Notes to the
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST

		Group	
		2021 R'000	Restated[1] 2020 R'000
1	**Revenue**		
	Revenue from contracts with customers		
	Goods sold to customers	**37 339 028**	33 889 151
	Other income	**2 391 845**	2 153 338
	Distribution and logistics fees	**1 209 415**	1 034 318
	Advertising and other income	**1 182 430**	1 119 020
	Total revenue from contracts with customers	**39 730 873**	36 042 489
	Insurance proceeds – civil unrest	**217 391**	–
	Financial income	**34 150**	60 462
	Total revenue	**39 982 414**	36 102 951
2	**Depreciation and amortisation**		
	Depreciation of property, plant and equipment (see note 10)	**420 532**	391 274
	Depreciation of right-of-use assets (see note 24)	**750 554**	663 830
	Amortisation of intangible assets (see note 11)	**61 022**	56 579
	Total depreciation and amortisation	**1 232 108**	1 111 683
	Depreciation included in cost of merchandise sold and inventories	**(52 005)**	(45 872)
	Depreciation and amortisation included in expenses	**1 180 103**	1 065 811
3	**Occupancy costs**		
	Turnover rental expense	**38 494**	55 668
	Rental of low-value assets	**9 870**	11 158
	Other rental expenses[2]	**118 076**	103 941
	Rental concessions	**(5 282)**	(3 322)
	Total occupancy costs	**161 158**	167 445

[1] Restatement relating to the disclosure of the Musica business as a discontinued operation. Refer to note 34.
[2] 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 2021 R'000	Restated[1] 2020 R'000
4 Employment costs		
Directors' emoluments (excluding incentives, see note 4.1)	**27 048**	24 270
Non-executive fees	**5 502**	4 990
Executive	**21 546**	19 280
Salary	**19 696**	17 961
Other benefits	**1 850**	1 319
Long-term incentive scheme – TSR (see note 23)	**115 857**	100 922
Release of gain on cash flow hedge to profit or loss	**(66 841)**	(64 779)
Long-term incentive scheme – HEPS (see note 23)	**34 444**	38 201
Staff salaries and wages	**3 337 008**	3 137 150
Contributions to defined contribution plans	**188 770**	177 582
Leave pay costs (see note 23)	**17 790**	10 886
Bonuses (see note 23)	**169 631**	163 119
Increase in liability for defined benefit plans (see note 23)	**772**	1 003
Total employment costs	**3 824 479**	3 588 354
Employment costs included in cost of merchandise sold and inventories	**(165 190)**	(169 038)
Employment costs included in expenses	**3 659 289**	3 419 316

For further detail of directors' emoluments refer to rewarding value creation on pages 76 and 77 of the integrated annual report or note 4.1.

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

	2021 R'000	2020 R'000
	129 293	139 753
Short-term employee benefits	**42 677**	33 972
Post-employment benefits	**2 968**	2 593
Short-term incentive scheme	**18 809**	16 431
Long-term incentive scheme	**64 839**	86 757
Non-executive directors' fees	**5 502**	4 990
	134 795	144 743

[1] Restatement relating to the disclosure of the Musica business as a discontinued operation. Refer to note 34.

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[2]	Total variable pay	Total
2021								
Bertina Engelbrecht[3]	**4 267**	**503**	**356**	**5 126**	**2 385**	**12 203**	**14 588**	**19 714**
Michael Fleming	**6 353**	**510**	**57**	**6 920**	**3 460**	**17 810**	**21 270**	**28 190**
Vikesh Ramsunder	**9 076**	**424**	**–**	**9 500**	**5 700**	**14 673**	**20 373**	**29 873**
Total	**19 696**	**1 437**	**413**	**21 546**	**11 545**	**44 686**	**56 231**	**77 777**
2020								
Bertina Engelbrecht	4 025	475	–	4 500	2 279	15 828	18 107	22 607
Michael Fleming	6 044	429	57	6 530	3 307	23 133	26 440	32 970
Vikesh Ramsunder	7 892	358	–	8 250	5 014	18 871	23 885	32 135
Total	17 961	1 262	57	19 280	10 600	57 832	68 432	87 712

[2] 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.

[3] Ms Engelbrecht's other benefits comprise a long-service award for 15 years' service in accordance with the group's remuneration policy.

The total number of ordinary shares in issue is 245 557 066 (2020: 248 662 647). The percentage of issued share capital held by directors is 0.1% (2020: 0.1%).

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

4 Employment costs (continued)

4.1 Directors' remuneration (continued)

Non-executive directors' remuneration

	2021 directors' fees			2020 directors' fees		
Director (R'000)	Holding company	Subsidiary companies	Total	Holding company	Subsidiary companies	Total
David Nurek	**1 603**	**–**	**1 603**	1 419	–	1 419
Fatima Abrahams[1]	**751**	**163**	**914**	693	155	848
John Bester	**881**	**–**	**881**	796	–	796
Fatima Daniels[2]	**595**	**163**	**758**	530	155	685
Nonkululeko Gobodo[3]	**42**	**–**	**42**	555	–	555
Martin Rosen	**533**	**–**	**533**	465	–	465
Mfundiso Njeke	**588**	**–**	**588**	222	–	222
Penelope Moumakwa[4]	**183**	**–**	**183**	–	–	–
Total	**5 176**	**326**	**5 502**	4 680	310	4 990
Total directors' remuneration						
Executive directors			**77 777**			87 712
Non-executive directors			**5 502**			4 990
Total directors' remuneration			**83 279**			92 702

[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] 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.
[3] Resigned as a non-executive director 14 September 2020.
[4] Appointed as a non-executive director effective 1 April 2021.

	Group	
	2021 R'000	Restated[1] 2020 R'000
5 Other costs		
Other operating costs include:		
Fees paid for outside services		
Technical services	**19 027**	17 552
(Increase)/decrease in financial assets at fair value through profit or loss	**(5 931)**	3 252
Foreign exchange losses/(gains) – realised	**5 227**	(756)
Water and electricity	**247 425**	229 504
Retail	**226 505**	210 929
Distribution	**20 920**	18 575
6 Net financing expense		
Recognised in profit or loss:		
Interest income on bank deposits and investments	**33 169**	59 542
Other interest income	**981**	920
Financial income	**34 150**	60 462
Interest expense on financial liabilities measured at amortised cost	**208 845**	214 949
Cash interest expense	**12 823**	7 635
Lease liability interest expense (see note 24)	**196 022**	207 314
Other interest expense (see note 23.2)	**11 416**	14 194
Financial expense	**220 261**	229 143
Net financing expense	**186 111**	168 681

[1] Restatement relating to the disclosure of the Musica business as a discontinued operation. Refer to note 34.

	Group		Company	
	2021 R'000	Restated[1] 2020 R'000	2021 R'000	2020 R'000
7 Income tax expense				
South African normal tax				
Current tax				
Current year	**681 509**	709 729	**166**	49
Prior-year overprovision	**(10 648)**	(14 819)	**–**	–
Deferred tax				
Current year	**8 006**	(18 741)	**–**	–
Prior-year under/(over) provision	**3 015**	(266)	**–**	–
Foreign tax				
Current tax				
Current year	**15 338**	19 705	**–**	–
Withholding tax	**3 840**	4 212	**–**	–
Deferred tax				
Current year	**(3 317)**	3 996	**–**	–
Prior-year underprovision	**12**	3	**–**	–
Income tax expense	**697 755**	703 819	**166**	49
Income tax recovery on discontinued operations (refer to note 8)	**29 969**	15 955		
Taxation on continuing operations per statement of comprehensive income	**727 724**	719 774		
Taxation on other comprehensive income and changes in equity				
Deferred tax – current year	**8 530**	(626)	**–**	–
Cash flow hedge recognised in other comprehensive income	**(5 479)**	23 512	**–**	–
Cash flow hedge recognised in equity	**14 474**	(27 988)	**–**	–
Remeasurement of post-employment benefit obligations	**–**	3 872	**–**	–
Cost of hedging reserve	**(465)**	(22)	**–**	–
Total group income tax charge	**706 285**	703 193	**166**	49
Reconciliation of rate of tax	**%**	%	**%**	%
Standard rate – South Africa	**28.00**	28.00	**28.00**	28.00
Adjusted for:				
Disallowable expenditure[2]	**0.53**	0.35	**0.01**	–
Exempt income and allowances[3]	**(0.75)**	(0.57)	**(27.99)**	(28.00)
Foreign tax rate variations	**(0.11)**	(0.12)	**–**	–
Foreign withholding tax	**0.15**	0.16	**–**	–
Prior-year net overprovision	**(0.30)**	(0.58)	**–**	–
Effective tax rate	**27.52**	27.24	**0.02**	–

[1] Restatement relating to the disclosure of the Musica business as a discontinued operation. Refer to note 34.
[2] Disallowable expenditure consists of expenses not in the production of income and expenditure of a capital nature, which includes legal fees, consulting fees, share expenses and donations.
[3] Exempt income consists of tax-free allowances received.

