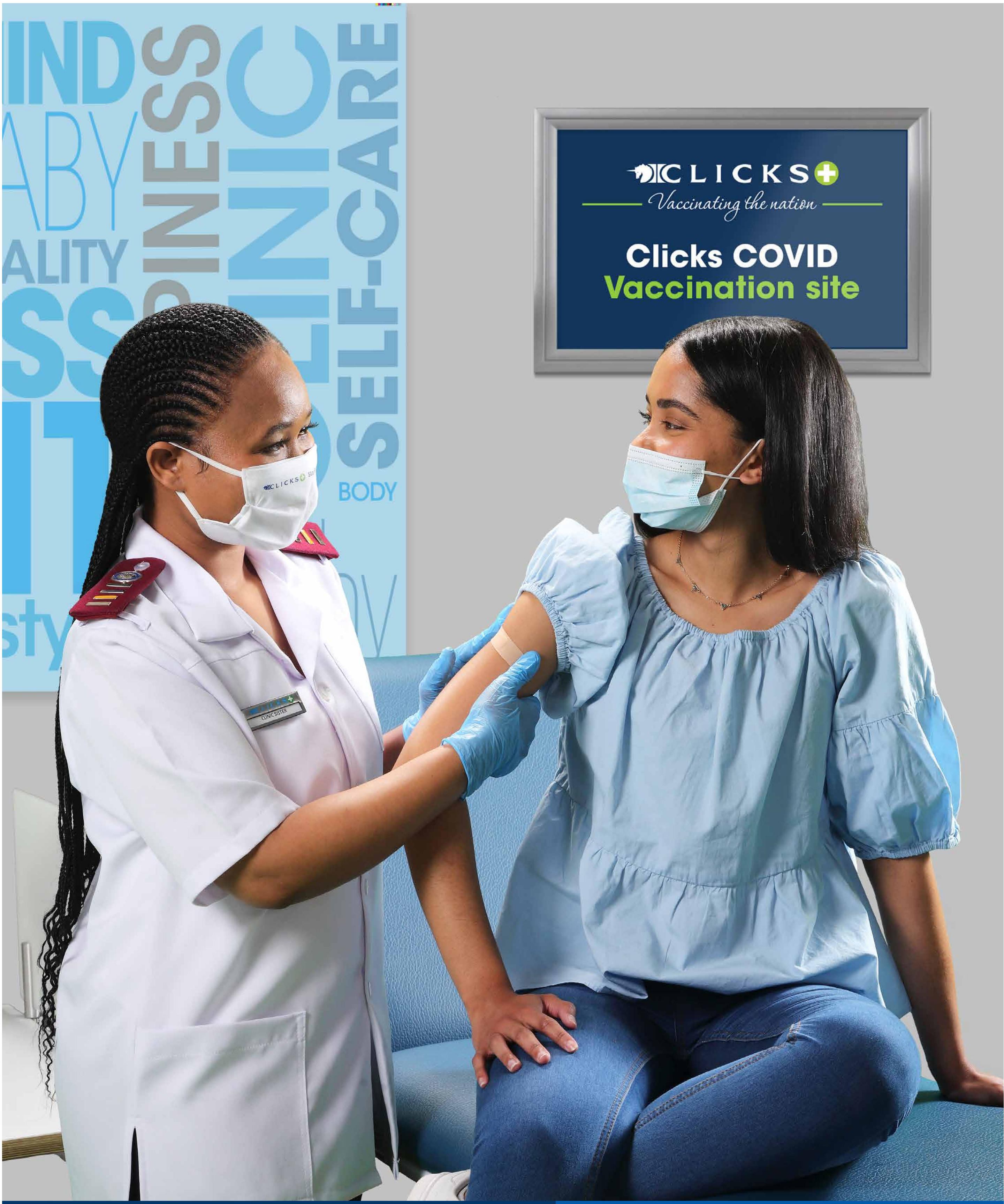


CLICKS GROUP
LIMITED

AUDITED ANNUAL FINANCIAL STATEMENTS 2021

CONTENTS

Audited annual FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2021

These are the audited annual financial statements of the group and the company for the year ended 31 August 2021. They have been prepared under the supervision of the chief financial officer, M Fleming CA (SA).

Directors'
RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the separate annual financial statements and group annual financial statements of Clicks Group Limited, comprising the statements of financial position at 31 August 2021; the statements of comprehensive income, changes in equity and cash flows for the year then ended; and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa and including the audit and risk committee report on page 3. In addition, the directors are responsible for preparing the directors' report.

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

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

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

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The consolidated and separate annual financial statements of Clicks Group Limited, as identified in the first paragraph, were approved by the board of directors on 11 November 2021 and signed by:

David Nurek
Independent non-executive chairman

Vikesh Ramsunder
Chief executive officer

Michael Fleming
Chief financial officer

Cape Town
11 November 2021

Certificate by the
COMPANY SECRETARY

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

Matthew Welz
Company secretary

Cape Town
11 November 2021

Directors' REPORT

NATURE OF BUSINESS

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

GROUP FINANCIAL RESULTS

The results of operations for the year are set out in the consolidated statement of comprehensive income on page 10. The profit attributable to ordinary shareholders for the year is R1 837.9 million (2020: R1 880.2 million).

SHARE CAPITAL

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

248 662 647	Ordinary shares issued at 31 August 2020
(3 105 581)	Repurchase and cancellation of shares: February 2021 – June 2021
245 557 066	Ordinary shares issued at 31 August 2021

DIVIDENDS TO SHAREHOLDERS

Interim

The directors approved an interim dividend of 142.5 cents per ordinary share (2020: no interim dividend).

Final

The directors have approved a final ordinary dividend of 347.5 cents per ordinary share (2020: 450.0 cents per ordinary share). The source of such dividends will be from distributable reserves. The dividend will be payable on 31 January 2022 to shareholders registered on 28 January 2022.

EVENTS AFTER THE FINANCIAL YEAR-END

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

- the declaration of the final dividend;
- the resignation from the group of Vikesh Ramsunder, chief executive officer and executive director, with effect from 31 December 2021 and the appointment of Bertina Engelbrecht, currently the group corporate affairs director and executive director, as chief executive officer with effect from 1 January 2022;
- the appointment of Sango Ntsaluba as a non-executive director;
- the merger clearance granted by the Competition Commission on 1 October 2021 to allow Clicks Retailers to acquire 25 retail pharmacies from Pick n Pay. The transfer of the pharmacy licences from Pick n Pay to Clicks Retailers requires approval from the Department of Health; and
- the receipt on 29 October 2021 by the group of a second interim payment of R250 million (inclusive of VAT) from the South African Special Risks Insurance Association in terms of the R726 million political risk insurance claim submitted by the group in respect of losses sustained in the July 2021 civil unrest.

DIRECTORS AND SECRETARY

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

Independent non-executive directors

David Nurek (chairman)
Fatima Abrahams
John Bester
Fatima Daniels
Penelope Moumakwa
Sango Ntsaluba
Mfundiso Njeke
Martin Rosen

Executive directors

Vikesh Ramsunder (chief executive officer)
Michael Fleming (chief financial officer)
Bertina Engelbrecht (group corporate affairs director)

The company secretary's details are set out on page 73.

