

AUDITED ANNUAL FINANCIAL STATEMENTS 2015



CLICKS GROUP
LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the annual financial statements and group annual financial statements of Clicks Group Limited, comprising the statements of financial position at 31 August 2015, and 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 10 November 2015 and signed by:



DM Nurek
Chairman

Cape Town
10 November 2015



DA Kneale
Chief executive officer

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.



DW Janks
Company secretary

Cape Town
10 November 2015

DIRECTORS' REPORT

The directors have pleasure in presenting their report for the year ended 31 August 2015.

Nature of business

The company is an investment holding company listed in the Food and Drug Retailers sector of the JSE Limited. Its subsidiaries include the country's leading provider of health and beauty merchandise through a network of 657 stores in southern Africa. The company's subsidiaries cover the pharmaceutical supply chain from wholesale and distribution to retail pharmacy, as well as beauty and cosmetic products. The company operates primarily 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 7. The profit attributable to ordinary shareholders for the year is R955 million (2014: R865 million).

Share capital

During the year under review the company continued with its share buy-back programme:

3 877 910	shares held by subsidiaries of the company as treasury shares at 31 August 2014
2 375 515	shares bought back in terms of general repurchases between 1 September 2014 and 31 August 2015 by a subsidiary of the company
<u>6 253 425</u>	shares held by subsidiaries of the company as treasury shares at 31 August 2015

Dividends to shareholders

Interim

The directors approved an interim ordinary dividend of 65.5 cents per ordinary share (2014: 53.5 cents per ordinary share) from distributable reserves. The dividend was paid on 6 July 2015 to shareholders registered on 3 July 2015.

Final

The directors have approved a final ordinary dividend of 169.5 cents per ordinary share (2014: 136.5 cents per ordinary share) and a dividend of 23.5 cents per "A" share (2014: 19.0 cents) for participants in the employee share ownership programme. The source of such dividends will be from distributable reserves. The dividend will be payable on 25 January 2016 to shareholders registered on 22 January 2016.

Events after the financial year-end

No significant events, other than the declaration of the final dividend, as set out above, took place between the end of the financial year under review and the date of this report.

Directors and secretary

Keith Warburton resigned as a director with effect from 28 January 2015.

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 Jakoet
Dr Nkaki Matlala
Martin Rosen

Executive directors

David Kneale (Chief executive officer)
Michael Fleming (Chief financial officer)
Bertina Engelbrecht

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

Retirement and re-election of directors

In accordance with the company's memorandum of incorporation ("MOI") David Nurek, Fatima Jakoet and David Kneale retire by rotation at the forthcoming annual general meeting. The retiring directors, being eligible, offer themselves for re-election.

Directors' interest in shares

David Janks sold 8 805 shares in February 2015, with the requisite approval. David Nurek sold 40 000 shares in April 2015, with the requisite approval.

In terms of the cash-settled long-term employee incentive scheme which requires all participants at the end of the three-year incentive performance period to purchase shares on the open market to the equivalent of 25% of the after-tax cash settlement value, the executive directors and company secretary made the following purchases on 27 January 2015 at a price of R86.72 per share: David Kneale purchased 23 282 shares, Michael Fleming purchased 9 989 shares, Bertina Engelbrecht purchased 6 141 shares and David Janks purchased 1 363 shares.

Incentive schemes

Information relating to the incentive schemes is set out on pages 39 to 40.

Special resolutions

Special resolutions passed at the annual general meeting held on 28 January 2015:

Special Resolution No. 1: General authority to repurchase shares

Special Resolution No. 2: Approval of directors' fees

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

Subsidiary companies

The names of the company's main subsidiaries and financial information relating thereto appear on page 58.

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 King Code of Governance Principles (“King III”).

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 III 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
- Recommend the Integrated Report for approval by the board

Combined assurance

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

Finance function

- Consider the expertise and experience of the chief financial officer
- 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
- 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
- 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
- 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.

Audit and risk committee report (continued)

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 Jakoet	B Sc, CTA, CA (SA), Higher certificate in financial markets
Dr Nkaki Matlala	B Sc, M Sc, M D, M Med (Surgery), FCS

Biographical details of the committee members appear on pages 28 and 29 of the Integrated Report, with supplementary information contained in Annexure 2 to the Notice of Annual General Meeting available on the group's website.

Fees paid to the committee members for 2015 and the proposed fees for 2016 are disclosed in the remuneration committee report on pages 37 and 38 of the Integrated Report.

The chairman of the board, 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 III.

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 monthly 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 of directors 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 2015 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 EY as the external auditor, as well as approving the terms of engagement and the fees paid to EY.

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

The group has received confirmation from 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.

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

Audit and risk committee report (continued)

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 R850 094 (2014: R381 500) for non-audit services, equating to 21.8% (2014: 11.7%) of the total audit remuneration.

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 the corporate governance report which is available on the group's website. 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 2015 financial year and that its report to shareholders has been approved by the board.



John Bester

Chairman: Audit and risk committee

10 November 2015

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Clicks Group Limited

We have audited the consolidated and separate financial statements of Clicks Group Limited set out on pages 7 to 58, which comprise the statements of financial position as at 31 August 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The company's directors are responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Clicks Group Limited as at 31 August 2015, 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.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 August 2015, we have read the directors' report, the audit and risk committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.



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

10 November 2015

35 Lower Long Street
 Cape Town
 8001

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 August 2015

	Notes	2015 R'000	2014 R'000
Revenue	1	23 285 096	20 203 300
Turnover	1	22 070 092	19 149 524
Cost of merchandise sold		(17 545 318)	(15 026 159)
Gross profit		4 524 774	4 123 365
Other income	1	1 210 082	1 048 279
Total income		5 734 856	5 171 644
Expenses		(4 338 817)	(3 953 943)
Depreciation and amortisation	2	(237 670)	(219 871)
Occupancy costs	3	(619 023)	(564 469)
Employment costs	4	(2 255 417)	(2 033 605)
Other costs	5	(1 226 707)	(1 135 998)
Operating profit		1 396 039	1 217 701
(Loss)/profit on disposal of property, plant and equipment		(9 446)	29 687
Profit before financing costs		1 386 593	1 247 388
Net financing costs	6	(57 309)	(40 660)
Financial income	1,6	4 922	5 497
Financial expense	6	(62 231)	(46 157)
Profit before taxation		1 329 284	1 206 728
Income tax expense	7	(374 709)	(341 883)
Profit for the year		954 575	864 845
Other comprehensive income/(loss):			
Items that will not be subsequently reclassified to profit or loss		765	–
Remeasurement of post-employment benefit obligations	22	1 063	–
Deferred tax on remeasurement	7	(298)	–
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign subsidiaries	21	4 777	(236)
Cash flow hedges		33 238	(11 584)
Change in fair value of effective portion	20	46 164	(16 087)
Deferred tax on movement of effective portion	7	(12 926)	4 503
Other comprehensive income/(loss) for the year, net of tax		38 780	(11 820)
Total comprehensive income for the year		993 355	853 025
Profit attributable to:			
Equity holders of the parent		954 575	864 612
Non-controlling interest		–	233
		954 575	864 845
Total comprehensive income attributable to:			
Equity holders of the parent		993 355	852 792
Non-controlling interest		–	233
		993 355	853 025
Earnings per share (cents)			
Basic	8	396.7	352.4
Diluted	8	381.5	347.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 August 2015

	Notes	2015 R'000	2014 R'000
ASSETS			
Non-current assets		2 009 163	1 771 636
Property, plant and equipment	9	1 221 658	1 135 007
Intangible assets	10	395 625	371 623
Goodwill	11	103 510	103 510
Deferred tax assets	12	177 037	126 335
Loans receivable	13	13 003	12 540
Financial assets at fair value through profit or loss	14	16 668	22 621
Derivative financial assets	15	81 662	–
Current assets		5 546 775	4 420 621
Inventories	16	3 249 914	2 614 196
Trade and other receivables	17	1 871 616	1 607 659
Cash and cash equivalents		400 738	195 631
Derivative financial assets	15	24 507	3 135
Total assets		7 555 938	6 192 257
EQUITY AND LIABILITIES			
Equity		2 012 807	1 566 973
Share capital	18	2 754	2 754
Share premium	18	3 497	3 497
Treasury shares	18	(414 127)	(237 863)
Share option reserve	19	254 592	135 091
Cash flow hedge reserve	20	35 196	1 958
Foreign currency translation reserve	21	6 331	1 554
Distributable reserve		2 124 564	1 659 982
Equity attributable to equity holders of the parent		2 012 807	1 566 973
Non-controlling interest		–	–
Non-current liabilities		308 503	286 465
Employee benefits	22	128 035	115 336
Deferred tax liabilities	12	–	2 782
Operating lease liability	23	180 468	168 347
Current liabilities		5 234 628	4 338 819
Trade and other payables	24	4 898 114	4 041 261
Employee benefits	22	214 943	190 494
Provisions	25	5 745	9 882
Income tax payable		115 826	94 342
Derivative financial liabilities	15	–	2 840
Total equity and liabilities		7 555 938	6 192 257

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2015

	Number of shares (Note 18) '000	Share capital (Note 18) R'000	Share premium (Note 18) R'000	Share option reserve (Note 19) R'000
Balance at 1 September 2013	246 880	2 976	3 497	79 549
Transactions with owners, recorded directly in equity				
Dividends paid to shareholders	-	-	-	-
Acquisition of non-controlling interest	-	-	-	-
Share-based payment reserve movement	-	-	-	55 542
Treasury shares cancelled and related costs	-	(222)	-	-
Net cost of own shares purchased	(4 620)	-	-	-
Total transactions with owners	(4 620)	(222)	-	55 542
Total comprehensive income for the year	-	-	-	-
Profit for the year	-	-	-	-
Cash flow hedge reserve	-	-	-	-
Exchange differences on translation of foreign subsidiaries	-	-	-	-
Balance at 31 August 2014	242 260	2 754	3 497	135 091
Transactions with owners, recorded directly in equity				
Dividends paid to shareholders	-	-	-	-
Share-based payment reserve movement	-	-	-	119 501
Net cost of own shares purchased	(2 376)	-	-	-
Total transactions with owners	(2 376)	-	-	119 501
Total comprehensive income for the year	-	-	-	-
Profit for the year	-	-	-	-
Remeasurement of post-employment benefit obligations	-	-	-	-
Cash flow hedge reserve	-	-	-	-
Exchange differences on translation of foreign subsidiaries	-	-	-	-
Balance at 31 August 2015	239 884	2 754	3 497	254 592