One of the subsidiaries of the group has an estimated tax loss of R79.0 million (2020: R64.9 million) available for set-off against future taxable income of that subsidiary. A deferred tax asset of R25.4 million (2020: R21.6 million) has been recognised in respect of the total estimated tax loss (see note 13).

8 Discontinued operations

On 28 January 2021 the group announced that the board of directors had decided to close the group's heritage entertainment brand, Musica, with effect from 31 May 2021.

As a result, the cash-generating unit is disclosed as a discontinued operation as at 31 August 2021 in accordance with IFRS 5 as all Musica stores are closed and all operations have been terminated. Refer to note 34 for the restatement of the numbers for 31 August 2020.

The assets and liabilities in Musica will not be classified as a non-current asset held for sale as the carrying amount will not be recovered through a sale transaction.

The group recognised an impairment allowance for the property, plant and equipment and right-of-use assets as at 31 August 2021 and has ensured that all assets are measured at the lower of the cost and the recoverable amount.

The impact of the Musica business for the current and prior financial year on the group is disclosed as follows:

	Group	
	2021 R'000	2020 R'000
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
Turnover	**197 019**	475 247
Cost of merchandise sold	**(168 688)**	(334 663)
Gross profit	**28 331**	140 584
Other income	**7 184**	12 977
Total income	**35 515**	153 561
Expenses	**(103 092)**	(199 417)
Depreciation and amortisation	**(28 291)**	(65 257)
Occupancy costs	**(8 248)**	(17 389)
Employment costs	**(42 384)**	(78 106)
Other costs	**(23 599)**	(37 600)
Impairment allowance	**(570)**	(1 065)
Operating loss	**(67 577)**	(45 856)
Loss on disposal of property, plant and equipment	**(6 485)**	(1 939)
Impairment of property, plant and equipment and right-of-use assets	**(30 417)**	–
Loss before financing costs	**(104 479)**	(47 795)
Net financing expense	**(1 735)**	(6 769)
Financial income	**1**	21
Financial expenses	**(1 736)**	(6 790)
Loss before taxation	**(106 214)**	(54 564)
Income tax	**29 969**	15 955
Loss for the year	**(76 245)**	(38 609)

		Group 2021 R'000	Group 2020 R'000
8	**Discontinued operations (continued)**		
	MUSICA STATEMENT OF FINANCIAL POSITION		
	Assets		
	Property, plant and equipment	–	22 566
	Right-of-use assets	–	43 878
	Intangible assets	–	17
	Inventories	1 069	53 225
	Trade and other receivables	43	10 380
	Liabilities		
	Employee benefits – non-current	–	2 289
	Lease liabilities	3 832	44 347
	Trade and other payables	7 942	51 367
	Employee benefits – current	68	7 036
	MUSICA STATEMENT OF CASH FLOWS INFORMATION		
	Net cash outflows attributable to Musica		
	Cash effects from operating activities	(31 188)	45 026
	Cash effects from investing activities	(48)	(5 737)
	Cash effects from financing activities	(42 170)	(60 113)
	Cash utilised by Musica	**(73 406)**	(20 824)

9 Earnings per share

The calculation of basic and headline earnings per share at 31 August 2021 was based on profit for the year attributable to ordinary shareholders of Clicks Group Limited of R1 837.9 million (2020: R1 880.2 million) and headline earnings of R1 911.5 million (2020: R1 887.4 million) divided by the weighted average number of ordinary shares as follows:

	Group 2021 R'000	Group 2020[1] R'000
Reconciliation of headline earnings		
Profit attributable to equity holders of the parent	1 914 101	1 918 784
Adjusted for continuing operations:	47 124	5 803
Loss on disposal of property, plant and equipment	4 199	6 398
Impairment of property, plant and equipment	61 251	–
Loss on disposal of business	–	1 196
Total tax effect of adjustments	(18 326)	(1 791)
Headline earnings from continuing operations	1 961 225	1 924 587
Loss from discontinued operations, net of tax	(76 245)	(38 609)
Adjusted for discontinued operations:	26 569	1 396
Loss on disposal of property, plant and equipment	6 485	1 939
Impairment of property, plant and equipment and right-of-use assets	30 417	–
Total tax effects on adjustments	(10 333)	(543)
Headline earnings	**1 911 549**	1 887 374

[1] Restatement relating to the disclosure of the Muscia business as a discontinued operation. Refer to note 34.

	Group 2021 cents	Group 2020 cents
9 Earnings per share (continued)		
Earnings per share	**743.8**	751.4
Continuing operations	**774.7**	766.9
Discontinued operations	**(30.9)**	(15.5)
Headline earnings per share	**773.6**	754.3
Continuing operations	**793.7**	769.2
Discontinued operations	**(20.1)**	(14.9)
Diluted earnings per share	**743.8**	751.4
Continuing operations	**774.7**	766.9
Discontinued operations	**(30.9)**	(15.5)
Diluted headline earnings per share	**773.6**	754.3
Continuing operations	**793.7**	769.2
Discontinued operations	**(20.1)**	(14.9)

	2021 '000	2020 '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	**248 663**	262 083
Treasury shares held for the full year and/or cancelled	**–**	(10 559)
Treasury shares purchased during the year weighted for the period held	**(1 579)**	(1 312)
Weighted average number of shares in issue for the year	**247 084**	250 212
Reconciliation of weighted average number of shares to weighted average diluted number of shares in issue		
Weighted average number of shares in issue for the year (net of treasury shares)	**247 084**	250 212
Weighted average diluted number of shares in issue for the year	**247 084**	250 212

	Group 2021 Cost R'000	Group 2021 Accumulated depreciation and impairment losses R'000	Group 2020 Cost R'000	Group 2020 Accumulated depreciation and impairment losses R'000
10 Property, plant and equipment				
Land	**25 809**	**–**	25 809	–
Buildings	**570 493**	**(77 312)**	568 554	(68 650)
Computer equipment	**558 136**	**(377 188)**	579 299	(388 564)
Equipment	**439 908**	**(242 131)**	413 379	(237 750)
Furniture and fittings	**2 495 158**	**(1 272 529)**	2 640 650	(1 435 058)
Motor vehicles	**42 559**	**(24 801)**	53 324	(30 319)
	4 132 063	**(1 993 961)**	4 281 015	(2 160 341)

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 2019	25 809	495 683	182 120	157 712	1 179 062	26 650	2 067 036
Additions	–	8 880	85 512	66 123	298 659	3 441	462 615
Disposals	–	–	(440)	(247)	(8 095)	(516)	(9 298)
Depreciation: discontinued operations	–	–	(729)	(56)	(7 350)	(270)	(8 405)
Depreciation: continuing operations	–	(4 659)	(75 728)	(47 903)	(256 684)	(6 300)	(391 274)
Carrying amount at 31 August 2020	**25 809**	**499 904**	**190 735**	**175 629**	**1 205 592**	**23 005**	**2 120 674**
Additions	**–**	**3 957**	**71 746**	**80 597**	**362 635**	**4 812**	**523 747**
Impairment: discontinued operations[1]	**–**	**–**	**(1 110)**	**(141)**	**(10 719)**	**(761)**	**(12 731)**
Impairment: civil unrest[2]	**–**	**(1 917)**	**(5 568)**	**(8 372)**	**(43 753)**	**(1 641)**	**(61 251)**
Disposals	**–**	**(2)**	**(199)**	**(147)**	**(6 754)**	**(1 720)**	**(8 822)**
Depreciation: discontinued operations	**–**	**–**	**(246)**	**(13)**	**(2 686)**	**(38)**	**(2 983)**
Depreciation: continuing operations	**–**	**(8 761)**	**(74 410)**	**(49 776)**	**(281 686)**	**(5 899)**	**(420 532)**
Carrying amount at 31 August 2021	**25 809**	**493 181**	**180 948**	**197 777**	**1 222 629**	**17 758**	**2 138 102**

[1] As a result of the closure of the Musica business, the group has impaired all classes of property, plant and equipment held by Musica. These assets were impaired to zero, as it was not the intention of the group to either sell or continue using these assets and, therefore, no future economic benefits were expected to be realised by these assets. Refer to notes 8 and 34 for further details.