RETIREMENT AND RE-ELECTION OF DIRECTORS

In accordance with the company's memorandum of incorporation David Nurek and Fatima Daniels retire by rotation at the forthcoming annual general meeting. Penelope Moumakwa and Sango Ntsaluba were appointed by the board in the preceding year and accordingly retire in order to allow that their appointments be put before shareholders. David Nurek, being eligible, offers himself for re-election at the 2022 AGM.

DIRECTORS' INTEREST IN SHARES

In this year Michael Fleming sold 30 421 ordinary shares and The Nurek Family Trust, an associate of David Nurek, sold 45 000 ordinary shares in the company, and David Nurek and his wife Judy Nurek, bought the same number of shares.

INCENTIVE SCHEMES

Information relating to the incentive schemes is set out on pages 47 and 48.

SPECIAL RESOLUTIONS

Special resolutions passed at the annual general meeting held on 27 January 2021:

Special Resolution No. 1: General authority to repurchase shares

Special Resolution No. 2: Approval of directors' fees

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

Special Resolution No. 4: Amendments to the memorandum of incorporation

SUBSIDIARY COMPANIES

The names of the company's main subsidiaries and financial information relating thereto appear on page 69.

Audit and risk committee REPORT

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

ROLE OF THE COMMITTEE

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

The responsibilities of the committee are as follows:

Integrated reporting

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

Combined assurance

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

Finance function

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

Internal audit

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

Risk management

- Ensure the group has an effective policy and plan for risk management;
- Oversee the development and annual review of the risk management policy and plan;
- Monitor implementation of the risk management policy and plan;
- Make recommendations to the board on levels of risk tolerance and risk appetite;
- Ensure risk management is integrated into business operations;
- Ensure risk management assessments are conducted on a continuous basis;
- Ensure frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;
- Ensure that management considers and implements appropriate risk responses;
- Express the committee's opinion in the effectiveness of the system and process of risk management; and
- Ensure risk management reporting in the integrated report is comprehensive and relevant.

External audit

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

COMPOSITION OF THE COMMITTEE

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

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

Independent non-executive director	Qualifications
John Bester (Chairman)	B Com (Hons), CA (SA), CMS (Oxon)
Fatima Daniels	B Sc, CA (SA)
Nonkululeko Gobodo (resigned 14/9/2020)	B Compt (Hons), CA (SA)
Mfundiso Njeke	B Com, B Compt (Hons), CA (SA), H Dip Tax

Nonkululeko Gobodo resigned as a member of the audit committee on 14 September 2020 and was replaced by Mfundiso Njeke on 21 September 2020.

Biographical details of the committee members appear on pages 30 to 32 of the integrated annual report, with supplementary information contained in annexure 2 to the notice of annual general meeting on page 8.

Fees paid to the committee members for 2021 and the proposed fees for 2022 are disclosed in rewarding value creation on pages 76 and 77 of the integrated annual report.

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

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

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

INTERNAL AUDIT

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

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

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

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

INTERNAL CONTROL

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

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

INTERNAL FINANCIAL CONTROLS

The committee has considered the results of the formal documented review of the company's system of internal financial controls and risk management, including the design, implementation and effectiveness of the internal financial controls, conducted by the internal audit function during the 2021 year. The committee has also assessed information and explanations given by management and discussions with the external auditor on the results of the audit. Through this process no material matter has come to the attention of the audit and risk committee or the board that has caused the directors to believe that the company's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

EXTERNAL AUDIT

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

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

The audit partner in charge of the audit is rotated off the audit after five years. In terms of this policy, the current audit partner is in the fourth year of tenure. The group has received confirmation from the external auditor that the partners and staff responsible for the audit comply with all legal and professional requirements with regard to rotation and independence. The committee is satisfied that the external auditor is independent of the company and complies with the JSE Listings Requirements.

POLICY ON NON-AUDIT SERVICES

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

During the year EY received fees of R1 227 925 (2020: R573 240) for non-audit services, equating to 18.8% (2020: 7.9%) of the total audit remuneration. These services related mainly to agreed-upon procedures for third-party confirmation, advisory services and the assurance of the systems related to distribution services provided by UPD to third parties.

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

ACTIVITIES OF THE COMMITTEE

The committee met four times during the financial year and attendance at the meetings is detailed in creating value through good governance in the integrated annual report on page 67. Members of the committee, the external auditor and the group head of internal audit may request a non-scheduled meeting if they consider this necessary. The chairman of the committee will determine if such a meeting should be convened.

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

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

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

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

Refer to the corporate governance report on the website for an overview of the risk management process and function.

EVALUATION OF CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION

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

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

APPROVAL OF THE AUDIT AND RISK COMMITTEE REPORT

The committee confirms that it has functioned in accordance with its terms of reference for the 2021 financial year and that its report to shareholders has been approved by the board.

John Bester
Chairman: Audit and risk committee

11 November 2021

Independent Auditor's REPORT

TO THE SHAREHOLDERS OF CLICKS GROUP LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Clicks Group Limited and its subsidiaries (the group) and company set out on pages 10 to 69, which comprise the consolidated and separate statements of financial position as at 31 August 2021, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies and the directors' shareholdings table on page 71.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 31 August 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

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

Key audit matters

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

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

The key audit matter applies only to the audit of the consolidated financial statements.

Key audit matter	*How the matter was addressed in the audit*
Impact of civil unrest The widespread civil unrest across both KwaZulu-Natal and Gauteng saw a total of 52 Clicks stores, one The Body Shop store, the Clicks Distribution Centre (DC) in Centurion and the UPD Johannesburg DC looted and vandalised. The impact on the consolidated annual financial statements of Clicks Group Limited was as follows: • insurance proceeds resulted in an increase in other income of R217.4 million; • stock loss resulted in an increase in cost of sales of R333.6 million; • additional costs incurred arising from the unrest resulted in an increase in other expenditure of R31.6 million; and • additional impairment of property, plant and equipment and right-of-use assets amounted to R61.3 million. Together, these items result in a net reduction of profit before taxation amounting to R209.1 million. The impact of the civil unrest and associated insurance claim is disclosed in note 35. The civil unrest was a significant event that occurred during the financial year, the outcome of which has had a material effect on the financial position and performance of the group. Significant auditor attention was therefore required and extended audit procedures were performed. The civil unrest is therefore considered to be a matter of most significance to the current year's audit and identified as a key audit matter.	Our audit procedures, amongst others, included the following: • In conjunction with our technical accounting specialists, we assessed the recognition of insurance income in accordance with the relevant International Financial Reporting Standards and audited the amount recognised through inspection of correspondence with SASRIA and confirmation of the payment received to banking records. • We evaluated management's controls and processes for identifying, valuing and impairing damaged or lost stock by attending a sample of stock counts and performing sample counts of inventory items to test the completeness and existence of the remaining inventory as follows: – we attended the Clicks and UPD DC stock counts; and – for the 12 Clicks stores that were partially damaged or looted, we attended one additional stock count. • For the 40 Clicks stores in which stock was completely looted or destroyed (i.e. for which there was no stock left to count), we obtained and assessed management's supporting analysis and documentation (for example date-tagged photos, stock listings, and correspondence between Clicks Group Limited and the insurers) to assess the measurement and occurrence of the inventory write-offs. • For a sample of additional costs incurred we agreed the transaction details to supporting documentation confirming the value, nature and classification of the expenditure incurred to confirm they relate directly to the civil unrest. • We obtained an understanding of the process management followed in determining the impairment of property, plant and equipment and right-of-use assets through discussions with management and performing a walkthrough of documented procedures. • For a sample of Clicks stores, and the Clicks and UPD DCs we obtained the fixed asset registers and assessed management's supporting documents (for example, date-tagged photos and correspondence between Clicks Group Limited and the insurers) to assess the measurement and occurrence of impairments identified. • We recalculated depreciation and impaired carrying values for a sample of assets written off to ensure arithmetical accuracy. • We considered the classification of the transactions in the consolidated statement of comprehensive income and the relevance and accuracy of additional disclosure provided in the notes to the consolidated financial statements against the requirements of IFRS.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the 73-page document titled "Clicks Group Limited Audited Annual Financial Statements 2021", which includes the Directors' Report, the Audit Committee's Report, and the Company Secretary's certificate as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based, on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Ernst & Young Inc.