Treasury shares (Note 18) R'000	Cash flow hedge reserve (Note 20) R'000	Foreign currency translation reserve (Note 21) R'000	Distributable reserve R'000	Equity attributable to equity holders of the parent R'000	Non- controlling interest R'000	Total equity R'000
(954 553)	13 542	1 790	2 229 232	1 376 033	805	1 376 838
-	-	-	(429 277)	(429 277)	-	(429 277)
-	-	-	273	273	(1 038)	(765)
-	-	-	-	55 542	-	55 542
1 001 836	-	-	(1 004 858)	(3 244)	-	(3 244)
(285 146)	-	-	-	(285 146)	-	(285 146)
716 690	-	-	(1 433 862)	(661 852)	(1 038)	(662 890)
-	(11 584)	(236)	864 612	852 792	233	853 025
-	-	-	864 612	864 612	233	864 845
-	(11 584)	-	-	(11 584)	-	(11 584)
-	-	(236)	-	(236)	-	(236)
(237 863)	1 958	1 554	1 659 982	1 566 973	-	1 566 973
-	-	-	(490 758)	(490 758)	-	(490 758)
-	-	-	-	119 501	-	119 501
(176 264)	-	-	-	(176 264)	-	(176 264)
(176 264)	-	-	(490 758)	(547 521)	-	(547 521)
-	33 238	4 777	955 340	993 355	-	993 355
-	-	-	954 575	954 575	-	954 575
-	-	-	765	765	-	765
-	33 238	-	-	33 238	-	33 238
-	-	4 777	-	4 777	-	4 777
(414 127)	35 196	6 331	2 124 564	2 012 807	-	2 012 807

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 August 2015

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

	Note	2015 R'000	2014 R'000
Cash effects from operating activities			
Profit before working capital changes		1 699 743	1 490 840
Working capital changes		(15 451)	354 925
Cash generated by operations		1 684 292	1 845 765
Interest received		4 922	5 497
Interest paid		(43 947)	(36 475)
Taxation paid		(355 520)	(350 204)
Cash inflow from operating activities before dividends paid		1 289 747	1 464 583
Dividends paid to shareholders	26	(490 758)	(429 277)
Net cash effects from operating activities		798 989	1 035 306
Cash effects from investing activities			
Investment in property, plant and equipment and intangible assets to maintain operations		(125 360)	(81 354)
Investment in property, plant and equipment and intangible assets to expand operations		(244 187)	(255 500)
Proceeds from disposal of property, plant and equipment		1 394	38 193
Acquisition of non-controlling interest		(765)	–
Increase in loans receivable		(463)	(435)
Net cash effects from investing activities		(369 381)	(299 096)
Cash effects from financing activities			
Purchase of treasury shares		(176 264)	(285 146)
Acquisition of derivative financial asset		(48 237)	–
Share cancellation expenses		–	(3 244)
Interest-bearing borrowings repaid		–	(344 355)
Net cash effects from financing activities		(224 501)	(632 745)
Net increase in cash and cash equivalents		205 107	103 465
Cash and cash equivalents at the beginning of the year		195 631	92 166
Cash and cash equivalents at the end of the year		400 738	195 631

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 August 2015

	2015 R'000	2014 R'000
Cash flow information		
Profit before working capital changes		
Profit before taxation	1 329 284	1 206 728
Adjustment for:	313 150	243 452
Depreciation and amortisation	248 054	229 703
Movement in operating lease liability	12 121	16 739
Release of cash flow hedge to profit or loss	(14 508)	–
Loss/(profit) on disposal of property, plant and equipment	9 446	(29 687)
Equity-settled share option costs	52 084	30 555
Decrease/(increase) in financial assets at fair value through profit or loss	5 953	(3 858)
Net financing cost	57 309	40 660
	1 699 743	1 490 840
Working capital changes		
Increase in inventories	(635 718)	(388 824)
Increase in trade and other receivables	(260 953)	(100 006)
Increase in trade and other payables	861 136	784 212
Increase in employee benefits	24 221	56 257
(Decrease)/increase in provisions	(4 137)	3 286
	(15 451)	354 925
Taxation paid		
Income tax payable at the beginning of the year	(93 269)	(57 417)
Normal tax charged to profit or loss	(374 000)	(386 056)
Income tax payable at the end of the year	111 749	93 269
	(355 520)	(350 204)
Cash and cash equivalents at the end of the year		
Current accounts	201 438	195 631
Short-term deposits	199 300	–
	400 738	195 631

SEGMENTAL ANALYSIS

for the year ended 31 August 2015

R'000	Retail (Note 33)	
	2015	2014
Statement of financial position		
Property, plant and equipment	1 003 172	916 616
Intangible assets	382 898	359 985
Goodwill	6 529	6 529
Inventories	2 024 044	1 799 242
Trade and other receivables	294 695	228 074
Cash and cash equivalents	382 860	172 117
Other assets	736 894	565 371
Total assets	4 831 092	4 047 934
Employee benefits – non-current	121 323	106 929
Operating lease liability	180 468	168 347
Trade and other payables	2 122 118	2 177 223
Employee benefits – current	195 297	171 598
Other liabilities	1 236 702	671 355
Total liabilities	3 855 908	3 295 452
Net assets	975 184	752 482
Statement of comprehensive income		
Turnover	14 757 724	13 369 083
Gross profit	4 360 383	3 961 682
Other income	657 192	551 302
Total income	5 017 575	4 512 984
Expenses	(3 866 891)	(3 512 865)
Operating profit	1 150 684	1 000 119
Ratios		
Increase in turnover	(%) 10.4	8.8
Selling price inflation	(%) 4.0	3.4
Comparable stores turnover growth	(%) 7.5	6.3
Gross profit margin	(%) 29.5	29.6
Total income margin	(%) 34.0	33.8
Operating expenses as a percentage of turnover	(%) 26.2	26.3
Increase in operating expenses	(%) 10.1	10.1
Increase in operating profit	(%) 15.1	10.3
Operating profit margin	(%) 7.8	7.5
Inventory days	71	70
Trade debtor days	6	7
Trade creditor days	47	51
Number of stores	657	632
as at 31 August 2014/2013	632	607
opened	41	35
closed	(16)	(10)
Number of pharmacies	361	339
as at 31 August 2014/2013	339	331
new/converted	25	18
closed	(3)	(10)
Total leased area	(m ²) 342 846	327 582
Weighted retail trading area	(m ²) 265 547	251 730
Weighted annual sales per m ²	(R) 55 416	53 038
Number of permanent employees	8 084	8 089

The intragroup turnover elimination for the year comprises R3 060.8 million (2014: R2 765.0 million) of sales from Distribution to Retail and R42.1 million (2014: R17.7 million) of sales from Retail to Distribution.

Non-South African turnover represents less than 3% (2014: less than 3%) of group turnover.

Distribution (Note 33)		Intragroup elimination		Total operations	
2015	2014	2015	2014	2015	2014
218 486	218 391	-	-	1 221 658	1 135 007
12 727	11 638	-	-	395 625	371 623
96 981	96 981	-	-	103 510	103 510
1 256 186	825 163	(30 316)	(10 209)	3 249 914	2 614 196
1 979 377	1 752 422	(402 456)	(372 837)	1 871 616	1 607 659
17 878	23 514	-	-	400 738	195 631
1 116 484	564 138	(1 540 501)	(964 878)	312 877	164 631
4 698 119	3 492 247	(1 973 273)	(1 347 924)	7 555 938	6 192 257
6 712	8 407	-	-	128 035	115 336
-	-	-	-	180 468	168 347
3 184 796	2 236 853	(408 800)	(372 815)	4 898 114	4 041 261
19 646	18 896	-	-	214 943	190 494
423 983	403 391	(1 539 114)	(964 900)	121 571	109 846
3 635 137	2 667 547	(1 947 914)	(1 337 715)	5 543 131	4 625 284
1 062 982	824 700	(25 359)	(10 209)	2 012 807	1 566 973
10 415 301	8 563 104	(3 102 933)	(2 782 663)	22 070 092	19 149 524
177 613	165 061	(13 222)	(3 378)	4 524 774	4 123 365
631 307	563 582	(78 417)	(66 605)	1 210 082	1 048 279
808 920	728 643	(91 639)	(69 983)	5 734 856	5 171 644
(550 342)	(507 683)	78 416	66 605	(4 338 817)	(3 953 943)
258 578	220 960	(13 223)	(3 378)	1 396 039	1 217 701
21.6	11.1	11.5	13.2	15.3	9.2
4.2	3.0	-	-	4.0	3.2
-	-	-	-	7.5	6.3
1.7	1.9	-	-	20.5	21.5
7.8	8.5	-	-	26.0	27.0
5.3	5.9	-	-	19.7	20.6
8.4	10.3	-	-	9.7	10.1
17.0	13.3	-	-	14.6	10.3
2.5	2.6	-	-	6.3	6.4
45	36	-	-	68	64
55	60	-	-	42	44
94	79	-	-	76	68
-	-	-	-	657	632
-	-	-	-	632	607
-	-	-	-	41	35
-	-	-	-	(16)	(10)
-	-	-	-	361	339
-	-	-	-	339	331
-	-	-	-	25	18
-	-	-	-	(3)	(10)
-	-	-	-	342 846	327 582
-	-	-	-	265 547	251 730
-	-	-	-	55 416	53 038
574	536	-	-	8 658	8 625

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 2015 comprise the company and its subsidiaries (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, as amended, 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 following revised IFRS standard has an effective date applicable to the group’s current financial year-end:

- Improvements to IFRS – 2010–2012 Cycle:
 - Amendments to IFRS 8: Aggregation of operating segments

The application of this amendment has resulted in additional disclosure as detailed in the segmental analysis on pages 13 to 14 of the financial statements.