[2] During the civil unrest in KZN the group suffered significant physical damage and loss to 53 stores and two distribution centres. As a result of the physical damage, the group impaired property, plant and equipment with a carrying amount of R61.3 million as no future economic benefits could be realised by these assets. Refer to note 35 for further details.

	Group			
	2021		2020	
	Cost R'000	Accumulated amortisation and impairment losses R'000	Cost R'000	Accumulated amortisation and impairment losses R'000
11 Intangible assets				
Clicks trademark (see note 11.1)	**272 000**	**–**	272 000	–
Link trademark	**6 000**	**(6 000)**	6 000	(6 000)
Other trademarks	**1 117**	**(1 029)**	1 217	(1 005)
Capitalised and purchased computer software development	**640 217**	**(248 143)**	535 809	(246 256)
Contractual rights (see note 11.2)	**37 259**	**(30 964)**	33 858	(26 923)
	956 593	**(286 136)**	848 884	(280 184)

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

	Clicks trademark R'000	Other trademarks and contractual rights R'000	Capitalised software development R'000	Total R'000
Carrying amount at 1 September 2019	272 000	8 266	216 812	497 078
Additions	–	2 949	125 319	128 268
Amortisation – continuing operations	–	(4 018)	(52 561)	(56 579)
– discontinued operations	–	(50)	(10)	(60)
Disposals	–	–	(7)	(7)
Carrying amount at 31 August 2020	**272 000**	**7 147**	**289 553**	**568 700**
Additions	**–**	**3 400**	**162 588**	**165 988**
Amortisation – continuing operations	**–**	**(4 151)**	**(56 871)**	**(61 022)**
– discontinued operations	**–**	**(13)**	**–**	**(13)**
Disposals	**–**	**–**	**(3 196)**	**(3 196)**
Carrying amount at 31 August 2021	**272 000**	**6 383**	**392 074**	**670 457**

Assessment of impairment of intangible assets

11.1 The Clicks trademark is part of the Clicks cash-generating unit and is considered to have an indefinite useful life. There is no apparent legal or other restriction to the use of the trademark or risk of technical or other obsolescence. Given the strategic importance of the trademark to the future sustainability of the group, the group's intention is to continue to use the trademark indefinitely. The directors consider that there is no foreseeable limit to the period over which this asset is expected to generate cash inflows for the group and, on this basis, the directors have concluded that the indefinite useful life assumption is appropriate.

In accordance with the group's accounting policy, an impairment test was performed on the carrying values of intangible assets with indefinite useful lives at year-end. The recoverable amount was determined based on the value in use.

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

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

(i) A forecast horizon of three years was used. The forecast horizon comprises the three-year plan drafted in the last quarter of the 2021 financial year, whereafter a perpetuity growth rate of 7.0% (2020: 7.0%) is used.

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

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

(iv) A discount rate of 13.5% (2020: 12.5%) per annum, being the group's pre-tax weighted average cost of capital, was used. The group's pre-tax weighted average cost of capital is deemed appropriate as, together with the Distribution business, both businesses largely operate within South Africa and are subject to similar market risks.

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

11.2 The group acquired contractual rights relating to medicine formulae. These contractual rights are amortised over five years.

	Group 2021 R'000	2020 R'000
12 Goodwill		
Goodwill	**102 806**	102 806
Goodwill comprises:		
United Pharmaceutical Distributors Proprietary Limited (UPD) (see note 12.1)	**96 277**	96 277
Amalgamated Pharmacy Group Proprietary Limited (Amalgamated Pharmacy Group) (see note 12.2)	**6 529**	6 529

Assessment of impairment of goodwill

12.1 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 2021 financial year, whereafter a perpetuity growth rate of 6.5% (2020: 6.5%) is used.

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

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

(iv) A discount rate of 13.5% (2020: 12.5%) per annum, being the group's pre-tax weighted average cost of capital, was used. The group's pre-tax weighted average cost of capital is deemed appropriate as, together with the Clicks business, both businesses largely operate within South Africa and are subject to similar market risks.

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

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

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

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

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

(i) A forecast horizon of three years was used. The forecast horizon comprises the three-year plan drafted in the last quarter of the 2021 financial year, whereafter a perpetuity growth rate of 7% (2020: 7%) is used.

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

12. Goodwill (continued)

Assessment of impairment of goodwill (continued)

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

(iv) A discount rate of 13.5% (2020: 12.5%) per annum, being the group's pre-tax weighted average cost of capital, was used. The group's pre-tax weighted average cost of capital is deemed appropriate as, together with the Distribution business, both businesses largely operate within South Africa and are subject to similar market risks.

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

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

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
13 Deferred tax assets/(liabilities)				
Deferred tax assets	**106 215**	110 694	**–**	–
Deferred tax liabilities	**(11 767)**	–	**–**	–
	94 448	110 694	**–**	–
Balance at the beginning of the year	**110 694**	95 060	**–**	–
Current deferred tax credit to profit or loss (see note 7)	**(7 716)**	15 008	**–**	–
Current deferred tax credit to other comprehensive income or equity (see note 7)	**(8 530)**	626	**–**	–
Balance at the end of the year	**94 448**	110 694	**–**	–
Arising as a result of:				
Capital gains tax	**(48 110)**	(48 110)	**–**	–
Derivative financial assets and liabilities	**(66 972)**	(57 669)	**–**	–
Employee obligations	**132 559**	135 921	**–**	–
Income and expense accrual	**138 633**	129 434	**–**	–
Inventory	**38 593**	51 406	**–**	–
Lease liabilities	**111 676**	112 927	**–**	–
Prepayments	**(23 189)**	(27 006)	**–**	–
Property, plant and equipment	**(137 930)**	(131 652)	**–**	–
Tax losses	**25 360**	21 615	**–**	–
Trademarks	**(76 172)**	(76 172)	**–**	–
Balance at the end of the year	**94 448**	110 694	**–**	–

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 debit of R9.0 million (2020: R4.5 million) recognised in other comprehensive income and equity (see note 21).

In respect of the deferred tax asset of R25.4 million (2020: R21.6 million) recognised by one (2020: one) subsidiary company for estimated tax losses, the directors consider that sufficient future taxable income will be generated by that subsidiary company to utilise the deferred tax asset recognised.

14 Investment in associates

The group acquired a 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 is accounted for using the equity method in the consolidated financial statements.

In the current year the group acquired a 22.67% economic interest in Mistragystix Proprietary Limited. R13 million was paid on signing of the contract.

