarantees

Group companies provide surety for other group companies to the value of R3 639 million and USD 62 million (2022: R3 439 million and USD 62 million) with respect to facilities held with various banks. At year-end these facilities had no drawings by group companies (2022: nil). The fair values of the financial guarantees are considered negligible.

30 Related party transactions

30.1 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 83.

Related party transactions include:

i) Dividends paid and received from subsidiary companies and associates;

ii) Interest received from or paid to subsidiary companies;

iii) Loans to or from subsidiary companies;

iv) Sale of goods between subsidiary companies; and

v) Administration fees received from or paid to 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 85.

	Group	
	2023 R'000	2022 R'000
Transactions with Sorbet Brands Proprietary Limited		
Dividends received	**1 137**	1 951
Management fee received	**2 939**	2 772
Royalties paid	**10 160**	8 895
Transactions with Mistragystix Proprietary Limited		
Interest income	**14 185**	9 176
Loan receivable	**110 000**	117 351

30 Related party transactions (continued)

30.1 Group (continued)

Other related parties

The group has identified The Clicks Helping Hand Trust as a related party because of the group's involvement in the charitable and developmental activities of the trust. The group has not consolidated the trust as it is not exposed to variable returns from them and any non-financial benefit is considered to be insignificant. The total net assets for the trust is R17 539 630 (2022: R14 761 305) and a net profit of R2 778 325 (2022: R4 896 932). Donations to the trust during the year from subsidiary companies were:

	Group	
	2023 R'000	2022 R'000
The Clicks Helping Hand Trust	**5 801**	5 996

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

Contributions to pension and provident fund

Contributions paid to pension and provident fund are included in note 4 and additional information in note 22.

30.2 Company

The company has the following related party transactions:

	Company	
	2023 R'000	2022 R'000
30.2.1 Dividends received		
New Clicks South Africa Proprietary Limited	**2 620 000**	1 800 000
Total dividends received from related parties	**2 620 000**	1 800 000
30.2.2 Loans by subsidiary companies		
New Clicks South Africa Proprietary Limited	**3 147 710**	2 792 834
Clicks Centurion Proprietary Limited	**9 000**	9 000
	3 156 710	2 801 834

A schedule of the loans and investments in related parties is included on page 83.

31 Borrowing powers

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

32 Operating segments

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

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

Retail

Retail comprises Clicks, a specialist health, beauty and homeware retailer, Sorbet, a franchising of hair and beauty salons, 180 Degrees Marketing, a software development company and The Body Shop, which specialises in naturally inspired luxury toiletries, cosmetics, gifting and grooming, with stores in the Republic of South Africa, Namibia, Eswatini, Botswana and Lesotho. The revenue, assets and liabilities recognised in countries outside of South Africa are not significant in relation to those recognised locally.

Distribution

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

The information regarding the results of each reportable segment is included on page 20 and 21. Performance is measured based on segment operating profit, as included in the internal management reports that are reviewed by the group's chief operating decision-makers. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment transactions are on an arm's length basis.

Major customers

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

33 Impact of civil unrest

The civil unrest in KwaZulu-Natal (KZN) in July 2021 impacted 52 Clicks stores and one The Body Shop store, as well as two of the group’s distribution centres. The group suffered significant physical damage and loss to its fixed assets, cash on hand and inventory in the affected stores and distribution centres. The group has adequate South African Special Risks Insurance Association (SASRIA) and general insurance cover for material damage to assets, stock and business interruption.

As disclosed in the group's 2022 annual financial statements, the group entered into a full and final settlement agreement with SASRIA amounting to R710.3 million. An amount of R523.9 million was recovered for loss of stock, R19.4 million for other costs and R167.0 million for replacement of fixed assets.