Ernst & Young Inc.
Director – Anthony Robert Cadman
Chartered Accountant
Registered Auditor

11 November 2021

Waterway House
3 Dock Road
Cape Town

Consolidated statement of COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST

	Notes	2021 R'000	Restated[1] 2020 R'000
Revenue	1	**39 982 414**	36 102 951
Turnover	1	**37 339 028**	33 889 151
Cost of merchandise sold		**(29 733 393)**	(26 821 389)
Cost of merchandise written off – civil unrest	35	**(333 639)**	–
Gross profit		**7 271 996**	7 067 762
Other income	1	**2 391 845**	2 153 338
Insurance proceeds – civil unrest	1, 35	**217 391**	–
Total income		**9 881 232**	9 221 100
Expenses		**(6 984 370)**	(6 408 372)
Depreciation and amortisation	2	**(1 180 103)**	(1 065 811)
Occupancy costs	3	**(161 158)**	(167 445)
Employment costs	4	**(3 659 289)**	(3 419 316)
Other costs	5	**(1 938 192)**	(1 753 087)
Other costs – civil unrest	35	**(31 589)**	–
Impairment allowance	19	**(14 039)**	(2 713)
Operating profit		**2 896 862**	2 812 728
Loss on disposal of property, plant and equipment		**(4 199)**	(6 398)
Impairment of property, plant and equipment – civil unrest	10, 35	**(61 251)**	–
Loss on disposal of business		**–**	(1 196)
Profit before financing costs		**2 831 412**	2 805 134
Net financing expense	6	**(186 111)**	(168 681)
Financial income	1, 6	**34 150**	60 462
Financial expense	6	**(220 261)**	(229 143)
Profit before earnings from associates		**2 645 301**	2 636 453
Share of (loss)/profit of associates	14	**(3 476)**	2 105
Profit before taxation		**2 641 825**	2 638 558
Income tax expense	7	**(727 724)**	(719 774)
Profit for the year from continuing operations		**1 914 101**	1 918 784
Loss from discontinued operations, net of tax	8	**(76 245)**	(38 609)
Profit for the year		**1 837 856**	1 880 175
Other comprehensive income/(loss):			
Items that will not be subsequently reclassified to profit or loss		**–**	9 956
Remeasurement of post-employment benefit obligations	23	**–**	13 828
Deferred tax on remeasurement	7	**–**	(3 872)
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign subsidiaries	22	**(27 335)**	3 895
Cash flow hedges	21	**(14 089)**	60 461
Change in fair value of effective portion		**(19 568)**	83 973
Deferred tax on movement of effective portion	7	**5 479**	(23 512)
Cost of hedging reserve		**(19 699)**	(18 890)
Cost of hedging recognised		**(27 360)**	(26 236)
Deferred tax on cost of hedging		**7 661**	7 346
Other comprehensive (loss)/income for the year, net of tax		**(61 123)**	55 422
Total comprehensive income for the year		**1 776 733**	1 935 597
Earnings per share from continuing operations (cents)			
Basic	9	**774.7**	766.9
Diluted	9	**774.7**	766.9
Earnings per share (cents)			
Basic	9	**743.8**	751.4
Diluted	9	**743.8**	751.4

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

Consolidated statement of FINANCIAL POSITION

AT 31 AUGUST

	Notes	2021 R'000	2020 R'000
ASSETS			
Non-current assets		**5 935 366**	5 530 507
Property, plant and equipment	10	**2 138 102**	2 120 674
Right-of-use assets	24	**2 601 684**	2 371 179
Intangible assets	11	**670 457**	568 700
Goodwill	12	**102 806**	102 806
Deferred tax assets	13	**106 215**	110 694
Investment in associates	14	**27 599**	20 062
Loans receivable	15	**9 896**	9 608
Financial assets at fair value through profit or loss	16	**125 882**	113 951
Derivative financial assets	17	**152 725**	112 833
Current assets		**11 238 116**	9 743 698
Inventories	18	**5 449 364**	4 920 919
Trade and other receivables	19	**3 473 074**	2 567 215
Loans receivable	15	**12 059**	1 339
Cash and cash equivalents		**2 206 627**	2 152 483
Derivative financial assets	17	**96 992**	101 742
Total assets		**17 173 482**	15 274 205
EQUITY AND LIABILITIES			
Equity		**4 805 193**	5 193 951
Share capital	20	**2 456**	2 487
Share premium	20	**1 064 953**	1 064 953
Cash flow hedge reserve	21	**34 817**	11 686
Cost of hedging reserve		**(7 167)**	(5 968)
Foreign currency translation reserve	22	**(18 697)**	8 638
Distributable reserve		**3 728 831**	4 112 155
Non-current liabilities		**2 172 869**	1 940 022
Lease liabilities	24	**1 975 938**	1 795 306
Deferred tax liabilities	13	**11 767**	–
Employee benefits	23	**185 164**	144 716
Current liabilities		**10 195 420**	8 140 232
Trade and other payables	25	**8 751 621**	6 746 977
Lease liabilities	24	**946 976**	890 411
Employee benefits	23	**350 016**	374 429
Income tax payable		**145 270**	126 045
Derivative financial liabilities	17	**1 537**	2 370
Total equity and liabilities		**17 173 482**	15 274 205

Consolidated statement of
CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST

	Number of shares (Note 20) '000	Share capital (Note 20) R'000	Share premium (Note 20) R'000	Treasury shares R'000
Balance at 1 September 2019	251 525	2 621	1 064 953	(913 194)
Transactions with owners, recorded directly in equity				
Dividends paid to shareholders	–	–	–	–
Treasury shares cancelled	–	(106)	–	913 194
Shares repurchased and cancelled	(2 862)	(28)	–	–
Total transactions with owners	(2 862)	(134)	–	913 194
Total comprehensive income for the year	–	–	–	–
Profit for the year	–	–	–	–
Remeasurement of post-employment benefit obligations	–	–	–	–
Cash flow hedge reserve	–	–	–	–
Cost of hedging reserve	–	–	–	–
Exchange differences on translation of foreign subsidiaries	–	–	–	–
Transfer of reserves to inventory	–	–	–	–
Balance at 31 August 2020	248 663	2 487	1 064 953	–
Transactions with owners, recorded directly in equity				
Dividends paid to shareholders	**–**	**–**	**–**	**–**
Shares repurchased and cancelled	**(3 106)**	**(31)**	**–**	**–**
Total transactions with owners	**(3 106)**	**(31)**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**–**
Profit for the year	**–**	**–**	**–**	**–**
Cash flow hedge reserve	**–**	**–**	**–**	**–**
Cost of hedging reserve	**–**	**–**	**–**	**–**
Exchange differences on translation of foreign subsidiaries	**–**	**–**	**–**	**–**
Transfer of reserves to inventory	**–**	**–**	**–**	**–**
Balance at 31 August 2021	**245 557**	**2 456**	**1 064 953**	**–**