Other new or revised standards and amendments with effective dates applicable to the current financial year-end were not applicable to the business of the group or had no significant impact on these 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 16 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 assesses whether objective evidence exists that a financial asset or group of financial assets is impaired.

Trade receivables: An allowance for impairment loss is made against accounts that in the judgement of management may be impaired. The impairment is assessed monthly, with a detailed formal review of balances and security being conducted at the reporting date. Determining the recoverability of an account involves estimates and judgement as to the likely financial condition of the customer and their ability to make payment. Refer to note 17 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. An asset is impaired when its carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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 10.

Accounting policies (continued)

Goodwill: Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable pre-tax discount rate that is reflective of the cash-generating unit's risk profile, in order to calculate the value-in-use. Details of the assumptions used in the impairment test are detailed in note 11.

Assessment of useful lives and residual values of property, plant and equipment

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.

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. Refer to note 7 and 12 for further detail.

Provision for employee benefits

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

Measurement of share-based payments

The cumulative expense recognised in terms of the group's share-based payment schemes reflects the extent, in the opinion of management, to which the vesting period has expired and the number of rights to equity instruments and share appreciation rights 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. Refer to note 19 and 22.1 for further detail.

Clicks ClubCard customer loyalty scheme

The fair value of the credits awarded recognised as deferred income includes an expected redemption rate based on historical experience which is subject to uncertainty.

Consolidation of the group's share trusts

The group operates a combined share incentive scheme and broad-based black economic empowerment scheme through the Employee Share Ownership Trust. The trust is funded by loan accounts from group companies and dividends received from Clicks Group Limited. In the judgement of management, the group controls the trust in accordance with IFRS 10.

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 IAS 39.

Charitable trusts

The charitable trusts founded by the Group are not consolidated in terms of IFRS 10. In the judgement of management, the group is not exposed to variable returns from these trusts and any non-financial benefit is considered to be insignificant.

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 re-assesses 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 intra-group transactions and balances, including any unrealised gains and losses arising from intra-group 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.

Accounting policies (continued)

Non-controlling interests in subsidiaries are identified separately from the group's equity therein. The interest of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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 re-assessing 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.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value at acquisition date and the amount of any non-controlling interest in the acquiree. For each business combination, the group elects whether the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the fair value at the acquisition date of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which are deemed to be an asset or liability, will be recognised in accordance with IAS 39 – Financial Instruments: Recognition and Measurement, either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured and subsequent settlement is accounted for within equity.

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.

Accounting policies (continued)

Transactions and non-controlling interests

Non-controlling interests continue to be recognised as they retain present access to the economic benefits underlying ownership interests. Dividends paid to non-controlling interests are recognised in equity as transactions with equity holders.

Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company. When the group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to distributable reserve).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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 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 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 South African Rands at exchange rates at the reporting date. The income and expenses of foreign operations are translated to South African 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. It initially measures the financial instrument at fair value, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial instruments are classified at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the group's documented risk management or investment strategy. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Trade and other receivables and loans receivable

Trade and other receivables and loans receivable are categorised as loans and receivables. These financial assets originate by the group providing goods, services or money directly to a debtor and, subsequent to initial recognition, are measured at amortised cost using the effective interest method less any accumulated impairment losses.

Financial assets at fair value through profit or loss

The net investment in the insurance cell captive is designated as a financial asset at fair value through profit or loss. This is classified at fair value with any fair value gains and losses recognised in other costs.

Cash and cash equivalents

Cash and cash equivalents are categorised as loans and receivables 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

Accounting policies (continued)

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.

Cash flow hedges

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 offsetting changes in fair values or cash flows attributable to the hedged risk, consistent with the documented risk management strategy, hedge accounting is discontinued.

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 other comprehensive income. 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 other comprehensive income 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 other comprehensive income 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 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 other comprehensive income 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.

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

Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the

Accounting policies (continued)

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

Leases of assets under which substantially all of the risks and rewards of ownership are effectively retained by the lessor

are classified as operating leases. Minimum lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. The resulting difference arising from the straight-line basis and contractual cash flows is recognised as an operating lease obligation or asset. Contingent rentals, such as those relating to turnover, are expensed in the year in which they arise.

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 with finite lives 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

Accounting policies (continued)

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, 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 assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the statement of comprehensive income. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the group. If, in

Accounting policies (continued)

a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

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 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.

Treasury shares

Ordinary shares in Clicks Group Limited which have been acquired by the group in terms of an approved share repurchase programme, held by the Share Incentive Trust or held by the Clicks Group Employee Share Ownership Trust, are classified as treasury shares. The cost of these shares is deducted from equity and the number of shares is deducted from the weighted average number of shares. Dividends received on treasury shares are eliminated on consolidation.

When treasury shares are sold or reissued, the amount received is recognised as an increase in equity, and the resulting surplus or deficit over the cost of these shares on the transaction is transferred to or from distributable reserves.

Upon settlement (take up) of the share options by employees, the difference between the proceeds received from the employees and the cost price of shares is accounted for directly in equity.

Capitalisation share awards and cash distributions

The full value of capitalisation share awards and cash distributions are recorded as a liability and as a deduction from equity in the statement of changes in equity when declared. Upon allotment of shares in terms of a capitalisation award, the election amounts are transferred to the share capital account and share premium account.

Capital distributions received on treasury shares are recorded as a reduction in the cost of the treasury 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 twelve 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. Obligations for 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.

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 other comprehensive income.

Equity-settled share-based compensation benefits

The group grants share options to certain employees under an employee share plan. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted as part of the Clicks Group employee share option plan is measured using the Monte Carlo option pricing model, taking into account the terms and conditions under which the options were granted. The amount recognised as an expense with a corresponding increase in equity is adjusted at each reporting date to reflect the actual number of share options that vest or are expected to vest. Where an option is cancelled (other than by forfeiture when vesting conditions are not satisfied), it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the option is recognised immediately.

Accounting policies (continued)

Group share scheme recharge arrangements

A recharge arrangement exists whereby the cost of acquiring shares, issued in accordance with certain share schemes granted by the parent company, is funded by way of contributions from subsidiary companies in respect of participants who are their employees. The recharge arrangement is accounted for separately from the underlying equity-settled share-based payment upon initial recognition, as follows:

- the subsidiary recognises a recharge liability and a corresponding adjustment against equity for the capital contribution recognised in respect of the share-based payment; and
- the parent recognises a recharge asset and a corresponding adjustment to the carrying amount of the investment in the subsidiary.

The recharge arrangement is eliminated on consolidation.

Subsequent to initial recognition the recharge arrangement is remeasured at fair value at each subsequent reporting date until settlement date to the extent vested. The amount of the recharge in excess of the capital contribution recognised in respect of a share-based payment (in the subsidiary's financial statements) or the cost of investment in the subsidiary (in the parent's financial statements) is recognised as a return of capital. In the parents' financial statements, the recharge is recognised as a reduction in the cost of the investment in the subsidiary and the excess of the recharge reduces the cost of the investment in the subsidiary until it has a balance of zero. Any further decreases in the cost of investment in subsidiary will be recognised by the parent as dividend income in profit or loss. In the subsidiary's financial statements, the excess is treated as a distribution/dividend to its parent.

Cash-settled share-based compensation benefits

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

Cash-settled earnings-based compensation benefits

The group grants cash-settled appreciation rights to management in terms of a long-term incentive scheme. The value of these appreciation rights are linked to the performance of diluted headline EPS. The liability which is not expected to be settled within twelve 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.

Guarantees

A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A liability is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the contract and a reliable estimate can be made of the amount of the obligation. The amount recognised is the best estimate of the expenditure required to settle the contract at the reporting date. Where the effect of discounting is material, the liability is discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The group performs liability adequacy tests on financial guarantee contract liabilities to ensure that the carrying amount of the liability is sufficient in view of estimated future cash flows. When performing the liability adequacy test, the group discounts all expected contractual cash flows and compares this amount to the carrying value of the liability. Where a shortfall is identified, an additional provision is made.

Revenue Turnover

Turnover comprises net sales to customers. Turnover is measured at the fair value of the consideration received or receivable net of returns, trade discounts, discounts on ClubCard and volume rebates, and is stated exclusive of value-added and general sales tax. Revenue from sales is recognised when the significant risks and rewards of ownership are transferred to the buyer, there is no continuing managerial involvement, costs can be measured reliably, and receipt of the future economic benefits is probable.

Accounting policies (continued)

Revenue recognition – ClubCard

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 fair value which includes the expected redemption rate, attributed to the credits awarded, is deferred as a liability and recognised as revenue on redemption of the vouchers by customers.

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.

Distribution and logistics fee income

Revenue in respect of services rendered is recognised in profit or loss as the services are rendered.

Other recovery income

Other recovery income is recognised in profit or loss when the group becomes entitled to the income or when it is virtually certain that the conditions required to be fulfilled before payment is received will be fulfilled.

Rental income

Income from operating leases in respect of property is recognised in profit or loss on a straight-line basis over the lease term.

Financial expenses

Financial expenses comprise 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 other comprehensive income or directly in equity in which case the tax is recognised in other comprehensive income or in equity, respectively.

Current tax is the expected tax payable on the taxable profit for the current year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised for all temporary differences between the tax value of an asset or liability and the carrying amount for financial reporting purposes, except for the initial recognition

of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for all deductible temporary differences and tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Dividends withholding tax

Dividends withholding tax replaced STC effective 1 April 2012. It is a tax levied on the beneficial owner of the shares instead of the group. The tax is withheld by the group and paid over to the South African Revenue Service (“SARS”) on the beneficiaries’ behalf. The resultant tax expense and liability has been transferred to the shareholder and is no longer accounted for as part of the tax charge for the group. Amounts not yet paid over to SARS are included in trade and other payables and the measurement of the dividend amount is not impacted by the withholding tax.

Segment reporting

The group has adopted the “management approach” to reporting segment information, basing this on the group’s internal management reporting data used internally by the chief operating decision maker (“CODM”).