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

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

	Group	
	2021 R'000	2020 R'000
Assets		
Non-current assets	**112 654**	80 000
Current assets	**25 033**	2 020
Liabilities		
Non-current liabilities	**3 029**	–
Current liabilities	**24 263**	1 771
Equity	**110 395**	80 249
Group's carrying amount of the investments	**27 599**	20 062
Summarised statement of comprehensive income		
Income	**25 858**	18 826
Expenses	**(47 280)**	(7 132)
(Loss)/profit before taxation	**(21 422)**	11 694
Income tax	**5 998**	(3 274)
(Loss)/profit for the year	**(15 424)**	8 420
Total comprehensive (loss)/income for the year	**(15 424)**	8 420
Group's proportionate share of (loss)/profit for the year	**(3 476)**	2 105
Dividends received from associate	**1 987**	2 134

15 Loans receivable

	Group	
	2021 R'000	2020 R'000
AfroBotanics Proprietary Limited (see note 15.1)	**1 400**	1 500
Brian Philippe Thomas Proprietary Limited shareholders (see note 15.2)	**295**	911
UPD Owner-Driver Initiative (see note 15.3)	**8 144**	7 055
JGB Couriers Proprietary Limited (see note 15.4)	**57**	142
Non-current loans receivable	**9 896**	9 608
Brian Philippe Thomas Proprietary Limited shareholders (see note 15.2)	**1 535**	1 252
JGB Couriers Proprietary Limited (see note 15.4)	**87**	87
Mistragystix Proprietary Limited (see note 15.5)	**10 437**	–
Current loans receivable	**12 059**	1 339
Total loans receivable	**21 955**	10 947

15 Loans receivable (continued)

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

15.2 Brian Philippe Thomas Proprietary Limited was indebted to Clicks Retailers Proprietary Limited for the amount of R3 000 000. On 15 December 2017 Clicks Retailers Proprietary Limited and the shareholders of Brian Philippe Thomas Proprietary Limited concluded a loan agreement for the amount of R3 000 000 to discharge the debt owed by Brian Philippe Thomas Proprietary Limited to Clicks Retailers Proprietary Limited. The loan is interest free and is repayable in five equal instalments of R600 000 per annum on 30 November each year. The annual repayments are in the form of the annual management fees due to Brian Philippe Thomas Proprietary Limited, in terms of the acquisition agreement of the Prospur Pharmacy, to be allocated to loan instalments due by the co-principal debtors. The loan is secured via a second mortgage bond of R900 000 and a fourth mortgage bond of R2 100 000.

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

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

15.5 The loan carries interest at three-month JIBAR plus 7.36%. 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). The loan is due to be paid within 12 months.

16 Financial assets at fair value through profit or loss

	Group	
	2021 R'000	2020 R'000
Investment in Guardrisk Insurance Company Limited (Cell number 171) (see note 16.1)	**(6 022)**	7 179
Collective investment schemes (see note 16.2)	**131 904**	106 772
Total financial assets at fair value through profit or loss	**125 882**	113 951

16.1 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.

16.2 The New Clicks Foundation Trust invests primarily in collective investment scheme funds.

17 Derivative financial instruments

	Group			
	2021		2020	
	Assets R'000	**Liabilities R'000**	Assets R'000	Liabilities R'000
Non-current				
Equity derivative hedge	**152 725**	**–**	112 833	–
Current				
Equity derivative hedge	**80 515**	**–**	99 338	–
Forward exchange contracts	**16 477**	**(1 537)**	2 404	(2 370)
	96 992	**(1 537)**	101 742	(2 370)

Equity derivative hedge

European call options have been purchased to hedge the cash-settled share-based payment obligation relating to tranches 13, 14 and 15 of the total shareholder return long-term incentive scheme (refer to note 23.1).

The expiration date of these hedging instruments and the vesting dates of the hedged items coincide on 31 August 2021, 2022 and 2023 respectively.

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

The fair values 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, purchased to hedge forecast transactions, 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 2021 was R634 million (2020: R779 million). Refer to note 21 detailing the foreign exchange hedging impact on profit or loss and other comprehensive income.

	Group 2021 R'000	Group 2020 R'000
18 Inventories		
Inventories comprise:		
Goods for resale	**5 170 026**	4 639 855
Right of return asset	**18 770**	25 418
Goods in transit	**260 568**	255 646
Total inventories	**5 449 364**	4 920 919
Inventories stated at net realisable value*	**87 421**	107 854
The group's inventory balances are stated net of impairment allowances. The analysis of impairment allowances is as follows:		
Balance at the beginning of the year	**84 372**	84 278
Inventory allowance raised during the year	**12 624**	34 739
Inventory allowance derecognised on sale of goods	**(28 471)**	(34 645)
Balance at the end of the year	**68 525**	84 372

* The value of inventories stated at net realisable value is determined based on management's best estimate of the likely selling price at which the inventories in question could be sold in the ordinary course of business less the directly attributable selling costs.

	Group 2021 R'000	Group 2020 R'000
19 Trade and other receivables		
Trade and other receivables comprise:		
Trade receivables	**2 313 669**	1 914 012
Less: impairment of trade receivables	**(19 960)**	(25 029)
Trade receivables – net	**2 293 709**	1 888 983
Prepayments	**116 399**	101 146
Income accruals	**414 369**	290 027
Logistics fees receivable	**270 669**	221 133
Insurance receivable (refer to note 35)	**250 000**	–
Other (refer to note 19.1)	**127 928**	65 926
Total trade and other receivables	**3 473 074**	2 567 215

The carrying amount of trade and other receivables approximates their fair value. Trade and other receivables are predominantly non-interest bearing. Refer to note 28.4 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 2021 R'000	Group 2020 R'000
Balance at 1 September	**25 029**	23 278
Impairment provision raised	**10 778**	10 072
Impairment loss utilised	**(15 847)**	(8 321)
Balance at 31 August	**19 960**	25 029
The impairment allowance can be reconciled as follows:		
Trade receivables impairment recovery	**(10 778)**	(10 072)
Other receivables impairment allowance	**(3 261)**	7 359
	(14 039)	(2 713)

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

	Group and Company	
	2021 R'000	2020 R'000
20 Share capital and share premium		
Authorised – group and company		
600 million (2020: 600 million) ordinary shares of one cent each	**6 000**	6 000
Issued ordinary shares – group and company		
245.557 million (2020: 248.663 million) ordinary shares of one cent each	**2 456**	2 487
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 issue of ordinary shares at the 30-day VWAP on 2 February 2018 which was settled by The Clicks Group Employee Share Ownership Trust. 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	
	Total 2021 '000	Total 2020 '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	**245 557**	248 663
Net number of shares in issue at the end of the year	**245 557**	248 663

During the year the group repurchased and cancelled 3 105 581 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.

	Group	
	2021 R'000	2020 R'000
21 Cash flow hedge reserve		
The cash flow hedge reserve represents the effective portion of fair value gains or losses in respect of cash flow hedges.		
Reconciliation of cash flow hedging reserve		
Balance at the beginning of the year	**11 686**	23 195
Movement relating to forward exchange contracts	**6 350**	(18 143)
Total (loss)/gain for the year recognised in other comprehensive income	**(30 870)**	53 827
Losses/(gains) reclassified to inventories directly from the statement of changes in equity	**37 220**	(71 970)
Movement relating to the equity derivative hedge	**16 781**	6 634
Total gain for the year in other comprehensive income	**63 512**	53 275
Gains reclassified to employment cost in other comprehensive income	**(46 731)**	(46 641)
Balance at the end of the year	**34 817**	11 686

Refer to note 17 – Derivative financial instruments for further information.

	Group 2021 R'000	Group 2020 R'000
22 Foreign currency translation reserve		
Unrealised gain on the translation of assets and liabilities of subsidiary companies whose financial statements are denominated in foreign currencies	**(18 697)**	8 638
	(18 697)	8 638
Reconciliation of foreign currency translation reserve		
Balance at the beginning of the year	**8 638**	4 743
Exchange differences on translation of foreign subsidiaries	**(27 335)**	3 895
Balance at the end of the year	**(18 697)**	8 638
23 Employee benefits		
Long-term incentive schemes	**128 710**	91 785
Post-retirement medical obligations	**56 454**	52 931
Total long-term employee benefits	**185 164**	144 716
Accounted for as follows:		
Long-term employee benefits recognised in terms of IFRS 2 – Share-based Payments (see note 23.1)	**84 752**	46 863
Long-term employee benefits recognised in terms of IAS 19 – Employee Benefits (see note 23.2)	**100 412**	97 853
Total long-term employee benefits	**185 164**	144 716

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

Long-term cash-settled share-based payment liability	Long-term incentive scheme – TSR (note 23.1) R'000
Balance at 1 September 2019	63 977
Expense from cash-settled share-based payment – continuing operations	100 922
Expense from cash-settled share-based payment – discontinued operations	2 078
Early settlement	(22 946)
Actuarial gain on early settlement	(477)
Reclassification to short-term benefits	(96 691)
Balance at 31 August 2020	**46 863**
Expense from cash-settled share-based payment – continuing operations	**115 857**
Expense from cash-settled share-based payment – discontinued operations	**1 680**
Reclassification to short-term benefits	**(79 648)**
Balance at 31 August 2021	**84 752**

23 Employee benefits (continued)

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

During 2021 the group issued 0.5 million (2020: 0.6 million) cash-settled appreciation rights to management. The value of these appreciation rights are linked to the TSR (capital gain plus dividends) over a three-year vesting period. These appreciation rights are classified as cash-settled share-based payment benefits and the liability has been valued using the Monte Carlo option pricing model by an independent, external valuator.