Cash flow hedge reserve (Note 21) R'000	Cost of hedging reserve R'000	Foreign currency translation reserve (Note 22) R'000	Distributable reserve R'000	Total equity R'000
23 195	(6 267)	4 743	4 610 936	4 786 987
–	–	–	(822 485)	(822 485)
–	–	–	(913 088)	–
–	–	–	(653 339)	(653 367)
–	–	–	(2 388 912)	(1 475 852)
60 461	(18 890)	3 895	1 890 131	1 935 597
–	–	–	1 880 175	1 880 175
–	–	–	9 956	9 956
60 461	–	–	–	60 461
–	(18 890)	–	–	(18 890)
–	–	3 895	–	3 895
(71 970)	19 189	–	–	(52 781)
11 686	(5 968)	8 638	4 112 155	5 193 951
–	**–**	**–**	**(1 468 901)**	**(1 468 901)**
–	**–**	**–**	**(752 279)**	**(752 310)**
–	**–**	**–**	**(2 221 180)**	**(2 221 211)**
(14 089)	**(19 699)**	**(27 335)**	**1 837 856**	**1 776 733**
–	**–**	**–**	**1 837 856**	**1 837 856**
(14 089)	**–**	**–**	**–**	**(14 089)**
–	**(19 699)**	**–**	**–**	**(19 699)**
–	**–**	**(27 335)**	**–**	**(27 335)**
37 220	**18 500**	**–**	**–**	**55 720**
34 817	**(7 167)**	**(18 697)**	**3 728 831**	**4 805 193**

Consolidated statement of CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST

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

	Note	2021 R'000	2020 R'000
Cash effects from operating activities			
Profit before working capital changes		**4 017 185**	3 884 623
Working capital changes		**541 809**	(820 884)
Cash generated by operations		**4 558 994**	3 063 739
Interest received		**34 150**	60 483
Interest paid		**(208 845)**	(221 587)
Taxation paid		**(670 814)**	(634 200)
Acquisition of derivative financial asset used to hedge the long-term incentive scheme		**(50 467)**	(49 635)
Settlement of derivative financial asset used to hedge the long-term incentive scheme		**117 610**	120 481
Cash inflow from operating activities before dividends paid		**3 780 628**	2 339 281
Dividends paid to shareholders	26	**(1 468 901)**	(822 485)
Net cash effects from operating activities		**2 311 727**	1 516 796
Cash effects from investing activities			
Investment in property, plant and equipment and intangible assets to maintain operations		**(217 418)**	(242 093)
Investment in property, plant and equipment and intangible assets to expand operations		**(472 317)**	(348 790)
Proceeds from disposal of property, plant and equipment		**1 335**	968
Acquisition of investments		**(6 000)**	(41 833)
Investment in associate		**(13 000)**	–
Proceeds from disposal of investment in subsidiary		**–**	9 787
Loan to associate		**(11 008)**	–
Net cash effects from investing activities		**(718 408)**	(621 961)
Cash effects from financing activities			
Shares repurchased		**(752 310)**	(653 367)
Repayment of lease liabilities	24	**(786 865)**	(702 539)
Net cash effects from financing activities		**(1 539 175)**	(1 355 906)
Net increase/(decrease) in cash and cash equivalents		**54 144**	(461 071)
Cash and cash equivalents at the beginning of the year		**2 152 483**	2 613 554
Cash and cash equivalents at the end of the year		**2 206 627**	2 152 483

Notes to the consolidated statement of CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST

	2021 R'000	2020 R'000
Cash flow information		
Profit before working capital changes		
Profit before taxation from continuing operations	**2 641 825**	2 638 558
Loss before taxation from discontinued operations	**(106 214)**	(54 564)
Adjustment for:	**1 295 463**	1 125 179
Depreciation and amortisation	**1 260 421**	1 177 144
Impairment of and loss on disposal of property, plant and equipment and right-of-use assets	**102 351**	8 337
Release of cash flow hedge to profit or loss	**(66 841)**	(64 779)
(Increase)/decrease in financial assets at fair value through profit or loss	**(5 931)**	3 252
Loss on disposal of subsidiary	**–**	1 196
Net loss of associates	**5 463**	29
Net financing expense	**186 111**	175 450
	4 017 185	3 884 623
Working capital changes		
Increase in inventories	**(529 644)**	(215 715)
Increase in trade and other receivables	**(905 859)**	(7 730)
Increase/(decrease) in trade and other payables	**1 972 693**	(550 848)
Increase/(decrease) in employee benefits	**4 619**	(46 591)
	541 809	(820 884)
Disposal of investment in subsidiary company		
The group disposed of its interest in Kalahari Medical Distributors Proprietary Limited during the previous financial year.		
Proceeds on disposal of subsidiary	**–**	9 787
Net asset value of subsidiary	**–**	(10 983)
Loss on disposal of subsidiary	**–**	(1 196)
Taxation paid		
Income tax payable at the beginning of the year	**(126 045)**	(41 418)
Normal tax charged to profit or loss	**(690 039)**	(718 827)
Income tax payable at the end of the year	**145 270**	126 045
	(670 814)	(634 200)
Cash and cash equivalents at the end of the year		
Current accounts	**250 369**	184 157
Short-term deposits	**23 558**	20 126
Money market fund[1]	**1 932 700**	1 948 200
	2 206 627	2 152 483