An operating segment is defined as a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity) whose operating results are regularly reviewed by the entity’s CODM to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

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 share options granted to employees.

Accounting policies (continued)

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 issued the following standards, amendments and interpretations, with an effective date after the date of these financial statements, which management believe could impact the group in future periods. The group has elected not to early adopt any of these standards.

Standard	Standard's name and effective date	Description
IFRS 9	Financial Instruments 1 January 2018	IFRS 9, as issued, reflects the final phase of the IASB's work on the replacement of IAS 39. It applies to the following: <ul style="list-style-type: none">• classification and measurement of financial assets and financial liabilities as defined in IAS 39;• a new general hedge accounting model; and• a new expected loss impairment model and introducing limited amendments to the classification and measurement requirements for financial assets. The impact on the financial statements for the group is currently not yet determinable.
IFRS 15	Revenue from Contracts with Customers 1 January 2017	IFRS 15 specifies how and when to recognise revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. The impact on the financial statements for the group is currently not yet determinable.
IAS 1	IAS 1 – Disclosure Initiative (Amendments) 1 January 2016	The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports. This amendment will impact the disclosure in the group's financial statements.

The following standards, amendments and interpretations that have been issued but are not yet effective have been assessed for applicability to the group. Management has concluded that they are not applicable to the business of the group and are not expected to have a significant impact on future financial statements.

IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments): effective for periods on or after 1 January 2016

IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception (Amendments): effective for periods on or after 1 January 2016

IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations (Amendments): effective for periods on or after 1 January 2016

IFRS 14 – Regulatory Deferral Accounts: effective for periods on or after 1 January 2016

IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments): effective for periods on or after 1 January 2016

IAS 16 and IAS 41 – Agriculture Bearer Plants (Amendments): effective for periods on or after 1 January 2016

IAS 27 – Equity Method in Separate Financial Statements (Amendments): effective for periods on or after 1 January 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 August 2015

	Group	
	2015 R'000	2014 R'000
1 Revenue		
Turnover	22 070 092	19 149 524
Finance income	4 922	5 497
Other income	1 210 082	1 048 279
Distribution and logistics fees	597 435	532 800
Rental income	573	505
Advertising income, cost recoveries and other	612 074	514 974
	23 285 096	20 203 300
2 Depreciation and amortisation		
Depreciation of property, plant and equipment (see note 9)	218 543	201 769
Amortisation of intangible assets (see note 10)	29 511	27 934
Total depreciation and amortisation	248 054	229 703
Depreciation included in cost of merchandise sold and inventories	(10 384)	(9 832)
Depreciation and amortisation included in expenses	237 670	219 871
3 Occupancy costs		
Operating leases	597 386	530 573
Turnover rental expense	13 653	13 871
Movement in operating lease liability (see note 23)	12 121	16 739
Movement in provision for onerous contracts (see note 25)	(4 137)	3 286
	619 023	564 469
4 Employment costs		
Directors' emoluments (excluding incentives)	19 796	18 815
Non-executive fees	2 684	2 449
Executive	17 112	16 366
Salary	14 860	14 316
Other benefits	2 252	2 050
Equity-settled share option costs (see note 19)	52 084	30 555
Long-term incentive scheme – TSR (see note 22)	22 851	–
Release of gain on cash flow hedge to profit or loss (see note 20)	(14 508)	–
Long-term incentive scheme – HEPS (see note 22)	28 218	46 770
Staff salaries and wages	1 981 883	1 786 115
Contributions to defined contribution plans	106 660	96 463
Leave pay costs (see note 22)	13 423	7 927
Bonuses (see note 22)	124 738	121 450
Increase in liability for defined benefit plans (see note 22)	1 474	1 341
Total employment costs	2 336 619	2 109 436
Employment costs included in cost of merchandise sold and inventories	(81 202)	(75 831)
Employment costs included in expenses	2 255 417	2 033 605
For further detail of directors' emoluments refer to the remuneration committee report on page 33 of the Integrated Report or note 4.1.		
Included in total employment costs are the following aggregate amounts (including directors' emoluments) relating to transactions with key management personnel:		
	75 090	63 865
Short-term employee benefits	24 181	24 146
Post-employment benefits	3 083	2 608
Other benefits	2	2
Short-term incentive scheme	12 410	11 826
Long-term incentive scheme	33 274	25 193
Termination benefits	2 050	–
Share-based payments	90	90
Non-executive directors' fees	2 684	2 449
	77 774	66 314

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

4 Employment costs (continued)

4.1 Directors' remuneration

Executive directors' remuneration

Director	Salary R'000	RONA short-term incentive R'000	Performance based long-term incentive* R'000	Pension fund R'000	Other benefits R'000	Total R'000
2015						
Bertina Engelbrecht	2 579	1 239	4 041	371	–	8 230
Michael Fleming	3 819	1 877	6 304	594	57	12 651
David Kneale	7 037	5 072	16 668	1 011	2	29 790
Keith Warburton**	1 425	n/a	n/a	190	27	1 642
Total	14 860	8 188	27 013	2 166	86	52 313
2014						
Bertina Engelbrecht	2 405	1 100	3 185	345	–	7 035
Michael Fleming	3 593	1 670	5 181	524	57	11 025
David Kneale	6 491	4 455	13 461	933	2	25 342
Keith Warburton***	1 827	1 500	n/a	157	32	3 516
Total	14 316	8 725	21 827	1 959	91	46 918

* 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.

** Resigned as an executive director on 28 January 2015 with remuneration disclosed until this date.

*** Appointed as an executive director on 18 February 2014, with remuneration disclosed from this date.

The total number of ordinary shares in issue is 246 137 763 (2014: 246 137 763). Percentage of issued share capital held by directors is 0.26% (2014: 0.26%).

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

Non-executive directors' remuneration

Director	2015 Directors' fees (R'000)	2014 Directors' fees (R'000)
David Nurek	878	798
Fatima Abrahams****	368	337
John Bester	476	437
Fatima Jakoet	326	297
Nkaki Matlala	376	344
Martin Rosen	260	236
Total	2 684	2 449
Total directors' remuneration		
Executive directors	52 313	46 918
Non-executive directors	2 684	2 449
Total directors' remuneration	54 997	49 367

**** The fees paid to Professor Abrahams include an amount of R19 800 (2014: R18 082) for performing the role of chairperson of The Clicks Group Employee Share Ownership Trust.

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

	Group	
	2015 R'000	2014 R'000
5 Other costs		
Other operating costs include:		
Fees paid for outside services		
Technical services	31 955	18 813
Loss/(gain) on financial assets at fair value through profit or loss	5 953	(3 858)
Foreign exchange gains – realised	(1 289)	(542)
Foreign exchange losses – unrealised	–	2 840
Additional impairment allowances made – trade receivables (see note 17)	12 089	12 638
Water and electricity	135 944	122 249
Retail	128 498	115 671
Distribution	7 446	6 578
6 Net financing costs		
Recognised in profit or loss:		
Interest income on bank deposits	4 459	5 062
Other interest income	463	435
Financial income	4 922	5 497
Interest expense on financial liabilities measured at amortised cost	62 231	46 157
Cash interest expense	43 947	36 475
Other interest expense	18 284	9 682
Financial expense	62 231	46 157
Net financing cost	(57 309)	(40 660)

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
7 Income tax expense				
South African normal tax				
Current tax				
Current year	385 172	376 368	176	285
Capital gains tax	–	5 571	–	5 571
Prior-year overprovision	(19 790)	(7 727)	–	–
Deferred tax				
Current year	(20 098)	(58 395)	–	–
Prior-year underprovision	23 020	15 473	–	–
Foreign tax				
Current tax				
Current year	4 963	9 618	–	–
Prior-year (over)/underprovision	(22)	6	–	–
Withholding tax	3 677	2 220	–	–
Deferred tax				
Current year	(2 213)	(1 282)	–	–
Change in foreign tax rate	–	46	–	–
Prior-year overprovision	–	(15)	–	–
Taxation per income statement	374 709	341 883	176	5 856
Deferred tax – current year	(54 193)	(29 490)	–	–
Cash flow hedge recognised in other comprehensive income	12 926	(4 503)	–	–
Equity-settled transaction recognised in equity (see note 19)	(67 417)	(24 987)	–	–
Remeasurement of post-employment benefit obligations	298	–	–	–
Total income tax charge	320 516	312 393	176	5 856
<i>Reconciliation of rate of tax</i>	%	%	%	%
Standard rate – South Africa	28.00	28.00	28.00	28.00
Adjusted for:				
Capital gains tax	–	0.46	–	3.05
Disallowable expenditure	0.43	0.28	0.04	0.16
Exempt income and allowances	(0.84)	(1.21)	(28.00)	(28.00)
Foreign tax rate variations	0.08	(0.01)	–	–
Foreign withholding tax	0.28	0.18	–	–
Prior-year net underprovision	0.24	0.63	–	–
Effective tax rate	28.19	28.33	0.04	3.21

One of the subsidiaries of the group has an estimated tax loss of R3.2 million (2014: R6.2 million) available for set-off against future taxable income of that subsidiary. A deferred tax asset of R1.0 million (2014: R1.7 million) has been recognised in respect of the total estimated tax losses (see note 12).