The September 2017 options were settled during the year.

The September 2018 (tranche 13) options outstanding at year-end are due for settlement.

The contractual life of the September 2019 (tranche 14) options outstanding at year-end was one year.

The contractual life of the September 2020 (tranche 15) options outstanding at year-end was two years.

Details of share option allocations – 2021

	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 2017 options	–	529 976	–	(529 976)	–	–
September 2018 options	R190.04	452 590	–	–	(33 481)	419 109
September 2019 options	R195.19	557 019	–	–	(36 034)	520 985
September 2020 options	R148.84	–	473 355	–	–	473 355

[1] The exercise date VWAP at which the options were delivered was R237.77.

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 2018 options – three-year vesting period	R193.96	4.97	2.01	24.02	4.00
September 2019 options – three-year vesting period	R199.01	4.97	2.01	24.02	4.00
September 2020 options – three-year vesting period	R237.77	4.97	2.01	24.02	4.00

Details of share option allocations – 2020

	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 2016 options	–	741 300	–	(741 300)	–	–
September 2017 options	R183.34	750 537	–	(216 838)	(3 723)	529 976
September 2018 options	R89.75	455 072	–	–	(2 482)	452 590
September 2019 options	R124.05	–	557 019	–	–	557 019

[2] The exercise date VWAP at which the options were delivered was R199.01.

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

	Share price at grant date	Risk-free rate (%)	Expected dividend yield (%)	Expected volatility (%)	Expected forfeiture rate (%)
September 2017 options – three-year vesting period	R146.10	3.81	2.40	39.09	4.00
September 2018 options – three-year vesting period	R193.96	3.81	2.40	39.09	4.00
September 2019 options – three-year vesting period	R199.01	3.81	2.40	39.09	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.

23 Employee benefits (continued)

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

Long-term employee benefits	Long-term incentive scheme – HEPS (note 23.3) R'000	Post-retirement medical obligations (note 23.4) R'000	Total R'000
Balance at 1 September 2019	73 351	61 672	135 023
Current service cost	61 978	1 003	62 981
Benefit payments	(16 099)	(1 003)	(17 102)
Interest expense – continuing operations	9 107	5 087	14 194
– discontinued operations	152	–	152
Actuarial gain recognised in profit or loss	(23 777)	–	(23 777)
Actuarial gain recognised in other comprehensive income – financial assumptions	–	(5 490)	(5 490)
Actuarial gain recognised in other comprehensive income – demographic assumptions	–	(8 338)	(8 338)
Reclassification to short-term employee benefits	(59 790)	–	(59 790)
Balance at 31 August 2020	**44 922**	**52 931**	**97 853**
Current service cost	**46 217**	**772**	**46 989**
Benefit payments	**–**	**(2 675)**	**(2 675)**
Interest expense – continuing operations	**5 990**	**5 426**	**11 416**
Actuarial gain recognised in profit or loss	**(11 774)**	**–**	**(11 774)**
Reclassification to short-term employee benefits	**(41 397)**	**–**	**(41 397)**
Balance at 31 August 2021	**43 958**	**56 454**	**100 412**

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

During 2021 the group issued 1.2 million (2020: 1.4 million) cash-settled appreciation rights to management. The value of these appreciation rights are linked to the performance of diluted HEPS over a three-year period. The amount to be provided in the current year is based on a three-year projection of diluted HEPS.

Any difference between projected performance and actual performance is recognised through an actuarial (gain)/loss based on the projected unit credit method which is taken to profit or loss.

The exercise price of each appreciation right was determined as R90.52 (2020: R79.63) per right ("base value"). In order to determine the amount to be provided a fixed factor of 12 is applied to the HEPS at the end of the three-year period. The differential between the factor multiplied by HEPS and the base value is the amount that will be paid out per right.

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

23 Employee benefits (continued)

23.4 Post-retirement medical obligations

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

An actuarial valuation of the Clicks post-retirement medical aid scheme has determined that the unfunded liability in respect of pensioner post-retirement medical benefits amounts to R56.5 million (2020: R52.9 million). Provision has been made for the full unfunded liability.

The principal actuarial assumptions at the last valuation date (31 August 2021) are:

(i) a discount rate of 10.6% (2020: 11.5%) per annum;

(ii) general increases to medical aid contributions of 7.4% (2020: 7.9%);

(iii) a retirement age of 65 (2020: 65);

(iv) husbands are on average four (2020: 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/(credit) to other comprehensive income):

	2021 R'000	2020 R'000
– Medical aid inflation increases by 1% per annum over assumptions made	**7 765**	7 156
– Medical aid inflation decreases by 1% per annum over assumptions made	**(6 127)**	(6 119)
– Discount rate increases by 1% per annum over assumptions made	**(5 835)**	(5 818)
– Discount rate decreases by 1% per annum over assumptions made	**7 509**	6 879
– Retirement age decreases by two years	**4 687**	4 536
– Life expectancy of male pensioners increases by one year	**1 109**	739
– Life expectancy of male pensioners decreases by one year	**(644)**	(849)
– Life expectancy of female pensioners increases by one year	**1 403**	(1 094)
– Life expectancy of female pensioners decreases by one year	**(946)**	974
The following undiscounted payments are expected contributions in future years from post-retirement medical obligations:		
Within 12 months	**2 649**	2 350
Between 2 and 5 years	**13 416**	11 579
Between 5 and 10 years	**24 392**	21 048
Between 10 and 20 years	**95 870**	82 160
Between 20 and 30 years	**131 358**	113 111
Between 30 and 40 years	**100 814**	84 873
Beyond 40 years	**44 793**	38 661
Total expected payments	**413 292**	353 782

The average duration of the post-retirement medical obligations at year-end is 14.1 years (2020: 16.0 years).

23 Employee benefits (continued)

23.4 Post-retirement medical obligations (continued)

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

	Post-retirement medical obligations				
	2021 R'000	2020 R'000	2019 R'000	2018 R'000	2017 R'000
Defined benefit obligation	**56 454**	52 931	61 671	63 237	58 603

Short-term employee benefits	Long-term incentive scheme – TSR (note 23.1) R'000	Long-term incentive scheme – HEPS (note 23.3) R'000	Leave pay accrual (note 23.5) R'000	Bonus accrual (note 23.6) R'000	Overtime accrual (note 23.7) R'000	Total R'000
Balance at 1 September 2019	81 251	74 466	79 876	126 469	4 156	366 218
Reclassification from long-term employee benefits	96 691	59 790	–	–	–	156 481
Benefit payments	(80 776)	(74 325)	(7 881)	(164 133)	(33 318)	(360 433)
Charge included in profit or loss – continuing operations	–	–	10 886	163 119	37 739	211 744
Charge included in profit or loss – discontinued operations	–	–	(1 905)	2 324	–	419
Balance at 31 August 2020	**97 166**	**59 931**	**80 976**	**127 779**	**8 577**	**374 429**
Reclassification from long-term employee benefits	**79 648**	**41 397**	**–**	**–**	**–**	**121 045**
Benefit payments	**(97 166)**	**(59 945)**	**(8 471)**	**(168 587)**	**(33 660)**	**(367 829)**
Charge included in profit or loss – continuing operations	**–**	**–**	**17 790**	**169 631**	**34 202**	**221 623**
Charge included in profit or loss – discontinued operations	**–**	**–**	**(437)**	**1 185**	**–**	**748**
Balance at 31 August 2021	**79 648**	**41 383**	**89 858**	**130 008**	**9 119**	**350 016**

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

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

23.7 The overtime accrual is in respect of overtime worked in August 2021 which is paid in September 2021.

23.8 **Pension and provident funds**

Three funds, which are registered and governed in terms of the Pension Funds Act No. 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 Eswatini 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 15 643 (2020: 15 226) at year-end.