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

Segmental ANALYSIS

FOR THE YEAR ENDED 31 AUGUST

R'000		Retail – continuing operations (Note 33) 2021	Restated[1] 2020	Distribution (Note 33) 2021	2020
Statement of financial position					
Property, plant and equipment		**1 887 908**	1 835 575	**250 194**	262 533
Right-of-use assets		**2 591 043**	2 315 579	**10 641**	11 722
Intangible assets		**590 564**	538 239	**79 893**	30 444
Goodwill		**6 529**	6 529	**96 277**	96 277
Inventories		**3 912 152**	3 382 056	**1 657 153**	1 572 716
Trade and other receivables		**957 864**	495 246	**3 291 665**	2 761 535
Cash and cash equivalents		**2 144 949**	2 175 902	**63 922**	6 775
Other assets		**1 028 989**	872 253	**3 144 948**	2 379 346
Total assets		**13 119 998**	11 621 379	**8 594 693**	7 121 348
Lease liabilities		**2 908 693**	2 629 687	**10 389**	11 683
Employee benefits – non-current		**174 083**	126 852	**11 081**	15 575
Trade and other payables		**4 864 664**	3 592 287	**4 662 399**	3 810 153
Employee benefits – current		**308 845**	321 764	**41 103**	45 629
Other liabilities		**3 291 337**	2 497 879	**507 535**	409 638
Total liabilities		**11 547 622**	9 168 469	**5 232 507**	4 292 678
Net assets		**1 572 376**	2 452 910	**3 362 186**	2 828 670
Statement of comprehensive income					
Turnover		**26 329 145**	24 310 115	**17 378 201**	15 473 637
Gross profit		**7 145 424**	6 866 026	**164 449**	203 772
Other income		**1 515 905**	1 228 635	**1 298 222**	1 113 684
Total income		**8 661 329**	8 094 661	**1 462 671**	1 317 456
Expenses		**(6 263 059)**	(5 789 021)	**(930 147)**	(804 294)
Depreciation and amortisation		**(1 143 265)**	(1 025 505)	**(36 838)**	(40 306)
Occupancy costs		**(160 052)**	(166 298)	**(2 575)**	(2 714)
Employment costs		**(3 358 219)**	(3 130 442)	**(301 070)**	(288 874)
Other costs		**(1 595 592)**	(1 465 578)	**(581 556)**	(470 885)
Impairment allowance		**(5 931)**	(1 198)	**(8 108)**	(1 515)
Operating profit/(loss)		**2 398 270**	2 305 640	**532 524**	513 162
Ratios					
Increase/(decrease) in turnover	(%)	**8.3**	8.4	**12.3**	11.2
Selling price inflation	(%)	**3.2**	2.0	**1.9**	2.5
Comparable stores turnover growth	(%)	**5.1**	4.1	**–**	–
Gross profit margin	(%)	**27.1**	28.2	**0.9**	1.3
Total income margin	(%)	**32.9**	33.3	**8.4**	8.5
Operating expenses as a percentage of turnover	(%)	**23.8**	23.8	**5.4**	5.2
Increase/(decrease) in operating expenses	(%)	**8.2**	7.9	**15.6**	17.9
Increase/(decrease) in operating profit	(%)	**4.0**	11.1	**3.8**	13.0
Operating profit margin	(%)	**9.1**	9.5	**3.1**	3.3
Inventory days		**74**	71	**35**	38
Trade debtor days		**9**	3	**52**	47
Trade creditor days		**60**	46	**78**	69
Number of stores		**841**	806	**–**	–
as at 31 August 2020/2021		**806**	770	**–**	–
opened		**41**	44	**–**	–
closed		**(6)**	(8)	**–**	–
Number of pharmacies		**621**	585	**–**	–
as at 31 August 2020/2021		**585**	545	**–**	–
new/converted		**38**	41	**–**	–
closed		**(2)**	(1)	**–**	–
Total leased area	(m^2)	**476 266**	448 476	**–**	–
Weighted retail trading area	(m^2)	**374 798**	351 639	**–**	–
Weighted annual sales per m^2	(R)	**68 934**	68 922	**–**	–
Number of permanent employees		**15 252**	14 429	**619**	637

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

Intragroup elimination		Total continuing operations		Musica		Total operations	
2021	2020	2021	Restated[1] 2020	2021	2020	2021	2020
–	–	2 138 102	2 098 108	–	22 566	2 138 102	2 120 674
–	–	2 601 684	2 327 301	–	43 878	2 601 684	2 371 179
–	–	670 457	568 683	–	17	670 457	568 700
–	–	102 806	102 806	–	–	102 806	102 806
(121 010)	(87 078)	5 448 295	4 867 694	1 069	53 225	5 449 364	4 920 919
(776 498)	(699 946)	3 473 031	2 556 835	43	10 380	3 473 074	2 567 215
–	–	2 208 871	2 182 677	(2 244)	(30 194)	2 206 627	2 152 483
(3 642 569)	(2 781 371)	531 368	470 228	–	1	531 368	470 229
(4 540 077)	(3 568 395)	17 174 614	15 174 332	(1 132)	99 873	17 173 482	15 274 205
–	–	2 919 082	2 641 370	3 832	44 347	2 922 914	2 685 717
–	–	185 164	142 427	–	2 289	185 164	144 716
(783 384)	(706 830)	8 743 679	6 695 610	7 942	51 367	8 751 621	6 746 977
–	–	349 948	367 393	68	7 036	350 016	374 429
(3 640 640)	(2 779 445)	158 232	128 072	342	343	158 574	128 415
(4 424 024)	(3 486 275)	12 356 105	9 974 872	12 184	105 382	12 368 289	10 080 254
(116 053)	(82 120)	4 818 509	5 199 460	(13 316)	(5 509)	4 805 193	5 193 951
(6 368 318)	(5 894 601)	37 339 028	33 889 151	197 019	475 247	37 536 047	34 364 398
(37 877)	(2 036)	7 271 996	7 067 762	28 331	140 584	7 300 327	7 208 346
(204 891)	(188 981)	2 609 236	2 153 338	7 184	12 977	2 616 420	2 166 315
(242 768)	(191 017)	9 881 232	9 221 100	35 515	153 561	9 916 747	9 374 661
208 836	184 943	(6 984 370)	(6 408 372)	(103 092)	(199 417)	(7 087 462)	(6 607 789)
–	–	(1 180 103)	(1 065 811)	(28 291)	(65 257)	(1 208 394)	(1 131 068)
1 469	1 567	(161 158)	(167 445)	(8 248)	(17 389)	(169 406)	(184 834)
–	–	(3 659 289)	(3 419 316)	(42 384)	(78 106)	(3 701 673)	(3 497 422)
207 367	183 376	(1 969 781)	(1 753 087)	(23 599)	(37 600)	(1 993 380)	(1 790 687)
–	–	(14 039)	(2 713)	(570)	(1 065)	(14 609)	(3 778)
(33 932)	(6 074)	2 896 862	2 812 728	(67 577)	(45 856)	2 829 285	2 766 872
8.0	4.1	10.2	10.5	(58.5)	(30.2)	9.2	9.6
–	–	2.7	2.3	–	16.7	2.7	2.4
–	–	5.1	4.1	–	(23.4)	5.1	3.4
–	–	19.5	20.9	14.4	29.6	19.4	21.0
–	–	26.5	27.2	18.0	32.3	26.4	27.3
–	–	18.7	18.9	52.3	42.0	18.9	19.2
–	–	9.0	8.9	(48.3)	(23.0)	7.3	7.5
–	–	3.0	11.8	(47.4)	(397.7)	2.3	10.4
–	–	7.8	8.3	(34.3)	(9.6)	7.5	8.1
–	–	66	66	–	58	66	66
–	–	38	31	–	–	38	31
–	–	74	61	–	31	74	60
–	–	841	806	–	78	841	884
–	–	806	770	78	100	884	870
–	–	41	44	–	1	41	45
–	–	(6)	(8)	(78)	(23)	(84)	(31)
–	–	621	585	–	–	621	585
–	–	585	545	–	–	585	545
–	–	38	41	–	–	38	41
–	–	(2)	(1)	–	–	(2)	(1)
–	–	476 266	448 476	–	18 986	476 266	467 340
–	–	374 798	351 639	10 046	18 647	384 844	370 353
–	–	68 934	68 922	19 613	25 487	67 647	66 733
–	–	15 871	15 066	–	516	15 871	15 582

The intragroup turnover elimination for the year comprises R6 117.9 million (2020: R5 758.3 million) of sales from Distribution to Retail and R250.9 million (2020: R136.3 million) of sales from Retail to Distribution.