33 Impact of civil unrest (continued)

The group headline earnings excluding the impact of the civil unrest is disclosed as follows:

	Year to 31 August 2023	Year to 31 August 2022	% change
Headline earnings	**2 542 916**	2 522 870	0.8%
Adjusted for:			
Insurance proceeds – civil unrest	**–**	(325 887)	
Total tax effects of adjustments	**–**	91 248	
Group adjusted headline earnings	**2 542 916**	2 288 231	11.1%
Group adjusted headline earnings per share (cents)	**1 044.5**	936.6	11.5%
Group diluted adjusted headline earnings per share (cents)	**1 044.5**	936.6	11.5%

34 Investment in subsidiaries

H. Mallach and Associates Proprietary Limited

Effective 1 April 2023, the group acquired all shares in H. Mallach and Associates Proprietary Limited (trading as M-Kem) for a consideration of R50 million, paid in cash. The company was incorporated in South Africa with interests in the healthcare service industry. The company operates in South Africa.

The transaction resulted in the Clicks Group holding 100% of the issued share capital of H. Mallach and Associates Proprietary Limited.

The acquisition date fair value of the assets acquired and liabilities assumed were as follows:

	R'000
Assets	
Non-current assets	122 223
Current assets	31 804
Liabilities	
Non-current liabilities	(102 787)
Current liabilities	(22 297)
Fair value of net assets assumed	28 943
Purchase price paid in cash	50 000
Goodwill	21 057

The revenue included in the consolidated statement of comprehensive income since 1 April 2023 was R101 million. M-Kem also contributed profit of R5 million over the same period.

For the 12-month period since the start of the group financial year, M-Kem reported revenue of R240 million and EBIT of R8 million.

180 Degrees Marketing Proprietary Limited

Effective 1 May 2023, the group acquired all shares in 180 Degrees Marketing Proprietary Limited for a total consideration of R165 million, comprising R120 million paid in cash and a contingent consideration of R45 million. The company is engaged in software development, rendering support services to software implemented and wireless network services, and was incorporated and operates in South Africa with interests in the information technology industry.

The contingent consideration is subject to a conditional amount of R45 million payable by the group to the previous owners of 180 Degrees Marketing Proprietary Limited contingent to the satisfaction of the conditions stipulated in the sale agreement. The transaction resulted in the Clicks Group holding 100% of the issued share capital of 180 Degrees Marketing Proprietary Limited.

34 Investment in subsidiaries (continued)

The acquisition date fair value of the assets acquired and liabilities assumed were as follows:

	R'000
Assets	
Non-current assets	99 578
Current assets	7 312
Liabilities	
Non-current liabilities	(48 248)
Current liabilities	(5 231)
Fair value of net assets assumed	53 411
Purchase price paid in cash	120 000
Goodwill	66 589

Sorbet Holdings Proprietary Limited

Effective 1 June 2023, the group acquired all shares in Sorbet Holdings Proprietary Limited and its subsidiaries for a consideration of R105 million, paid in cash. The Sorbet group is a group of companies with interests in the franchising of hair and beauty salons, including Sorbet and Sorbet Man. The group operates in South Africa.

The transaction resulted in the Clicks Group holding 100% of the issued share capital of all Sorbet group entities, including Sorbet Brands Proprietary Limited in which the Clicks Group already held 25% as an investment in associate.

The acquisition date fair value of the assets acquired and liabilities assumed were as follows:

	R'000
Assets	
Non-current assets[1]	117 734
Current assets	37 695
Liabilities	
Non-current liabilities	(27 690)
Current liabilities	(12 994)
Fair value of net assets assumed	114 745
Group's carrying amount of the investment in associate	(21 378)
Purchase price paid in cash	105 000
Goodwill	11 633

[1] Includes acquired goodwill of R2.7 million.

Since 1 June 2023, Sorbet contributed profit of R5 million. For the 12-month period since the start of the group financial year, Sorbet reported EBIT of R27 million.

35 Events after reporting date

Post year-end, the group repurchased and cancelled, 3 098 334 Clicks Group Limited ordinary shares to the value of R834.8 million.