23 Employee benefits (continued)

23.9 Medical aid funds

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

At year-end 12 724 (2020: 12 330) South African employees were principal members of a medical aid scheme, of which none (2020: 2 286) were principal members with Horizon, 12 657 (2020: 9 973) were principal members of a Discovery Health Medical Aid Scheme and 67 (2020: 71) were principal members of various other medical aid schemes.

At year-end three (2020: two) Botswana employees were principal members with BOMaid, 16 (2020: 16) Namibian employees were principal members of Namibia Health Plan and 23 (2020: 26) Swaziland employees were principal members of Momentum.

At year-end 80.1% (2020: 78.7%) 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.

24 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 (refer to note 3) to its equipment leases, assessed on a lease-by-lease basis. Leases of the group's retail stores have an average lease term of five years (2020: six 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 is 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 all future lease payments at the group's incremental borrowing rate in the month the lease was entered into, renewed or modified, which averaged 5% for the year ended 31 August 2021 (4.9% at 31 August 2020). At year-end, the group entered into lease contracts for stores which have not commenced yet, amounting to right-of-use assets and lease liabilities of R93.5 million (2020: R9.1 million).

	Total R'000
Reconciliation of right-of-use assets	
As at 1 September 2019	2 046 014
Additions	1 023 060
New stores	170 114
Renewals	852 946
Depreciation	(720 826)
Continuing operations	(663 830)
Discontinued operations	(56 996)
Remeasurements, modifications and terminations	22 931
As at 31 August 2020	**2 371 179**
Additions	**1 034 678**
New stores	**324 860**
Renewals	**709 818**
Depreciation	**(775 871)**
Continuing operations	**(750 554)**
Discontinued operations	**(25 317)**
Impairment	**(17 686)**
Remeasurements, modifications and terminations	**(10 616)**
As at 31 August 2021	**2 601 684**

24 Leases (continued)

	Total R'000
Reconciliation of lease liabilities	
As at 1 September 2019	2 342 265
Additions	1 023 060
New stores	170 114
Renewals	852 946
Interest	213 952
Continuing operations	207 314
Discontinued operations	6 638
Payments	(916 491)
Remeasurements, modifications and terminations	22 931
As at 31 August 2020	**2 685 717**
Additions	**1 034 678**
New stores	**324 860**
Renewals	**709 818**
Interest	**197 677**
Continuing operations	**196 022**
Discontinued operations	**1 655**
Payments	**(984 542)**
Remeasurements, modifications and terminations	**(10 616)**
As at 31 August 2021	**2 922 914**

	2021 R'000	2020 R'000
Non-current lease liabilities	**1 975 938**	1 795 306
Current lease liabilities	**946 976**	890 411
	2 922 914	2 685 717

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 obligations of 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% (2020: 0.2%) of turnover.

	2021 R'000	2020 R'000
Fixed rental payments reducing the lease liability	**984 542**	916 491
Rent concessions[1]	**(7 427)**	(10 935)
Rental payments as a result of short-term leases	**23 568**	29 314
Rental payments as a result of low-value assets	**11 685**	10 527
Variable lease payments not reducing the lease liability	**166 930**	177 338
Total cash outflow	**1 179 298**	1 122 735

[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 in 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.

	Group 2021 R'000	Group 2020 R'000
24 Leases (continued)		
Future minimum lease payments under non-cancellable leases due:		
– Not later than one year	**946 976**	890 411
– Later than one year, not later than five years	**2 275 229**	2 158 802
– Later than five years	**58 534**	89 718
	3 280 739	3 138 931

25 Trade and other payables

	2021 R'000	2020 R'000
The following are included in trade and other payables:		
Trade payables	**7 020 044**	5 131 959
Loyalty programme deferred income (see note 25.1)	**124 630**	109 052
Refund liability	**28 323**	35 578
Non-trade payables and accruals (see note 25.2)	**1 578 624**	1 470 388
Total trade and other payables	**8 751 621**	6 746 977
The following are excluded from financial liabilities (see note 28.5) but included in trade and other payables:		
Loyalty programme deferred income (see note 25.1)	**(124 630)**	(109 052)
Other deferred income	**(138 384)**	(109 452)
Value-added tax	**(263 010)**	(320 678)
Financial liabilities (see note 28.5)	**8 225 597**	6 207 795

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

Based on the historic redemption rate, it is assumed that 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 R106 million.

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

26 Dividends to shareholders

	2021 R'000	2020 R'000
Previous year final cash dividend out of distributable reserves – 450.0 cents per share paid 25 January 2021 (2020: 327.0 cents per share paid 27 January 2020 out of distributable reserves)	**1 118 982**	857 013
A current year interim cash dividend of 142.5 cents per share was paid 5 July 2021 out of distributable reserves (2020: no interim cash dividend was paid out of distributable reserves)	**349 919**	–
Total dividends to shareholders	**1 468 901**	857 013
Dividends on treasury shares	**–**	(34 528)
Dividends paid outside the group	**1 468 901**	822 485

On 19 October 2021 the directors approved the final dividend of 347.5 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 2022.

Dividend payout ratio
The dividend payout ratio is 63.3%.

For further details refer to the Directors' Report on page 2.

27 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 28.2. 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 to note 23.1). The group uses derivative financial instruments in the form of options to hedge exposure in respect of fluctuations in the share scheme obligation arising from movements in the company's share price. Sufficient options were purchased in order to settle the total expected future obligation. As a result of the hedging relationship, movements in the company share price will not have a material impact on either profit or loss or equity of the group.

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

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

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

27 Financial risk management (continued)

Liquidity risk

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

The group's approach is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by holding availability through credit lines. At year-end the group's total uncommitted facilities available was R2 839 million and USD62 million (2020: R2 439 million and USD51 million) of which the full balance remained undrawn (2020: nil drawn down).

See note 28.5 for details for maturity analysis of the group's financial liabilities.

Capital risk management

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

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders and issue new shares. The group's target of maintaining a ratio of shareholders' interest to total assets is in the range of 25% to 30%. This is obtained through achieving the group's earnings targets, management of working capital, share buy-backs and dividends.

In 2021 the shareholders' interest to total assets was 28.0% (2020: 34.0%).

28 Financial instruments

Market risk

28.1 Treasury risk management

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

28.2 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 17).

	31 August 2021				31 August 2020			
Exposure to currency risk – foreign exchange contracts	**USD '000**	**GBP '000**	**EUR '000**	**CNY '000**	USD '000	GBP '000	EUR '000	CNY '000
Forecast purchases and payables at the end of the year	**26 378**	**3 359**	**4 576**	**137 419**	21 833	6 118	11 519	90 151
Forward exchange contracts subject to cash flow hedging	**20 546**	**1 870**	**2 894**	**111 618**	23 279	2 384	5 535	93 395
Net exposure	**5 832**	**1 489**	**1 682**	**25 801**	(1 446)	3 734	5 984	(3 244)

The following exchange rates applied during the year:

	Average rate		Reporting date mid-spot rate	
	2021	2020	**2021**	2020
USD	**14.60**	16.08	**14.78**	16.58
GBP	**20.15**	20.40	**20.40**	22.12
EUR	**17.27**	17.92	**17.40**	19.73
CNY	**2.30**	2.30	**2.25**	2.41

28 Financial instruments (continued)

28.2 Foreign exchange risk management (continued)

Foreign exchange rate sensitivity analysis

The following table details the group's sensitivity to a 10% strengthening in the South African Rand against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to management personnel and represents management's assessment of a reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and their adjusted translation for a 10% change in foreign currency rates.