Accounting POLICIES

Clicks Group Limited is a company domiciled in South Africa. The consolidated financial statements as at and for the year ended 31 August 2021 comprise the company, its subsidiaries and associates (collectively referred to as “the group”).

BASIS OF PREPARATION

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

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

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

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Allowance for net realisable value of inventories

The group evaluates its inventory to ensure that it is carried at the lower of cost or net realisable value. Provision is made against slow moving, obsolete and damaged inventories. Damaged inventories are identified and written down through the inventory counting procedures conducted within each business.

Allowance for slow moving and obsolete inventories is assessed by each business as part of their ongoing financial reporting. Obsolescence is assessed based on comparison of the level of inventory holding to the projected likely future sales less selling costs using factors existing at the reporting date. Refer to note 18 for further detail.

Rebates received from vendors

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

Impairment of financial assets

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

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

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The group’s historical credit loss experience and forecast of economic conditions may also not be representative of customers’ actual default in the future. The information about the ECLs on the group’s trade receivables is disclosed in note 19.

The determination of recoverability is established using the ECL model. Refer to note 19 for further detail.

Impairment of non-financial assets
Goodwill and intangible assets with an indefinite useful life are tested for impairment at least annually.

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

Details of the assumptions used in the intangible assets' impairment test are detailed in note 11.

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

The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable pre-tax discount rate that is reflective of the cash-generating unit's risk profile, in order to calculate the value in use. Details of the assumptions used in the impairment test are detailed in note 12.

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

Income taxes
The group is subject to income tax in numerous jurisdictions. Significant judgement is required in determining the provision for tax as there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax issues based on estimates of the taxes that are likely to become due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted. The group assesses how uncertain tax positions affect the determination of income tax and deferred income tax. The group also considers whether tax authorities will accept certain tax treatments, determines the probabilities of the acceptance and the impact on income tax and deferred income tax. Refer to notes 7 and 13 for further detail.

Employee benefits liabilities
Post-retirement defined benefits are provided for certain existing and former employees. Actuarial valuations are performed to assess the financial position of the relevant funds and are based on assumptions which include mortality rates, healthcare inflation, the expected long-term rate of return on investments, the discount rate and current market conditions. Refer to note 23 for further detail, including a sensitivity analysis.

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

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

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

Measurement of financial instruments
The fair value of financial instruments that are not traded in an active market and are material to the group, is determined by using valuation techniques outlined in note 28, which may include the use of external independent valuators to value these unquoted financial instruments.

Valuation of lease liabilities and right-of-use assets

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

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

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

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

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

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

Ongoing Covid-19 considerations

Covid-19 has an ongoing impact on financial reporting and the application of IFRS. The group implements these considerations in its material judgements and estimates, impairment of financial and non-financial assets, allowance for ECLs, accounting for leases including impairment considerations, provision for employee benefits, share-based payments, other financial instrument disclosures and other impacted financial statement line items. All significant judgements and estimates made by management are disclosed in the relevant notes to the annual financial statements.

BASIS OF CONSOLIDATION

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

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

FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

GOODWILL

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

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

INVESTMENT IN ASSOCIATES

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

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

FOREIGN CURRENCY

Functional and presentation currency

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

Foreign currency transactions and balances

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

Foreign operations

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

FINANCIAL INSTRUMENTS

Initial recognition and measurement

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

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

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

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

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

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

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

Financial assets at fair value through profit or loss

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

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

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

Cash and cash equivalents

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

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

Interest-bearing borrowings

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

Trade and other payables

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

Derivative financial instruments and hedging activities

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

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

Cash flow hedges

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

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

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

Derivatives not qualifying for hedge accounting

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

Derecognition

Financial assets

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

Financial liabilities

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

Offset

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

PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

Items of property, plant and equipment, including owner-occupied buildings, are stated at historical cost less accumulated depreciation and accumulated impairment losses. Land is stated at cost less impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Installation and other costs, which comprise materials and direct labour costs necessarily incurred in order to acquire property, plant and equipment, are also included in cost. When parts of property, plant and equipment have different useful lives they are accounted for as separate items (major components) of property, plant and equipment.

Borrowing costs are capitalised in line with the accounting policy outlined under financial expenses.

Gains or losses on the disposal of property, plant and equipment, comprising the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss.

Subsequent costs

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

Depreciation

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

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

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

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

LEASES

Initial recognition and measurement

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

Group as lessee

The group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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

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

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

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

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

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

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

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

The lease term determined by the group comprises:

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

Subsequent measurement

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

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

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

Covid-19 rent concessions

The group adopted the practical expedient in IFRS 16 paragraph 46A and has elected not to assess whether a rent concession that meets the conditions in IFRS 16 paragraph 46B is a lease modification. All rent concessions have been treated as negative variable lease payments.

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

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

Capitalised software development	5 to 10 years
Purchased computer software	3 to 5 years
Contractual rights	5 years
Clicks trademark	indefinite useful life
Other trademarks	10 years

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

INVENTORIES

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

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

IMPAIRMENT OF ASSETS

Non-financial assets

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

Recoverable amount

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

Reversal of impairment losses

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

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

Financial assets

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

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

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

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

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

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

SHARE CAPITAL

Share capital

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

Share premium

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

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

Share repurchases

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

EMPLOYEE BENEFITS

Short-term employee benefits

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

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

Other long-term employee benefits

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

Defined contribution retirement funds

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

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

Post-retirement medical aid benefits – defined benefit plans

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

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

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

Current service costs represents the increase in the defined benefit plan resulting from employee services in the current year and is recognised in profit or loss as employee services are rendered.

Past service costs are recognised in profit or loss at the earlier of the date of the plan amendment or curtailment, and the date that the group recognises restructuring-related costs. The group recognises actuarial gains or losses from defined benefit plans immediately in OCI.

Cash-settled share-based compensation benefits

The group grants cash-settled appreciation rights to management in terms of a long-term incentive scheme. The value of these appreciation rights are linked to the total shareholder return (capital gain plus dividends) over the vesting period. The cost of cash-settled transactions is measured initially at fair value at the grant date, further details of which are given in note 23.1. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense (see note 4).

Cash-settled earnings-based compensation benefits

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

PROVISIONS

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

FINANCIAL GUARANTEES

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

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

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

REVENUE

Revenue from contracts with customers

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

Turnover

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

Distribution and logistics fee income

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

Advertising income

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

Variable consideration/deferred revenue

Right of return

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

Loyalty cards

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

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

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

Gift cards/vouchers

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

Assets and liabilities arising from revenue from contracts with customers

Right of return assets

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

Refund liabilities

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

Financial income

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

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

FINANCIAL EXPENSES

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

INCOME TAXES

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

DIVIDENDS WITHHOLDING TAX

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

DISCONTINUED OPERATIONS

A discontinued operation is a component of the group that has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations, or is part of a plan to dispose a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resell. A component of the group that is to be abandoned is disclosed as a discontinued operation. Classification as a discontinued operation commences at the date when a group of assets ceases to be used and all operations have been terminated.