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

	Group	
	2015 R'000	2014 R'000
8 Earnings per share		
The calculation of basic and headline earnings per share at 31 August 2015 was based on profit for the year attributable to ordinary shareholders of Clicks Group Limited of R954.6 million (2014: R864.6 million) and headline earnings of R960.5 million (2014: R838.4 million) divided by the weighted average number of ordinary shares as follows:		
<i>Reconciliation of headline earnings</i>		
Profit attributable to equity holders of the parent	954 575	864 612
Adjusted for:	5 880	(26 250)
Loss/(profit) on disposal of property, plant and equipment	9 446	(29 687)
Insurance recovery income on property, plant and equipment	(1 279)	–
Tax	(2 287)	3 437
Headline earnings	960 455	838 362
	2015 cents	2014 cents
Earnings per share	396.7	352.4
Headline earnings per share	399.2	341.7
Diluted earnings per share	381.5	347.4
Diluted headline earnings per share	383.9	336.8
	2015 '000	2014 '000
<i>Reconciliation of shares in issue to weighted average number of shares in issue</i>		
Total number of shares in issue at the beginning of the year	246 138	268 323
Treasury shares held for the full year and/or cancelled	(3 878)	(21 443)
Treasury shares purchased during the year weighted for the period held	(1 657)	(1 516)
Weighted average number of shares in issue for the year	240 603	245 364
<i>Reconciliation of weighted average number of shares to weighted average diluted number of shares in issue</i>		
Weighted average number of shares in issue for the year (net of treasury shares)	240 603	245 364
Dilutive effect of share options (net of treasury shares)	9 601	3 528
Weighted average diluted number of shares in issue for the year	250 204	248 892

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

	2015		Group 2014		2013	
	Cost	Accumulated depreciation and impairment losses	Cost	Accumulated depreciation and impairment losses	Cost	Accumulated depreciation and impairment losses
	R'000	R'000	R'000	R'000	R'000	R'000
9 Property, plant and equipment						
Land	25 809	–	25 809	–	25 809	–
Buildings	372 891	46 815	368 168	43 720	342 065	40 023
Computer equipment	367 010	252 768	324 245	222 167	294 419	185 449
Equipment	250 151	145 615	228 724	132 542	219 268	115 677
Furniture and fittings	1 360 727	725 890	1 184 438	614 548	1 006 800	508 261
Motor vehicles	46 296	30 138	44 064	27 464	44 002	23 986
	2 422 884	1 201 226	2 175 448	1 040 441	1 932 363	873 396

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 2013	25 809	302 042	108 970	103 591	498 539	20 016	1 058 967
Additions	–	26 815	38 878	12 532	204 864	2 794	285 883
Disposals	–	(723)	(1 832)	(163)	(4 684)	(672)	(8 074)
Depreciation	–	(3 686)	(43 938)	(19 778)	(128 829)	(5 538)	(201 769)
Carrying amount at 31 August 2014	25 809	324 448	102 078	96 182	569 890	16 600	1 135 007
Additions	–	4 748	56 100	30 261	220 185	4 740	316 034
Disposals	–	(24)	(144)	(761)	(9 463)	(448)	(10 840)
Depreciation	–	(3 096)	(43 792)	(21 146)	(145 775)	(4 734)	(218 543)
Carrying amount at 31 August 2015	25 809	326 076	114 242	104 536	634 837	16 158	1 221 658

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

	2015		Group 2014		2013	
	Cost	Accumulated amortisation and impairment losses	Cost	Accumulated amortisation and impairment losses	Cost	Accumulated amortisation and impairment losses
	R'000	R'000	R'000	R'000	R'000	R'000
10 Intangible assets						
Clicks trademark (see note 10.1)	272 000	–	272 000	–	272 000	–
Link trademark	6 000	6 000	6 000	6 000	6 000	6 000
Other trademarks	1 116	357	1 116	246	1 097	135
Capitalised and purchased computer software development	268 499	145 633	219 350	122 601	168 831	98 183
Contractual rights (see note 10.2)	17 020	17 020	17 020	15 016	17 020	11 612
	564 635	169 010	515 486	143 863	464 948	115 930

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

	Clicks trademark R'000	Other trademarks R'000	Capitalised software development R'000	Contractual rights R'000	Total R'000
Carrying amount at 1 September 2013	272 000	962	70 648	5 408	349 018
Additions	–	19	50 952	–	50 971
Amortisation	–	(111)	(24 419)	(3 404)	(27 934)
Disposals	–	–	(432)	–	(432)
Carrying amount at 31 August 2014	272 000	870	96 749	2 004	371 623
Additions	–	–	53 513	–	53 513
Amortisation	–	(111)	(27 396)	(2 004)	(29 511)
Disposals	–	–	–	–	–
Carrying amount at 31 August 2015	272 000	759	122 866	–	395 625

Assessment of impairment of intangible assets:

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

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

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

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

- A forecast horizon of three years was used. The forecast horizon comprises the three-year plan drafted in the last quarter of the 2015 financial year, whereafter a perpetuity growth rate of 3.7% is used.
- The values assigned to the three-year plan revenue and cost growth assumptions reflect current trends, anticipated market developments and management's experience.
- The key assumptions for the recoverable amount are the long-term growth rate and the discount rate.

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

- A discount rate of 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.

10.2 The group acquired the pharmacy business of Amalgamated Pharmacy Group Proprietary Limited in 2010.

As part of the acquisition, the group acquired the contractual rights to certain Medical Aid contracts. These contractual rights were amortised over five years.

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

	Group	
	2015 R'000	2014 R'000
11 Goodwill		
Goodwill	103 510	103 510
Goodwill comprises:		
United Pharmaceutical Distributors Proprietary Limited ("UPD") (see note 11.1)	96 277	96 277
Kalahari Medical Distributors Proprietary Limited ("Kalahari") (see note 11.2)	704	704
Amalgamated Pharmacy Group Proprietary Limited ("Amalgamated Pharmacy Group") (see note 11.3)	6 529	6 529

Assessment of impairment of goodwill:

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

The following key assumptions were made in determining the value in use of the UPD cash-generating unit:

- i) A forecast horizon of three years was used. The forecast horizon comprises the three-year plan drafted in the last quarter of the 2015 financial year, whereafter a perpetuity growth rate of 3.7% 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.
- 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 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.

11.2 The same assumptions were applied to Kalahari as this company is in the same business as UPD and accordingly none of the assumptions would change significantly. The fact that Kalahari operates out of Botswana was considered, but this is also not expected to change the assumptions. The goodwill relating to Kalahari has been attributed to the UPD business as a cash-generating unit.

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

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

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

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

- i) A forecast horizon of three years was used. The forecast horizon comprises the three-year plan drafted in the last quarter of the 2015 financial year, whereafter a perpetuity growth rate of 3.7% 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.
- 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 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.

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

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

	Group		Company	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
12 Deferred tax assets/(liabilities)				
Deferred tax assets	177 037	126 335	-	-
Deferred tax liabilities	-	(2 782)	-	-
	177 037	123 553	-	-
Balance at the beginning of the year	123 553	49 890	-	-
Current deferred tax (debit)/credit to profit or loss (see note 7)	(709)	44 173	-	-
Current deferred tax credit to other comprehensive income or equity (see note 7)	54 193	29 490	-	-
Balance at the end of the year	177 037	123 553	-	-
Arising as a result of:				
Capital gains tax	(40 099)	(40 099)	-	-
Derivative financial assets	(22 044)	(1 197)	-	-
Employee obligations	248 501	153 967	-	-
Income and expense accrual	82 216	98 274	-	-
Inventory	32 467	34 483	-	-
Onerous leases	488	915	-	-
Operating lease liability	50 668	47 354	-	-
Prepayments	(17 277)	(15 487)	-	-
Property, plant and equipment	(75 466)	(71 902)	-	-
Tax losses	1 019	1 731	-	-
Trademarks	(76 172)	(76 172)	-	-
Other	(7 264)	(8 314)	-	-
Balance at the end of the year	177 037	123 553	-	-

The capital gains deferred tax liability arises on the revaluation of a forward purchase of shares by the company in a subsidiary company.

In respect of the deferred tax asset recognised by one (2014: two) subsidiary company, the directors consider that sufficient future taxable income will be generated by this subsidiary company to utilise the deferred tax asset recognised.

	Group	
	2015 R'000	2014 R'000
13 Loans receivable		
New Clicks Foundation Trust (see note 13.1)	5 021	5 021
Triton Pharmacare Capital Investments Proprietary Limited (Triton) (see note 13.2)	7 982	7 519
Total loans receivable	13 003	12 540
Short-term portion included in current assets	-	-
Non-current loans receivable	13 003	12 540

13.1 The loan to New Clicks Foundation Trust is unsecured, interest free and no fixed date for repayment has been determined.

13.2 The loan to Triton consists of a long-term loan of R8.0 million repayable on 31 August 2017.

The long-term loan is interest free and is carried at amortised cost discounted at a market related rate of 6.0% over five years.

A second mortgage bond over property purchased by Triton and a special notarial bond over movable assets serve as security for the loan.

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

	Group	
	2015 R'000	2014 R'000
14 Financial assets at fair value through profit or loss		
Investment in Guardrisk Insurance Company Limited (Cell number 171)	16 668	22 621
Total financial assets at fair value through profit or loss	16 668	22 621

This 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.

	Group			
	2015		2014	
	Assets R'000	Liabilities R'000	Assets R'000	Liabilities R'000
15 Derivative financial instruments				
Equity derivative hedge – non-current	81 662	–	–	–
Forward exchange contracts – current	24 507	–	3 135	(2 840)

All derivatives noted above are classified as held for trading and measured at fair value through profit or loss.

Equity derivative hedge

A European Call Option was entered into during the current year to hedge the cash-settled share-based payment obligation relating to Tranche 9 of the total shareholder return long-term incentive scheme (refer to note 22.1). The expiration date of the hedging instrument and the vesting date of the hedged item coincide on 31 August 2017.

Refer to note 20 detailing the equity derivative hedge's impact on profit or loss and other comprehensive income.

The fair value of the equity derivative hedge is calculated using a Monte Carlo option pricing model with reference to the closing share price, 250-day historical volatility, the 12-month trailing dividend yield and the risk-free rate.

Forward exchange contracts

For currency derivatives, fair values are calculated using standard market calculation conventions with reference to the relevant closing market spot rates, forward foreign exchange and interest rates. The notional principal amounts of the outstanding forward foreign exchange contracts at 31 August 2015 was R252.5 million (2014: R226.7 million). Refer to note 20 detailing the foreign exchange hedging impact on profit or loss and other comprehensive income.

	Group	
	2015 R'000	2014 R'000
16 Inventories		
Inventories comprise:		
Goods for resale	3 085 896	2 496 653
Goods in transit	164 018	117 543
	3 249 914	2 614 196
Inventories stated at net realisable value	55 554	55 894

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.