	USD impact		GBP impact		EUR impact		CNY impact	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Decrease in pre-tax other comprehensive income	**(29 677)**	(39 650)	**(3 811)**	(5 174)	**(5 066)**	(10 717)	**(24 817)**	(22 357)
Increase/(decrease) in profit before tax	**8 621**	(2 397)	**3 037**	8 262	**2 927**	11 807	**5 812**	(783)

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

28.3 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 2021		31 August 2020	
		Carrying value R'000	Fair value R'000	Carrying value R'000	Fair value R'000
Financial assets					
Trade receivables (see note 19)	Amortised cost	**2 293 709**	**2 293 709**	1 888 983	1 888 983
Logistics fees receivable (see note 19)	Amortised cost	**270 669**	**270 669**	221 133	221 133
Insurance receivable (see note 19)	Amortised cost	**250 000**	**250 000**	–	–
Other receivable (see note 19)	Amortised cost	**127 928**	**127 928**	65 926	65 926
Loans receivable (see note 15)	Amortised cost	**21 955**	**21 955**	10 947	10 947
Financial assets at fair value through profit or loss (see note 16)	Financial assets at fair value through profit or loss	**125 882**	**125 882**	113 951	113 951
Cash and cash equivalents	Amortised cost	**2 206 627**	**2 206 627**	2 152 483	2 152 483
Equity derivative contracts designated as hedging instruments (see note 17)	Financial assets at fair value through other comprehensive income	**233 240**	**233 240**	212 171	212 171
Forward exchange contracts designated as hedging instruments (see note 17)	Financial assets at fair value through other comprehensive income	**16 477**	**16 477**	2 404	2 404
Financial liabilities					
Trade and other payables (see note 25)	Financial liabilities measured at amortised cost	**8 225 597**	**8 225 597**	6 207 795	6 207 795
Lease liabilities (see note 24)	Financial liabilities measured at amortised cost	**2 922 914**	**2 922 914**	2 685 717	2 685 717
Forward exchange contracts designated as hedging instruments (see note 17)	Financial liabilities measured at fair value through other comprehensive income	**1 537**	**1 537**	2 370	2 370

28 Financial instruments (continued)

28.3 Fair values of financial instruments (continued)

Basis for determining fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

Derivatives

Fair values of currency, interest rate and equity derivatives are calculated using standard market calculation conventions with reference to the relevant closing market spot rates, forward foreign exchange, interest rates and share price.

Non-derivative financial assets and liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date except for the insurance cell captive where fair value is determined based on the net asset value at the reporting date.

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

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

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

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

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

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

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

28 Financial instruments (continued)

28.3 Fair values of financial instruments (continued)

Financial assets and financial liabilities measured at fair value

Group	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
2021				
Financial assets				
Financial assets at fair value through profit or loss – investment in Guardrisk Insurance Company Limited (see note 16)	**–**	**(6 022)**	**–**	**(6 022)**
Financial assets at fair value through profit or loss – collective investment schemes (see note 16)	**131 904**	**–**	**–**	**131 904**
Equity derivative contracts designated as hedging instruments (see note 17)	**–**	**233 240**	**–**	**233 240**
Forward exchange contracts designated as hedging instruments (see note 17)	**–**	**16 477**	**–**	**16 477**
Total	**131 904**	**243 695**	**–**	**375 599**
Financial liabilities				
Forward exchange contracts designated as hedging instruments (see note 17)	**–**	**(1 537)**	**–**	**(1 537)**
2020				
Financial assets				
Financial assets at fair value through profit or loss – investment in Guardrisk Insurance Company Limited (see note 16)	–	7 179	–	7 179
Financial assets at fair value through profit or loss – collective investment schemes (see note 16)	106 772	–	–	106 772
Equity derivative contracts used for cash flow hedging (see note 17)	–	212 171	–	212 171
Forward exchange contracts used for cash flow hedging (see note 17)	–	2 404	–	2 404
Total	106 772	221 754	–	328 526
Financial liabilities				
Forward exchange contracts designated as hedging instruments (see note 17)	–	(2 370)	–	(2 370)

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

28.4 Credit risk management

Credit risk refers to the risk that a counterparty may default on its contractual obligation, resulting in financial loss to the group. The group is exposed to credit risk arising from cash equivalents, a money market investment, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to Distribution and Retail customers, including outstanding receivables and committed transactions. Management has a formal credit policy in place as a means of mitigating the risk of financial loss to the group.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2021 R'000	2020 R'000
Derivative financial assets (see note 17)	**249 717**	214 575
Trade receivables (see note 19)	**2 293 709**	1 888 983
Logistics fees receivable (see note 19)	**270 669**	221 133
Other receivable (see note 19)	**127 928**	65 926
Cash and cash equivalents	**2 206 627**	2 152 483
Loans receivable (see note 15)	**21 955**	10 947
Insurance receivable (see note 19)	**250 000**	–
	5 420 605	4 554 047

28 Financial instruments (continued)

28.4 Credit risk management (continued)

Trade receivables

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

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

	Carrying amount 2021 R'000	Carrying amount 2020 R'000
Retail customers	**230 491**	75 885
Distribution customers	**2 063 218**	1 813 098
	2 293 709	1 888 983

Expected credit loss model

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

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

	Retail 2021 R'000	Retail 2020 R'000	Distribution 2021 R'000	Distribution 2020 R'000
Balance at the beginning of the year	**(8 131)**	(5 335)	**(16 898)**	(17 943)
Impairment allowance recognised/derecognised during the year	**(5 155)**	(2 796)	**(5 623)**	(7 276)
Trade receivables written off during the year as uncollectible	**6 677**	–	**9 170**	8 321
Balance at the end of the year	**(6 609)**	(8 131)	**(13 351)**	(16 898)

The creation of impairment losses has been included in note 19.

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:

	2021 Loss rate %	2021 Estimated gross carrying amount at default R'000	2021 Expected credit loss R'000	2021 Net R'000	2020 Loss rate %	2020 Estimated gross carrying amount at default R'000	2020 Expected credit loss R'000	2020 Net R'000
Not past due	**2.8**	**237 100**	**(6 609)**	**230 491**	9.7	84 016	(8 131)	75 885
Past due 0 – 30 days	**–**	**–**	**–**	**–**	–	–	–	–
Past due more than 31 days	**–**	**–**	**–**	**–**	–	–	–	–
Total	**2.8**	**237 100**	**(6 609)**	**230 491**	9.7	84 016	(8 131)	75 885

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.

28 Financial instruments (continued)

28.4 Credit risk management (continued)

Distribution customers

The ageing of trade receivables at the reporting date was:

	2021				2020			
	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	**0.3**	**1 682 413**	**(5 224)**	**1 677 189**	0.3	1 639 067	(5 026)	1 634 041
Past due 0 – 30 days	**0.2**	**302 223**	**(645)**	**301 578**	0.2	149 958	(356)	149 602
Past due more than 31 days	**8.1**	**91 933**	**(7 482)**	**84 451**	28.1	40 971	(11 516)	29 455
Total	**0.6**	**2 076 569**	**(13 351)**	**2 063 218**	0.9	1 829 996	(16 898)	1 813 098

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	
	2021 R'000	2020 R'000
Insured	**2 080 555**	1 826 319
Uninsured	**–**	3 677
	2 080 555	1 829 996

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

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

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

Other loans
Other loans are reviewed at least on an annual basis to assess their recoverability. None of the loans are considered to be impaired at the end of the financial year.