The financial results of discontinued operations are presented separately from continuing operations as a single line in both the statement of profit or loss and OCI. The net cash flows from operating, investing and financing activities for discontinued operations are presented separately in note 8.

When the component is classified as a discontinued operation, the comparative statement of profit or loss and OCI and cash flow information is re-presented each period on the basis of the classification of operations as discontinued or continuing operations at the reporting date. Refer to note 34 for further detail.

SEGMENT REPORTING

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

EARNINGS PER SHARE

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

RECENT ACCOUNTING DEVELOPMENTS

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

The International Accounting Standards Board (IASB) and IFRIC have issued several standards, amendments and interpretations, with an effective date after the date of these financial statements, none of which management believes could significantly impact the group in future periods.

Covid-19-related rent concessions and Covid-19-related rent concessions beyond 30 June 2021 – amendments to IFRS 16

The group adopted the practical expedient by electing not to assess whether a Covid-19-related rent concession from a lessor is a lease modification. All rental concessions have been treated as negative variable lease payments. In March 2021 the IASB amended IFRS 16 by extending the availability of the practical expedient by one year to apply to annual reporting periods beginning on or after 1 April 2021.

		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	Group 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

Director (R'000)	2021 directors' fees Holding company	2021 directors' fees Subsidiary companies	2021 directors' fees Total	2020 directors' fees Holding company	2020 directors' fees Subsidiary companies	2020 directors' fees 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	Group 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 2021 R'000	Group Restated[1] 2020 R'000	Company 2021 R'000	Company 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.

9 Earnings per share (continued)

	Group 2021 cents	Group 2020 cents
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		2020	
	Cost R'000	Accumulated depreciation and impairment losses R'000	Cost R'000	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 Cost R'000	Group 2021 Accumulated amortisation and impairment losses R'000	Group 2020 Cost R'000	Group 2020 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	Group 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.

	Group	
	2021 R'000	2020 R'000
16 Financial assets at fair value through profit or loss		
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.

	Group			
	2021		2020	
	Assets R'000	**Liabilities R'000**	Assets R'000	Liabilities R'000
17 Derivative financial instruments				
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

	Group 2021 R'000	Group 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

	Group 2021 R'000	Group 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	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		Distribution	
	2021 R'000	2020 R'000	2021 R'000	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				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	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	Gross amount 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.

Company statement of COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST

	Note	2021 R'000	2020 R'000
Dividend income – subsidiary		**1 000 000**	5 310 752
Bank charges		**(3)**	(4)
Operating costs		**(50)**	(188)
Profit before financing cost		**999 947**	5 310 560
Financial income		**575**	178
Profit before taxation		**1 000 522**	5 310 738
Income tax expense	7	**(166)**	(49)
Profit for the year		**1 000 356**	5 310 689
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive income for the year		**1 000 356**	5 310 689

Company statement of FINANCIAL POSITION

AS AT 31 AUGUST

	Notes	2021 R'000	2020 R'000
Assets			
Non-current assets			
Interest in subsidiary companies (see page 69)		**3 359 148**	4 578 371
Current assets		**(90)**	1 527
Cash and cash equivalents		**(90)**	1 527
Total assets		**3 359 058**	4 579 898
Equity		**3 348 989**	4 569 844
Share capital	20	**2 456**	2 487
Share premium	20	**3 301 189**	3 301 189
Distributable reserve		**45 344**	1 266 168
Current liabilities		**10 069**	10 054
Trade and other payables		**2 205**	2 220
Income tax payable		**7 864**	7 834
Total equity and liabilities		**3 359 058**	4 579 898

Company statement of CHANGES IN EQUITY

FOR THE YEAR ENDED 31 AUGUST

	Number of shares (note 20) '000	Share capital (note 20) R'000	Share premium (note 20) R'000	Distributable reserve R'000	Total R'000
Balance at 31 August 2019	251 525	2 621	3 301 189	178 470	3 482 280
Total comprehensive income for the year	–	–	–	5 310 689	5 310 689
Shares purchased and cancelled	(2 862)	(134)	–	(3 365 978)	(3 366 112)
Dividends to shareholders (see note 26)	–	–	–	(857 013)	(857 013)
Balance at 31 August 2020	**248 663**	**2 487**	**3 301 189**	**1 266 168**	**4 569 844**
Total comprehensive income for the year	**–**	**–**	**–**	**1 000 356**	**1 000 356**
Shares purchased and cancelled	**(3 106)**	**(31)**	**–**	**(752 279)**	**(752 310)**
Dividends to shareholders (see note 26)	**–**	**–**	**–**	**(1 468 901)**	**(1 468 901)**
Balance at 31 August 2021	**245 557**	**2 456**	**3 301 189**	**45 344**	**3 348 989**

Company statement of CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST

	2021 R'000	2020 R'000
Cash effects of operating activities		
Loss before working capital changes	(53)	(192)
Dividends received	–	857 013
Financial income	575	178
Working capital changes	(15)	–
Cash generated by operations	507	856 999
Taxation paid	(136)	(250)
Cash inflow from operating activities before dividends paid	371	856 749
Dividends paid to shareholders	(1 468 901)	(857 013)
Net cash effects of operating activities	(1 468 530)	(264)
Cash effects of investing activities		
Decrease in subsidiary loans	2 219 223	654 259
Net cash effects of investing activities	2 219 223	654 259
Cash effects of financing activities		
Purchase of treasury shares	(752 310)	(653 367)
Net cash effects of financing activities	(752 310)	(653 367)
Net movement in cash and cash equivalents	(1 617)	628
Cash and cash equivalents at the beginning of the year	1 527	899
Cash and cash equivalents at the end of the year	(90)	1 527

Notes to the company statement of CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST

	2021 R'000	2020 R'000
Loss before working capital changes		
Profit before taxation	1 000 522	5 310 738
Adjustment for:		
Dividend received	(1 000 000)	(5 310 752)
Financial income	(575)	(178)
	(53)	(192)
Working capital changes		
Decrease in trade and other payables	(15)	–
	(15)	–
Taxation paid		
Income tax payable at the beginning of the year	7 834	8 035
Current tax charge	166	49
Income tax payable at the end of the year	(7 864)	(7 834)
	136	250

Interest in SUBSIDIARY COMPANIES

AT 31 AUGUST

Name of company/entity and nature of business	Country of incorporation	Ordinary issued share capital/ trust capital[1]	Shares at cost less amounts written off 2021 R'000	Shares at cost less amounts written off 2020 R'000	Amount owing (to)/by subsidiaries 2021 R'000	Amount owing (to)/by subsidiaries 2020 R'000
Directly held						
(i) Trading						
New Clicks South Africa Proprietary Limited	South Africa	R500	**272 439**	272 439	**2 725 398**	3 944 621
(ii) Property owning						
Clicks Centurion Proprietary Limited	South Africa	R10	*	*	**9 000**	9 000
(iii) New Clicks Foundation Trust	South Africa	R5 000	**–**	–	**–**	–
Indirectly held						
(i) Trading						
Safeway (Eswatini) Proprietary Limited	Eswatini	E2	**–**	–	**–**	–
The Clicks Organisation (Botswana) Proprietary Limited	Botswana	BWP3 000	**–**	–	**–**	–
Clicks Group (Namibia) Proprietary Limited	Namibia	N$100	**–**	–	**–**	–
Clicks Stores (Lesotho) Proprietary Limited	Lesotho	M1 000	**–**	–	**–**	–
Unicorn Pharmaceuticals Proprietary Limited	South Africa	R10	**–**	–	**–**	–
Clicks Retailers Proprietary Limited	South Africa	R200	**–**	–	**–**	–
Clicks Investments Proprietary Limited	South Africa	R16 685 175 000	**–**	–	**–**	–
BTB Media Proprietary Limited	South Africa	R120	**–**	–	**–**	–
K2021423995 (South Africa) Proprietary Limited	South Africa	R100	**–**	–	**–**	–
(ii) Name protection and dormant						
Two companies (2020: Two companies)			**–**	–	**–**	–
			272 439	272 439	**2 734 398**	3 953 621