17 Trade and other receivables

Trade and other receivables comprise:

Trade receivables	1 489 854	1 322 430
Less: impairment of trade receivables	(28 678)	(28 113)
Trade receivables – net	1 461 176	1 294 317
Prepayments	76 580	62 973
Income accruals	106 197	73 858
Income tax receivable	4 077	1 073
Logistics fees receivable	134 177	91 286
Other (refer to note 17.1)	89 409	84 152
	1 871 616	1 607 659

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.

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

	Group	
	2015 R'000	2014 R'000
17 Trade and other receivables (continued)		
The movement in the doubtful debt provision in respect of trade receivables during the year was as follows:		
Balance at 1 September	28 113	25 158
Impairment provision raised	12 089	12 638
Impairment loss utilised	(11 524)	(9 683)
Balance at 31 August	28 678	28 113

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

	Group and Company	
	2015 R'000	2014 R'000
18 Share capital and share premium		
Authorised – group and company		
600 million (2014: 600 million) ordinary shares of one cent each	6 000	6 000
50 million (2014: 50 million) “A” ordinary shares of one cent each	500	500
Issued ordinary shares – group and company		
246.138 million (2014: 246.138 million) ordinary shares of one cent each and 29.153 million (2014: 29.153 million) “A” ordinary shares of one cent each	2 754	2 754
Share premium – group	3 497	3 497
Share premium – company	14 089	14 089

The company and the group have different values for share premium due to preliminary expenses of R2.1 million being written off against the share premium of a subsidiary company on the acquisition of certain businesses in 1996. The balance of the difference is due to the difference in value between the cancellation of shares at a holding company level at market value while on consolidation the cancellation is carried out at cost.

			Group and Company	
	Ordinary shares '000	“A” Ordinary shares '000	Total 2015 '000	Total 2014 '000
<i>Reconciliation of total number of shares in issue to net number of shares in issue</i>				
Total number of shares in issue at the end of the year	246 138	29 153	275 291	275 291
Treasury shares held at the end of the year	(6 254)	(29 153)	(35 407)	(33 031)
Net number of shares in issue at the end of the year	239 884	–	239 884	242 260

Of the shares in issue, the group holds the following treasury shares:

	2015 R'000	2014 R'000
Shares held by a subsidiary – 6.084 million (2014: 3.708 million) ordinary shares of one cent each – cost	412 385	236 121
Shares held by the New Clicks Holdings Share Trust – 0.170 million (2014: 0.170 million) ordinary shares of one cent each – cost	1 450	1 450
Shares held by the Clicks Group Employee Share Ownership Trust – 29.153 million (2014: 29.153 million) “A” ordinary shares of one cent each – cost	292	292
	414 127	237 863

No ordinary shares were cancelled during the current financial year (2014: 22.2 million).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

In respect of the company's shares held by entities within the group, all voting rights are suspended until those shares are reissued.

The unlisted “A” ordinary shares have the same rights and rank *pari passu* with the ordinary shares in all respects except for distribution rights.

The holders of “A” ordinary shares are entitled to an annual distribution equal to 10% of the cumulative distribution declared in relation to an ordinary share in a financial year.

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

19 Share option reserve

Equity-settled share-based payment

Options issued in terms of the Employee Share Ownership Programme (ESOP)

In October 2010, Clicks Group Limited announced an employee share ownership programme.

In terms of the Clicks Group Employee Ownership Trust deed, the group issued unlisted "A" ordinary shares ("A" shares), equating to 10% of the issued share capital of the group, net of treasury shares.

Upon vesting, options are converted into Clicks Group ordinary shares, 50% in February 2018 and 50% in February 2019, after the repayment of the notional debt.

	Group Number of shares	
	2015	2014
"A" shares issued in terms of the ESOP	29 153 295	29 153 295

Details of share option allocations:

Grant date	Option price	Balance at the beginning of the year	Granted during the year	Delivered during the year	Forfeited during the year	Balance at the end of the year
2015						
February 2011	R41.54	15 160 100	-	-	(1 120 096)	14 040 004
February 2012	R41.11	2 843 205	-	-	(492 685)	2 350 520
February 2013	R60.00	4 778 134	-	-	(669 209)	4 108 925
February 2014	R56.78	4 298 777	-	-	(1 364 673)	2 934 104
February 2015	R90.32	-	3 119 681	-	(296 988)	2 822 693
Unallocated share options						2 897 049
						29 153 295
2014						
February 2011	R41.54	17 725 256	-	-	(2 565 156)	15 160 100
February 2012	R41.11	3 309 343	-	-	(466 138)	2 843 205
February 2013	R60.00	5 617 734	-	-	(839 600)	4 778 134
February 2014	R56.78	-	4 421 858	-	(123 081)	4 298 777
Unallocated share options						2 073 079
						29 153 295

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

19 Share option reserve (continued)

Fair value of share-based payments in respect of options

Options granted have been valued using the Monte Carlo option pricing model by an independent, external valuator. The fair value of the options determined at the grant date is amortised over the vesting period to the extent that the options are ultimately exercised or are expected to be exercised.

The assumptions used in estimating the fair values at grant date are listed below:

	Share price at grant date	Risk-free rate (%)	Expected dividend yield (%)	Expected volatility (%)	Expected forfeiture rate (%)
February 2011 – seven-year vesting period	R41.54	8.45	3.89	24.56	15.33
February 2011 – eight-year vesting period	R41.54	8.60	4.11	24.56	15.33
February 2012 – six-year vesting period	R41.11	7.38	2.80	27.00	14.20
February 2012 – seven-year vesting period	R41.11	7.38	2.80	27.00	14.20
February 2013 – five-year vesting period	R60.00	7.17	2.70	24.00	14.20
February 2013 – six-year vesting period	R60.00	7.17	2.70	24.00	14.20
February 2014 – four-year vesting period	R56.78	8.55	2.50	23.00	11.00
February 2014 – five-year vesting period	R56.78	8.55	2.50	23.00	11.00
February 2015 – three-year vesting period	R90.32	6.46	2.40	23.00	11.00
February 2015 – four-year vesting period	R90.32	6.46	2.40	23.00	11.00

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

The dividend yield is the historical two-year average dividend yield as of the grant date, which has been converted to a continuously compounded dividend yield.

The expected volatility is the historic annualised standard deviation of the continuously compounded rates of return on the share, based on the most recent period as of the grant date that is commensurate with the expected term of the share option.

The expected exercise rate is based on the historic trend of option forfeitures and excludes options already exercised. The options already exercised are reflected in the share option reserve in addition to the value of options that are expected to be exercised based on the expected exercise rate.

The share option reserve recognises the cost at the fair value of the options on the date issued to employees, accrued over the vesting period.

	Group	
	2015 R'000	2014 R'000
Share option reserve		
Balance at the beginning of the year	135 091	79 549
	119 501	55 542
Equity-settled share-based payment expense	52 084	30 555
Deferred tax recorded directly in equity arising on consolidation	67 417	24 987
Balance at the end of the year	254 592	135 091
	152 517	100 433
Equity-settled share-based payment expense in opening retained earnings	100 433	69 878
Equity-settled share-based payment expense	52 084	30 555
Deferred tax recorded directly in equity arising on consolidation	102 075	34 658
Estimate of options not yet vested but expected to vest	254 592	135 091

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

	Group	
	2015 R'000	2014 R'000
20 Cash flow hedge reserve		
The cash flow hedge reserve represents the effective portion of fair value gains or losses in respect of cash flow hedges.		
Reconciliation of cash flow hedging reserve		
Balance at the beginning of year	1 958	13 542
Movement in cash flow hedge	46 164	(16 087)
Movement in cash flow hedge relating to forward exchange contracts	27 247	(16 087)
Movement in cash flow hedge relating to the equity derivative hedge	18 917	–
Deferred tax recognised in other comprehensive income	(12 926)	4 503
Balance at the end of the year	35 196	1 958
The cash flow hedge reserve represents the cumulative portion of gains or losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is reclassified to profit or loss only when the hedged transaction affects profit or loss. During the year there was a mark-to-market gain of R105.2 million (2014: R9.2 million) and R59.1 million was recycled to profit or loss (2014: R25.2 million). R44.6 million (2014: R9.2 million) of the recycled gains are included in cost of merchandise sold and R14.5 million (2014: Rnil) are included under employment costs. R27.2 million will be recycled to profit or loss in 2016 relating to forward exchange contracts and R18.9 million will be recycled to profit or loss as and when the related employment costs affect profit or loss relating to the equity derivative hedge. Refer to note 15 – Derivative financial instruments for further information.		
21 Foreign currency translation reserve		
Unrealised gain on the translation of assets and liabilities of subsidiaries whose financial statements are denominated in foreign currencies	6 331	1 554
	6 331	1 554
Reconciliation of foreign currency translation reserve		
Balance at the beginning of the year	1 554	1 790
Exchange differences on translation of foreign subsidiaries	4 777	(236)
Balance at end of the year	6 331	1 554
22 Employee benefits		
Long-term incentive schemes	74 132	65 956
Post-retirement medical obligations	53 903	49 380
Total long-term employee benefits	128 035	115 336
<i>Accounted for as follows:</i>		
Long-term employee benefits recognised in terms of IFRS 2 – Share-based Payments (see note 22.1)	22 851	–
Long-term employee benefits recognised in terms of IAS 19 – Employee Benefits	105 184	115 336
Total long-term employee benefits	128 035	115 336
Long-term employee benefits recognised in terms of IFRS 2 – Share-based Payments		Long-term incentive scheme – TSR (note 22.1) R'000
Long-term cash-settled share-based payment liability		
Balance at 1 September 2013		–
Expense from cash-settled share-based payment		–
Balance at 31 August 2014		–
Expense from cash-settled share-based payment		22 851
Balance at 31 August 2015		22 851

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

During 2015, the group issued 1.4 million (2014: nil) 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 contractual life of the options outstanding at year-end was two years.