28 Financial instruments (continued)

28.5 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
2021					
Liabilities					
Derivative financial liabilities (see note 17)	**1 537**	**1 537**	**1 537**	**–**	**–**
Trade and other payables (see note 25)	**8 225 597**	**8 225 597**	**8 225 597**	**–**	**–**
Lease liabilities (see note 24)	**2 922 914**	**3 280 739**	**946 976**	**2 275 229**	**58 534**
	11 150 048	**11 507 873**	**9 174 110**	**2 275 229**	**58 534**
2020					
Liabilities					
Derivative financial liabilities (see note 17)	2 370	2 370	2 370	–	–
Trade and other payables (see note 25)	6 207 795	6 207 795	6 207 795	–	–
Lease liabilities (see note 24)	2 601 684	3 138 931	890 411	2 158 802	89 718
	8 811 849	9 349 096	7 100 576	2 158 802	89 718

29 Capital commitments

	Group 2021 R'000	Group 2020 R'000
Capital expenditure approved by the directors		
Contracted	**161 072**	73 736
Not contracted	**685 742**	671 349
	846 814	745 085

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 borrowings and internally generated funds.

30 Financial guarantees

Group companies provide surety for other group companies to the value of R2 839 million and USD62 million (2020: R2 439 million and USD51 million) with respect to facilities held with various banks. At year-end these facilities had no drawings by group companies (2020: nil). The fair values of the financial guarantees are considered negligible.

31 Related party transactions

31.1 Group

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

Transactions between group subsidiaries

During the year, in the ordinary course of business, certain companies within the group entered into transactions with one another. These intragroup transactions have been eliminated on consolidation. For a list of the group's subsidiaries, see page 69.

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 71.

	Group	
	2021 R'000	2020 R'000
Transactions with Sorbet Brands Proprietary Limited		
Dividends received	**1 987**	2 134
Management fee received	**2 468**	1 742
Royalties paid	**8 768**	8 832
Transactions/balances with Mistragystix Proprietary Limited		
Interest income	**99**	–
Loan receivable	**10 437**	–
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 R6 888 148 (2020: R4 540 095) and a net profit of R2 348 054 (2020: R4 348 602). Donations to the trust during the year from subsidiary companies were:		
The Clicks Helping Hand Trust	**5 232**	12 816

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

Contributions to pension and provident funds

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

	Company 2021 R'000	Company 2020 R'000
31 Related party transactions (continued)		
31.2 Company		
The company has the following related party transactions:		
31.2.1 Dividends received		
New Clicks South Africa Proprietary Limited	**1 000 000**	5 310 752
Total dividends received from related parties	**1 000 000**	5 310 752
31.2.2 Dividends paid		
New Clicks South Africa Proprietary Limited	**–**	32 393
Total dividends paid to related parties	**–**	32 393
31.2.3 Loans to/(by) subsidiary companies		
New Clicks South Africa Proprietary Limited	**2 725 398**	3 944 622
Clicks Centurion Proprietary Limited	**9 000**	9 000
	2 734 398	3 953 622

A schedule of the loans and investments in related parties is included on page 63.

32 Borrowing powers

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

33 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, 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. During the current financial year the group closed its entertainment retail brand, Musica.

Musica is reported as a discontinued operation in accordance with IFRS 5 with the comparative information restated.

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

Major customers

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

34 Comparative information restated

On 28 January 2021 the group announced that the board of directors had decided to close the group's heritage entertainment brand, Musica, with effect from 31 May 2021. Musica has closed all of its 78 stores and ceased operations during the current financial year. As a result the cash-generating unit is disclosed as a discontinued operation in accordance with IFRS 5.

The impact on the financial statements of the restatement above is disclosed as follows:

R'000	31 August 2020 As previously reported	IFRS 5 Adjustment	2020 Restated
Consolidated statement of comprehensive income			
Turnover	34 364 398	(475 247)	33 889 151
Cost of merchandise sold	(27 156 052)	334 663	(26 821 389)
Gross profit	7 208 346	(140 584)	7 067 762
Other income	2 166 315	(12 977)	2 153 338
Total income	9 374 661	(153 561)	9 221 100
Expenses	(6 607 789)	199 417	(6 408 372)
Depreciation and amortisation	(1 131 068)	65 257	(1 065 811)
Occupancy costs	(184 834)	17 389	(167 445)
Employment costs	(3 497 422)	78 106	(3 419 316)
Other costs	(1 790 687)	37 600	(1 753 087)
Impairment allowance	(3 778)	1 065	(2 713)
Operating profit	2 766 872	45 856	2 812 728
Loss on disposal of property, plant and equipment	(8 337)	1 939	(6 398)
Loss on disposal of business	(1 196)	–	(1 196)
Profit before financing costs	2 757 339	47 795	2 805 134
Net financing expense	(175 450)	6 769	(168 681)
Financial income	60 483	(21)	60 462
Financial expense	(235 933)	6 790	(229 143)
Profit before earnings from associate	2 581 889	54 564	2 636 453
Share of profit of an associate	2 105	–	2 105
Profit before taxation	2 583 994	54 564	2 638 558
Income tax expense	(703 819)	(15 955)	(719 774)
Profit for the year	1 880 175	38 609	1 918 784

35 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. 339 Clicks stores and 26 The Body Shop stores were closed at the peak of the unrest to protect employees and customers, and to limit potential losses.

By 31 August 2021, 34 of the impacted stores had been reopened. A further 11 stores have since been reopened and currently eight stores remain closed. It is expected that a further three will be reopened by the end of the first half of the 2022 financial year and four in the second half. The final damaged store is scheduled to open in the 2023 financial year.

The UPD and Clicks distribution centres in KZN were both looted and damaged, and reopened on 26 July 2021 and 16 August 2021 respectively.

The civil unrest resulted in inventory write-offs of R333.6 million; property, plant and equipment impairments of R61.3 million; loss of cash on hand of R3.4 million; and additional costs of R28.2 million incurred to limit additional losses. In addition to these losses, the unrest resulted in lost sales to 31 August 2021 and placed significant pressure on the group's supply chain network, which implemented business continuity plans using the remaining group distribution centres. In addition, UPD ensured the fulfilment of its pharmaceutical contractual obligations to major customers.

The group's right-of-use assets are assessed for impairment annually using budgeted future cash flows, which takes into account the effects of the civil unrest.

The group has adequate South African Special Risks Insurance Association (SASRIA) and general insurance cover for material damage to assets, stock and business interruption.

The total SASRIA claim amounts to R725.6 million, comprising loss of stock of R522.2 million (carrying value of R333.6 million), replacement of fixed assets of R180.9 million (carrying value R61.3 million) and other costs of R22.5 million.

The group has received its first interim insurance payment of R250.0 million (R217.4 million, net of VAT) from SASRIA, which was accounted for in the 2021 financial year. In terms of International Financial Reporting Standards, the balance of the insurance proceeds are expected to be recognised by the group in the 2022 financial year. Refer to note 36 for further details.

The group has adequate cash and borrowing facilities available to manage liquidity requirements during the recovery and rebuilding phase.

R'000	31 August 2021	Year to 31 August 2020	% change
Headline earnings from continuing operations	**1 961 225**	1 924 587	1.9%
Adjusted for:			
Cost of merchandise written off – civil unrest	**333 639**	–	
Insurance proceeds – civil unrest	**(217 391)**	–	
Other costs – civil unrest	**31 589**	–	
Total tax effects on adjustments	**(41 394)**	–	
Adjusted headline earnings from continuing operations	**2 067 668**	1 924 587	7.4%
Discontinued operations headline earnings	**(49 676)**	(37 213)	
Group adjusted headline earnings	**2 017 992**	1 887 374	6.9%
Group adjusted headline earnings per share (cents)	**816.7**	754.3	8.3%
Continuing operations	**836.8**	769.2	8.8%
Discontinued operations	**(20.1)**	(14.9)	
Group diluted adjusted headline earnings per share (cents)	**816.7**	754.3	8.3%
Diluted continuing operations	**836.8**	769.2	8.8%
Diluted discontinued operations	**(20.1)**	(14.9)	

36 Events after reporting date

On 1 October 2021 the Competition Commission approved the merger for Clicks Retailers to acquire 25 retail pharmacies from Pick n Pay which will include the pharmacy licences, the ethical drug stock and all staff employed in the pharmacies. The transfer of the pharmacy licences from Pick n Pay to Clicks Retailers requires approval from the Department of Health.

On 29 October 2021 the group received a second interim payment of R250 million (inclusive of VAT) from SASRIA in terms of the political risk insurance claim by the group of R726 million, in respect of the July 2021 civil unrest.