	2021 R'000	2020 R'000
Shares at cost less amounts written off	**272 439**	272 439
Amounts owing by subsidiary companies	**2 734 398**	3 953 621
Share-based payments capitalised	**352 311**	352 311
Interest in subsidiaries	**3 359 148**	4 578 371

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

[1] All directly and indirectly held subsidiaries are wholly owned by the group.
* Values less than R1 000.

Analysis of SHAREHOLDERS

AT 31 AUGUST

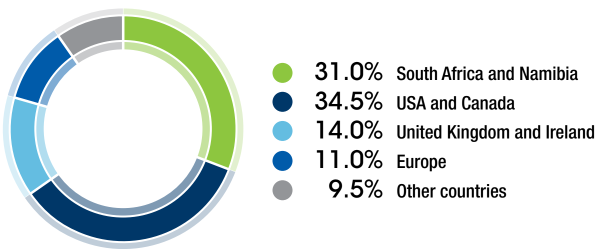
Public and non-public shareholders	Number of shares	Percentage of shares
Public shareholders	245 346 882	99.9%
Non-public shareholders		
Shares held by directors	210 184	0.1%
Total non-public shareholders	210 184	0.1%
Total shareholders	245 557 066	100.0%

According to the company's register of shareholders, read in conjunction with the company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following fund managers managed 3% or more of the issued share capital at 31 August 2021:

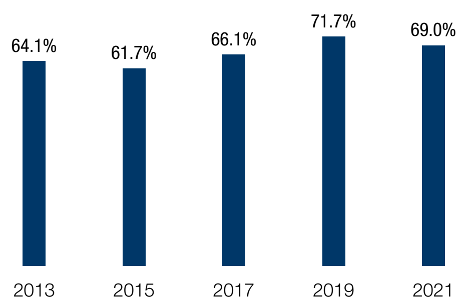
Major fund managers managing 3% or more	2021 Percentage of shares	2020 Percentage of shares
Public Investment Corporation (SA)	15.0%	13.7%
JPMorgan Asset Management (UK and US)	6.8%	6.1%
RBC Global Asset Management (UK)	5.5%	5.8%
BlackRock (US and UK)	4.9%	6.1%
Fidelity Management & Research (US)	4.9%	6.1%
GIC Asset Management (Singapore)	4.1%	3.9%
The Vanguard Group (US)	3.7%	3.7%
Federated Hermes (UK)	3.6%	–
T Rowe Price (UK and US)	3.3%	3.6%
William Blair (US)	3.2%	2.5%
No longer managing 3% or more:		
BMO Financial Group (UK)	2.8%	3.8%

Major beneficial shareholders holding 3% or more	Number of shares	Percentage of shares
Government Employees Pension Fund	35 933 577	14.6%
GIC Asset Management	10 345 644	4.2%

Geographic distribution of shareholders



Offshore shareholding



Classification of registered shareholdings	Number of shares	Percentage of shares
Banks/brokers	138 880 640	56.6%
Retirement funds	49 750 906	20.3%
Mutual funds	45 213 851	18.4%
Insurance companies	5 276 674	2.1%
Individuals	3 152 342	1.3%
Trusts	1 393 960	0.6%
Endowment funds	1 016 228	0.4%
Other	872 465	0.3%
	245 557 066	100.0%

Distribution of registered shareholdings	Number of holders	Percentage of holders	Number of shares	Percentage of shares
1 – 1 000	10 079	85.1%	1 136 589	0.5%
1 001 – 10 000	1 119	9.5%	3 628 293	1.5%
10 001 – 100 000	447	3.8%	14 984 892	6.1%
100 001 – 1 000 000	155	1.3%	52 362 943	21.3%
1 000 001 shares and over	37	0.3%	173 444 349	70.6%
	11 837	100.0%	245 557 066	100.0%

Directors' shareholdings

	2021			2020		
Director	Direct beneficial shares	Indirect beneficial shares	Total	Direct beneficial shares	Indirect beneficial shares	Total
David Nurek	45 000	55 000	100 000	–	100 000	100 000
John Bester	12 000	10 000	22 000	12 000	10 000	22 000
Bertina Engelbrecht	75 068	–	75 068	75 068	–	75 068
Michael Fleming	–	–	–	30 421	–	30 421
Vikesh Ramsunder	11 116	–	11 116	11 116	–	11 116
Martin Rosen	–	2 000	2 000	–	2 000	2 000
Total	143 184	67 000	210 184	128 605	112 000	240 605

The total number of ordinary shares in issue is 245 557 066 (2020: 248 662 647). Percentage of issued share capital held by directors is 0.09% (2020: 0.10%). Details of all dealings in Clicks Group shares by directors during the financial year are contained in the directors' report on page 2.

Shareholders' DIARY

Annual general meeting	26 January 2022

Preliminary results announcements

Interim results to February 2022	on or about 28 April 2022
Final results to August 2022	on or about 20 October 2022

Publication of 2022 Integrated Annual Report	November 2022

Ordinary share dividend

2021 final dividend

Last day to trade with dividend included	25 January 2022
Date of dividend payment	31 January 2022

2022 interim dividend

Last day to trade with dividend included	July 2022
Date of dividend payment	July 2022

2022 final dividend

Last day to trade with dividend included	January 2023
Date of dividend payment	January 2023

Corporate INFORMATION

Clicks Group Limited
Incorporated in the Republic of South Africa
Registration number 1996/000645/06
Income tax number 9061/745/71/8

JSE share code: CLS
ISIN: ZAE000134854
ADR ticker symbol: CLCGY
ADR CUSIP code: 18682W205

Registered address
Cnr Searle and Pontac Streets
Cape Town 8001
Telephone: +27 (0)21 460 1911

Postal address
PO Box 5142
Cape Town 8000

Company secretary
Matthew Welz, LLB
E-mail: companysecretary@clicksgroup.co.za

Auditors
Ernst & Young Inc. (EY)

Principal bankers
The Standard Bank of South Africa

JSE sponsor
Investec Bank Limited

Transfer secretaries
Computershare Investor Services Proprietary Limited
Business address: Rosebank Towers,
15 Biermann Avenue, Rosebank 2196
Postal address: Private Bag X9000, Saxonwold 2132
Telephone: +27 (0)11 370 5000

Investor relations consultants
Tier 1 Investor Relations
Telephone: +27 (0)21 702 3102
E-mail: ir@tier1ir.co.za

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

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