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

22 Employee benefits (continued)

Details of share option allocations – 2015:

	Option price	Balance at the beginning of the year	Granted during the year	Delivered during the year	Forfeited during the year	Balance at the end of the year
September 2014 options	R57.68	–	1 428 333	–	(127 826)	1 300 507

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

	Share price at grant date	Risk-free rate (%)	Expected dividend yield (%)	Expected volatility (%)	Expected forfeiture rate (%)
September 2014 options three-year vesting period	R66.34	7.58	2.25	28.30	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.

The implied volatility is the 250 day historic volatility of the share price.

The expected exercise rate is based on the historic trend of option forfeitures and excludes options already exercised or forfeited.

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

	Long-term incentive scheme – HEPS (note 22.2) R'000	Post-retirement medical obligations (note 22.3) R'000	Total R'000
Long-term employee benefits			
Balance at 1 September 2013	46 183	45 306	91 489
Current service cost	55 052	1 341	56 393
Benefit payments	–	(1 136)	(1 136)
Interest cost	5 813	3 869	9 682
Actuarial gain recognised in profit or loss	(8 282)	–	(8 282)
Reclassification to short-term employee benefits	(32 810)	–	(32 810)
Balance at 31 August 2014	65 956	49 380	115 336
Current service cost	53 886	1 474	55 360
Benefit payments	–	(1 244)	(1 244)
Interest cost	8 634	5 356	13 990
Actuarial gain recognised in profit or loss	(25 668)	–	(25 668)
Actuarial gain recognised in other comprehensive income arising from changes in demographic assumptions	–	(6 026)	(6 026)
Actuarial loss recognised in other comprehensive income arising from changes in financial assumptions	–	4 963	4 963
Reclassification to short-term employee benefits	(51 527)	–	(51 527)
Balance at 31 August 2015	51 281	53 903	105 184

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

During 2015, the group issued 2.3 million (2014: 4.7 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 R40.42 (2014: R35.83) per right (“base value”). In order to determine the amount to be provided a fixed factor of 12 is applied to the HEPS at the end of the three-year period. The differential between the factor multiplied by HEPS and the base value is the amount that will be paid out per right. Should employees leave during the vesting period the rights will be forfeited.

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

22 Employee benefits (continued)

22.3 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 R53.9 million (2014: R49.4 million). Provision has been made for the full unfunded liability.

The principal actuarial assumptions at the last valuation date (31 August 2015) are:

- i) a discount rate of 8.5% per annum (2014: 8.4%);
- ii) general increases to medical aid contributions of 7.2% (2014: 7.0%);
- iii) a retirement age of 65 (2014: 65);
- iv) husbands are on average four years older than their spouses (2014: three years);
- v) mortality of pensioners determined in accordance with PA90 ultimate tables; and
- vi) mortality of in-service members determined in accordance with SA 85 – 90 ultimate table, with females rated down three years.

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):

	2015 R'000	2014 R'000
Medical aid inflation increases by 1% per annum over assumptions made	10 458	5 244
Medical aid inflation decreases by 1% per annum over assumptions made	(8 361)	(3 680)
Discount rate increases by 1% per annum over assumptions made	(8 114)	(4 134)
Discount rate decreases by 1% per annum over assumptions made	10 300	4 615
Retirement age decreases by two years	6 400	4 903
Life expectancy of male pensioners increases by one year	872	914
Life expectancy of male pensioners decreases by one year	(894)	(673)
Life expectancy of female pensioners increases by one year	1 215	1 225
Life expectancy of female pensioners decreases by one year	(1 198)	(989)
The following undiscounted payments are expected contributions in future years from post-retirement medical obligations.		
Within 12 months	1 377	1 236
Between 2 and 5 years	6 929	6 258
Between 5 and 10 years	14 508	13 502
Between 10 and 20 years	79 716	72 976
Between 20 and 30 years	171 342	162 509
Between 30 and 40 years	185 078	183 002
Beyond 40 years	143 714	153 283
Total expected payments	602 664	592 766

The average duration of the post-retirement medical obligations at year-end is 21.9 years (2014: 22.5 years).

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

22 Employee benefits (continued)

22.3 Post-retirement medical obligations (continued)

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

	Post-retirement medical obligations				
	2015 R'000	2014 R'000	2013 R'000	2012 R'000	2011 R'000
Defined benefit obligation	53 903	49 380	45 306	42 763	38 767
Experience adjustments on plan liabilities	(1 063)	–	(1 221)	–	823
	Long-term incentive scheme – HEPS (note 22.2) R'000	Leave pay accrual (note 22.4) R'000	Bonus accrual (note 22.5) R'000	Overtime accrual (note 22.6) R'000	Total R'000
Short-term employee benefits					
Balance at 1 September 2013	43 370	56 501	45 970	2 561	148 402
Reclassification from long-term employee benefits	32 810	–	–	–	32 810
Benefit payments	(39 106)	(10 336)	(70 087)	(2 521)	(122 050)
Charge included in profit or loss	–	7 927	121 450	1 955	131 332
Balance at 31 August 2014	37 074	54 092	97 333	1 995	190 494
Reclassification from long-term employee benefits	51 527	–	–	–	51 527
Benefit payments	(39 796)	(10 843)	(115 074)	(1 418)	(167 131)
Charge included in profit or loss	–	13 423	124 738	1 892	140 053
Balance at 31 August 2015	48 805	56 672	106 997	2 469	214 943

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

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

22.6 The overtime accrual is in respect of overtime worked in August 2015 which is paid in September 2015.

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 Swaziland are obliged to join one of the funds.

Employees in Namibia are members of the Namflex Umbrella Pension Fund and those in Botswana are members of the Senthaga Pension Fund.

The funds are all defined contribution schemes and the group carries no liability in relation to these funds.

All funds provide death and disability cover, while the negotiated funds also include a funeral benefit. Combined membership across the funds was 8 556 (2014: 8 625) at year-end.

Medical aid funds

Membership of one of the Horizon Medical Aid Scheme benefit options is actively encouraged and all existing members of Discovery Health may continue their membership.

At year-end 1 998 South African employees were principal members of a medical aid scheme, of which 1 281 were principal members with Horizon, 612 were principal members of a Discovery Health medical aid scheme, and 105 were principal members of various other medical aid schemes.

At year-end five Botswana employees were principal members with BOMaid and one with PULA, 14 Namibian employees were principal members of Namibia Health Plan and 17 Swaziland employees were principal members of Swazimed.

At year-end 23.1% (2014: 21.1%) of the permanent full-time employees were members of a medical aid scheme. Increasing the health benefits available to employees will be a focus area for the group in the years ahead.

Employee and company contributions to the above funds are included in employment costs detailed in note 4.

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

	Group	
	2015 R'000	2014 R'000
23 Lease commitments		
Operating lease liability	180 468	168 347
Operating leases with fixed escalations are charged to the statement of comprehensive income on a straight-line basis. The associated liability will reverse during the latter part of each lease term when the actual cash flow exceeds the profit or loss charge.		
Operating lease commitments		
The group leases all its retail premises and certain of its pharmaceutical distribution centre sites under operating leases. The lease agreements provide for minimum payments together, in certain instances, with contingent rental payments determined on the basis of achieving a specified turnover threshold.		
Future minimum lease payments under non-cancellable operating leases due:		
– Not later than one year	590 809	465 007
– Later than one year, not later than five years	2 816 413	1 213 885
– Later than five years	360 916	451 235
	3 768 138	2 130 127
Future minimum lease payments receivable under non-cancellable operating leases due, which relate to Intercare Management Healthcare Proprietary Limited:		
– Not later than one year	13 303	15 553
– Later than one year, not later than five years	20 086	12 426
	33 389	27 979
The net future minimum lease payments under non-cancellable operating leases due:		
– Not later than one year	577 506	449 454
– Later than one year, not later than five years	2 796 327	1 201 459
– Later than five years	360 916	451 235
	3 734 749	2 102 148
Generally, leases are taken out on five or ten-year lease terms with an option to extend for a further five years in the instance of Clicks while shorter periods are committed to for Musica, The Body Shop, GNC and Claire's.		
24 Trade and other payables		
The following are included in trade and other payables:		
Trade payables	4 144 170	3 202 266
Other loyalty programme deferred income (see note 24.1)	108 594	146 218
Non-trade payables and accruals (see note 24.2)	645 350	692 777
	4 898 114	4 041 261

24.1 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.

Estimates are made based on historic trends regarding the value of points on qualifying sales that will ultimately convert into vouchers issued.

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

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

	2015 R'000	2014 R'000
25 Provisions		
Provision for onerous contracts		
Balance at the beginning of the year	9 882	6 596
Movement in provision during the year recognised in occupancy costs	(4 137)	3 286
Balance at the end of the year	5 745	9 882
Current	5 745	9 882
Non-current	–	–
	5 745	9 882

Onerous contracts are identified where the present value of future obligations in terms of the contracts in question exceeds the estimated benefits accruing to the group from the contracts.

The provision relates to certain leases where the site is either vacant or the commercial activity on the site is incurring losses.

Future cash flows are determined in accordance with the contractual lease obligations and are adjusted by market-related sub-let rentals and discounted at the group's risk adjusted pre-tax weighted average cost of capital rate.

The provision is further reduced to the extent that a straight-line operating lease accrual has already been recognised (see note 23).

26 Dividends to shareholders

Previous year final cash dividend out of distributable reserves – 136.5 cents per share paid 26 January 2015 (2014: 119.5 cents per share paid 27 January 2014 out of distributable reserves)

335 978 320 646

Current year interim cash dividend out of distributable reserves – 65.5 cents per share paid 6 July 2015 (2014: 53.5 cents per share paid 7 July 2014 out of distributable reserves)

161 220 131 684

“A” shares – Previous year final cash dividend out of distributable reserves – 19 cents per share paid 30 January 2015 (2014: 16.8 cents per share paid 14 February 2014)

5 539 4 898

Total dividends to shareholders

502 737 457 228

Dividends on treasury shares

(11 358) (27 363)

Dividends on “A” shares held in trust

(621) (588)

Dividends paid outside the group

490 758 429 277

On 22 October 2015, the directors approved the final proposed dividend of 169.5 cents per share and 23.5 cents per “A” share.

The source of such a dividend will be from distributable reserves and paid in cash and will be recognised in the statement of changes in equity in 2016.