Company statement of comprehensive income

for the year ended 31 August

	Notes	2023 R'000	2022 R'000
Dividend income from subsidiary	30.2.1	**2 620 000**	1 800 000
Bank charges		**(9)**	(4)
Operating costs		**(54)**	(26)
Profit before financing cost		**2 619 937**	1 799 970
Financial income		**1 868**	1 655
Profit before taxation		**2 621 805**	1 801 625
Income tax expense	7	**(502)**	(450)
Profit for the year		**2 621 303**	1 801 175
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive income for the year		**2 621 303**	1 801 175

Company statement of financial position

for the year ended 31 August

	Notes	2023 R'000	2022 R'000
Assets			
Non-current assets		**3 781 460**	3 426 584
Interest in subsidiary companies (see page 83)		**3 781 460**	3 426 584
Current assets		**492**	1 241
Cash and cash equivalents		**492**	1 241
Total assets		**3 781 952**	3 427 825
Equity		**3 772 616**	3 417 627
Share capital	19	**2 412**	2 440
Share premium	19	**3 301 189**	3 301 189
Distributable reserve		**469 015**	113 998
Current liabilities		**9 336**	10 198
Trade and other payables		**1 275**	2 205
Income tax payable		**8 061**	7 993
Total equity and liabilities		**3 781 952**	3 427 825

Company statement of changes in equity

for the year ended 31 August

	Number of shares (Note 19) '000	Share capital (Note 19) R'000	Share premium (Note 19) R'000	Distributable reserve R'000	Total R'000
Balance at 1 September 2021	245 557	2 456	3 301 189	45 344	3 348 989
Total comprehensive income for the year	–	–	–	1 801 175	1 801 175
Shares repurchased and cancelled	(1 587)	(16)	–	(445 581)	(445 597)
Dividend declared to shareholders (see note 25)	–	–	–	(1 286 940)	(1 286 940)
Balance at 31 August 2022	**243 970**	**2 440**	**3 301 189**	**113 998**	**3 417 627**
Total comprehensive income for the year	**–**	**–**	**–**	**2 621 303**	**2 621 303**
Shares repurchased and cancelled	**(2 809)**	**(28)**	**–**	**(703 492)**	**(703 520)**
Dividend declared to shareholders (see note 25)	**–**	**–**	**–**	**(1 562 794)**	**(1 562 794)**
Balance at 31 August 2023	**241 161**	**2 412**	**3 301 189**	**469 015**	**3 772 616**

Company statement of cash flows

for the year ended 31 August

	2023 R'000	2022 R'000
Cash effects of operating activities		
Loss before working capital changes	**(63)**	(30)
Working capital changes	**(930)**	–
Cash generated by operations	**(993)**	(30)
Interest received	**1 868**	1 655
Taxation paid	**(434)**	(321)
Cash inflow from operating activities before dividends paid	**441**	1 304
Dividends paid to shareholders	**(1 562 794)**	(1 286 940)
Net cash effects of operating activities	**(1 562 353)**	(1 285 636)
Cash effects of investing activities		
Loans to subsidiaries	**(354 876)**	(67 436)
Dividends received from subsidiary	**2 620 000**	1 800 000
Net cash effects of investing activities	**2 265 124**	1 732 564
Cash effects of financing activities		
Shares repurchased	**(703 520)**	(445 597)
Net cash effects of financing activities	**(703 520)**	(445 597)
Net movement in cash and cash equivalents	**(749)**	1 331
Cash and cash equivalents at the beginning of the year	**1 241**	(90)
Cash and cash equivalents at the end of the year	**492**	1 241

Notes to the company statement of cash flows

for the year ended 31 August

	2023 R'000	2022 R'000
Loss before working capital changes		
Profit before taxation	**2 621 805**	1 801 625
Adjustment for:		
Dividend received	**(2 620 000)**	(1 800 000)
Financial income	**(1 868)**	(1 655)
	(63)	(30)
Working capital changes		
Increase in trade and other payables	**(930)**	–
	(930)	–
Taxation paid		
Income tax payable at the beginning of the year	**7 993**	7 864
Current tax charge	**502**	450
Income tax payable at the end of the year	**(8 061)**	(7 993)
	434	321

Interest in subsidiary companies

at 31 August

Name of company/ entity and nature of business		Country of incorporation	Ordinary issued share capital/ trust capital[1]	Shares at cost less amounts written off 2023 R'000	2022 R'000	Amount owing by subsidiaries 2023 R'000	2022 R'000
Directly held							
i)	Trading						
	New Clicks South Africa Proprietary Limited	South Africa	R500	**272 439**	272 439	**3 147 710**	2 792 834
ii)	Property owning						
	Clicks Centurion Proprietary Limited	South Africa	R10	*	*	**9 000**	9 000
iii)	New Clicks Foundation Trust	South Africa	R5 000	–	–	–	–
Indirectly held							
i)	Trading						
	Clicks Group (Eswatini) Proprietary Limited	Eswatini	E2	–	–	–	–
	The Clicks Organisation (Botswana) Proprietary Limited	Botswana	BWP 3 000	–	–	–	–
	Clicks Group (Namibia) Proprietary Limited	Namibia	N$100	–	–	–	–
	Clicks stores (Lesotho) Proprietary Limited	Lesotho	M1 000	–	–	–	–
	Unicorn Pharmaceuticals Proprietary Limited	South Africa	R10	–	–	–	–
	Clicks Retailers Proprietary Limited	South Africa	R200	–	–	–	–
	Clicks Investments Proprietary Limited	South Africa	R16 685 175 000	–	–	–	–
	BTB Media Proprietary Limited	South Africa	R120	–	–	–	–
	K2021423995 (South Africa) Proprietary Limited	South Africa	R100	–	–	–	–
	180 Degrees Marketing Proprietary Limited	South Africa	R100	–	–	–	–
	Sorbet Holdings Proprietary Limited	South Africa	R11 200 400	–	–	–	–
	H. Mallach and Associates Proprietary Limited (trading as M-Kem)	South Africa	R100	–	–	–	–
ii)	Name protection and dormant						
	Two companies (2022: two companies)			–	–	–	–
				272 439	272 439	**3 156 710**	2 801 834

	2023	2022
Shares at cost less amounts written off	**272 439**	272 439
Amounts owing by subsidiary companies	**3 156 710**	2 801 834
Share based payments capitalised	**352 311**	352 311
Interest in subsidiaries	**3 781 460**	3 426 584

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

* Values less than R1 000

[1] All directly and indirectly owned subsidiaries are wholly owned by group.

Analysis of shareholders

for the year ended 31 August

Public and non-public shareholders	Number of shares	Percentage of shares
Public shareholders	**240 971 057**	**99.9%**
Non-public shareholders		
Shares held by directors	**189 742**	**0.1%**
Total non-public shareholders	**189 742**	**0.1%**
Total shareholders	**241 160 799**	**100.0%**

According to the company's register of shareholders, read in conjunction with the company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following fund managers managed 3% or more of the issued share capital at 31 August 2023:

	Percentage of shares	
Major fund managers managing 3% or more	August 2023	August 2022
Public Investment Corporation (SA)	**16.8%**	16.6%
JPMorgan Asset Management (UK and US)	**6.1%**	5.9%
GIC Asset Management (Singapore)	**5.6%**	3.5%
T Rowe Price (UK and US)	**4.9%**	4.2%
Federated Hermes (UK)	**4.7%**	4.8%
BlackRock (US and UK)	**4.7%**	4.0%
RBC Global Asset Management (UK)	**4.6%**	4.6%
The Vanguard Group (US)	**4.0%**	3.9%
Funds no longer managing 3% or more:		
Fidelity Management & Research (US)	**2.1%**	3.9%
William Blair (US)	**1.6%**	3.4%

Major beneficial shareholders holding 3% or more	Number of shares	Percentage of shares
Government Employees Pension Fund	**40 771 844**	**16.9%**
GIC Asset Management	**13 744 998**	**5.7%**
RBC Emerging Markets Equity Fund	**7 537 691**	**3.1%**

Geographic distribution of shareholders

31.7% South Africa and Namibia

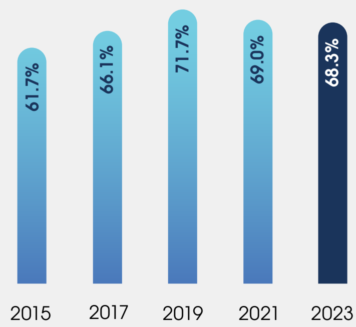
31.8% USA and Canada

14.3% United Kingdom and Ireland

11.7% Europe

10.5% Other countries

Offshore shareholding



Classification of registered shareholdings	Number of shares	Percentage of shares
Banks/Brokers	132 119 907	54.8%
Retirement funds	54 951 335	22.8%
Mutual funds	43 039 040	17.8%
Insurance companies	4 135 966	1.7%
Individuals	3 258 838	1.4%
Endowment funds	1 406 892	0.6%
Trusts	1 251 896	0.5%
Other	996 925	0.4%
	241 160 799	100.0%

Distribution of registered shareholdings	Number of holders	Percentage of holders	Number of shares	Percentage of shares
1 – 1 000	14 298	89.0%	1 518 019	0.6%
1 001 – 10 000	1 139	7.1%	3 763 694	1.6%
10 001 – 100 000	434	2.7%	14 291 561	5.9%
100 001 – 1 000 000	157	1.0%	47 511 758	19.7%
1 000 001 shares and over	37	0.2%	174 075 767	72.2%
	16 065	100.0%	241 160 799	100.0%

Directors' shareholdings

	2023				2022			
Director	Direct beneficial shares	Indirect beneficial shares	Indirect non-beneficial shares	Total	Direct beneficial shares	Indirect beneficial shares	Indirect non-beneficial shares	Total
David Nurek	–	–	65 000	65 000	22 500	20 000	22 500	65 000
John Bester	12 000	10 000	–	22 000	12 000	10 000	–	22 000
Bertina Engelbrecht	90 068	–	–	90 068	75 068	–	–	75 068
Sango Ntsaluba	365	–	–	365	–	–	–	–
Gordon Traill	12 309	–	–	12 309	–	–	–	–
Total	114 742	10 000	65 000	189 742	109 568	30 000	22 500	162 068

The total number of ordinary shares in issue is 241 160 799 (2022: 243 969 611). Percentage of issued share capital held by directors is 0.08% (2022: 0.07%). Details of all dealings in Clicks Group shares by directors during the financial year are contained in the Directors' Report on page 4. There were no changes in directors' shareholding between the end of the financial year and the date of approval of the annual financial statements.

Corporate information

Clicks Group Limited
Incorporated in the Republic of South Africa
Registration number 1996/000645/06
Income tax number 9061/745/71/8
JSE share code: CLS
ISIN: ZAE000134854
ADR ticker symbol: CLCGY
ADR CUSIP code: 18682W205

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JSE sponsor
Investec Bank Limited

Transfer secretaries
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For more information, please visit our website at www.clicksgroup.co.za

Shareholders' diary

Annual general meeting	**1 February 2024**
Preliminary results announcements	
Interim results to February 2024	on or about 25 April 2024
Annual results to August 2024	on or about 24 October 2024
Publication of 2024 integrated report	**November 2024**
Ordinary share dividend	
2023 final dividend	
Last day to trade with dividend included	24 January 2024
Date of dividend payment	29 January 2024
2024 interim dividend	
Last day to trade with dividend included	July 2024
Date of dividend payment	July 2024
2024 final dividend	
Last day to trade with dividend included	January 2025
Date of dividend payment	January 2025

Notes