Dividend policy

The dividend cover is 1.7 (2014: 1.8) times.

For further details refer to the directors' report on page 2.

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

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

As the group has no significant interest-bearing assets, the group's income and operating cash flows are substantially independent of changes in market interest rates.

The group's interest rate risk arises from long-term and short-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. During 2014 and 2015 the group's borrowings at variable rates were denominated in Rands.

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

Price risk

The group's exposure to other price risk relates to fluctuations in the share price of the company as a result of the options that have been granted to employees in terms of the long-term incentive scheme (refer note 22.1). The group uses derivative financial instruments in the form of options to hedge exposure in respect of fluctuations in the share scheme obligation arising from movements in the company's share price. Sufficient options were purchased in order to settle the total expected future obligation. As a result of the hedging relationship, movements in the company share price will not have a material impact on either profit or loss or equity of the group.

Credit risk

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

Trade and other receivables

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

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

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

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

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

27 Financial risk management (continued)

Trade and other receivables (continued)

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

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

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

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

Liquidity risk

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

The group's approach is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the group's reputation. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by holding availability through credit lines. At year-end the group's total uncommitted facilities available was R1.967 million (2014: R1.676 million) of which the full balance remained undrawn (2014: 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, issue new shares or sell assets to reduce debt. The group's target of maintaining a ratio of shareholders' interest to total assets is in the range of 25% to 30%. This is obtained through achieving the group's earnings targets, management of working capital, share buy-backs and dividends.

In 2015 the shareholders' interest to total assets was 26.6% (2014: 25.3%).

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 15).

Exposure to currency risk – foreign exchange contracts

	31 August 2015				31 August 2014			
	USD '000	GBP '000	EUR '000	CNY '000	USD '000	GBP '000	EUR '000	CNY '000
Forecast purchases and payables due at the end of the year	16 026	1 196	1 604	44 155	19 823	1 305	1 510	–
Forward exchange contracts subject to cash flow hedging	14 283	200	–	37 321	19 028	984	1 041	–
Net exposure	1 743	996	1 604	6 834	795	321	469	–

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

28 Financial instruments (continued)

28.2 Foreign exchange risk management (continued)

The following exchange rates applied during the year:

	Average rate		Reporting date mid-spot rate	
	2015	2014	2015	2014
USD	11.79	10.50	13.31	10.65
GBP	18.49	17.36	20.71	17.64
EUR	13.86	14.29	15.11	14.02
CNY	1.92	1.71	2.09	1.74

Foreign exchange rate sensitivity analysis

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

	USD impact		GBP impact		Euro impact		CNY impact	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Decrease in pre-tax other comprehensive income	(17 496)	(20 525)	(394)	(1 769)	–	(1 502)	(7 365)	–
Increase in profit before tax	2 342	853	2 062	569	2 424	1 919	1 429	–

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

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

28 Financial instruments (continued)

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 2015		31 August 2014	
	Carrying value R'000	Fair value R'000	Carrying value R'000	Fair value R'000
Financial assets				
Trade receivables (see note 17)	1 461 176	1 461 176	1 294 317	1 294 317
Logistics fees receivable (see note 17)	134 177	134 177	91 286	91 286
Other receivables (see note 17)	89 409	89 409	84 152	84 152
Loans receivable (see note 13)	13 003	13 003	12 540	12 540
Financial assets at fair value through profit or loss (see note 14)	16 668	16 668	22 621	22 621
Cash and cash equivalents	400 738	400 738	195 631	195 631
Equity derivative contracts used for cash flow hedging (see note 15)	81 662	81 662	–	–
Forward exchange contracts used for cash flow hedging (see note 15)	24 507	24 507	3 135	3 135
Financial liabilities				
Forward exchange contracts used for hedging (see note 15)	–	–	2 840	2 840
Trade and other payables (see note 24)	4 733 826	4 733 826	3 760 495	3 760 495

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.

Interest rates used in determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at the reporting date plus an adequate constant credit spread, and were as follows:

	2015 %	2014 %
Borrowings	9.50	9.25
Leases	n/a	n/a

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

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

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

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

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

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

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

28 Financial instruments (continued)

28.3 Fair values of financial instruments (continued)

Financial assets and financial liabilities measured at fair value

Group	Level 2 R'000	Total R'000
2015		
Financial assets		
Financial assets at fair value through profit or loss (see note 14)	16 668	16 668
Equity derivative contracts used for cash flow hedging (see note 15)	81 662	81 662
Forward exchange contracts used for cash flow hedging (see note 15)	24 507	24 507
Total	122 837	122 837
2014		
Financial assets		
Financial assets at fair value through profit or loss (see note 14)	22 621	22 621
Forward exchange contracts used for cash flow hedging (see note 15)	3 135	3 135
Total	25 756	25 756
Financial liabilities		
Forward exchange contracts used for hedging (see note 15)	2 840	2 840
Total	2 840	2 840

There have been no transfers between level 1, 2 and 3 during the year.

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, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to Distribution and Retail customers, including outstanding receivables and committed transactions. Management have a formal credit policy in place as a means of mitigating the risk of financial loss to the group.

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

	Carrying amount	
	2015 R'000	2014 R'000
Derivative financial assets (see note 15)	106 169	3 135
Trade receivables (see note 17)	1 461 176	1 294 317
Logistics fees receivable (see note 17)	134 177	91 286
Other receivables (see note 17)	89 409	84 152
Cash and cash equivalents	400 738	195 631
Loans receivable (see note 13)	13 003	12 540
	2 204 672	1 681 061

Trade receivables

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

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

The maximum exposure to credit risk, after impairment, for trade receivables at the reporting date by type of customer was:

	Carrying amount	
	2015 R'000	2014 R'000
Retail customers	78 626	72 229
Distribution customers	1 382 550	1 222 088
	1 461 176	1 294 317

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

28 Financial instruments (continued)

28.4 Credit risk management (continued)

Retail customers

The ageing of trade receivables at the reporting date was:

	2015			2014		
	Gross R'000	Impairment R'000	Net R'000	Gross R'000	Impairment R'000	Net R'000
Not past due	84 396	(5 770)	78 626	76 584	(4 355)	72 229
Past due 0 – 30 days	13	(13)	–	–	–	–
Past due more than 31 days	117	(117)	–	145	(145)	–
Total	84 526	(5 900)	78 626	76 729	(4 500)	72 229

Retail trade receivables mainly relate to receivables from medical aids with respect to pharmacy debtors.

Trade debtors are classified as past due when they have passed their payment date by one day.

Distribution customers

The ageing of trade receivables at the reporting date was:

	2015			2014		
	Gross R'000	Impairment R'000	Net R'000	Gross R'000	Impairment R'000	Net R'000
Not past due	1 055 980	–	1 055 980	1 104 184	–	1 104 184
Past due 0 – 30 days	295 452	–	295 452	82 320	–	82 320
Past due more than 31 days	53 896	(22 778)	31 118	59 197	(23 613)	35 584
Total	1 405 328	(22 778)	1 382 550	1 245 701	(23 613)	1 222 088

Trade debtors are classified as past due when they have passed their payment date by one day.

Distribution customers are primarily hospitals and independent pharmacists.

The Distribution business minimises its exposure to credit risk by insuring debtors with balances greater than a predetermined amount.

There is an excess (which varies between hospitals and independent pharmacists) that is carried by the Distribution business with the balance being covered by Credit Guarantee Insurance Corporation of Africa Limited.

The split between insured and uninsured debtors is as follows:

	Gross amount	
	2015 R'000	2014 R'000
Insured	1 385 002	1 227 419
Uninsured	20 326	18 282
	1 405 328	1 245 701

Uninsured debtors consist mainly of a concentration of debtors with a monthly turnover of less than R40 000 and low-risk debtors such as government debtors.

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

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

28 Financial instruments (continued)

28.4 Credit risk management (continued)

Impairment loss

The impairment is determined based on information regarding the financial position of each trade receivable at year-end.

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

	Retail		Distribution	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Balance at the beginning of the year	(4 500)	(4 500)	(23 613)	(20 658)
Additional allowances made	(7 170)	(4 355)	(4 919)	(8 283)
Trade receivables written off during the year as uncollectable	5 770	4 355	5 754	5 328
Balance at the end of the year	(5 900)	(4 500)	(22 778)	(23 613)

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

Amounts charged to the allowance account are generally written off to profit or loss when there is no expectation of recovery.

Cash and cash equivalents

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

Other loans

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

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	One year or less R'000
2015			
Non-derivative liabilities			
Trade and other payables (see note 24)	4 733 826	4 733 826	4 733 826
	4 733 826	4 733 826	4 733 826
2014			
Non-derivative liabilities			
Trade and other payables (see note 24)	3 760 495	3 760 495	3 760 495
	3 760 495	3 760 495	3 760 495
Derivative financial liabilities			
Forward exchange contracts (see note 15)	2 840	4 395	4 395
Total financial liabilities	3 763 335	3 764 890	3 764 890

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

29 Capital commitments

	Group	
	2015 R'000	2014 R'000
Capital expenditure approved by the directors		
Contracted	20 713	18 296
Not contracted	411 587	351 404
	432 300	369 700

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 R1 967 million (2014: R1 676 million) with respect to facilities held with various banks. At year-end these facilities had no drawings by group companies (2014: nil drawn down). 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 58.

Directors and key management

Related party transactions include:

- (i) Dividends paid and received from subsidiary companies;
- (ii) Interest received from or paid to subsidiary companies; and
- (iii) Loans to or from subsidiary companies.

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 60. Subsequent to the year-end and after the closed period David Nurek sold 40 000 shares with the requisite approval.

Other related parties

The group has identified The New Clicks Foundation Trust and The Clicks Helping Hand Trust as related parties because of the group's involvement in the charitable and developmental activities of the trusts. The group has not consolidated these entities as it is not exposed to variable returns from them and any non-financial benefit is considered to be insignificant. The total net assets and net income for the two entities are R16.2 million (2014: R14.0 million) and R2.1 million (2014: R4.6 million) respectively. Donations to these entities during the year from subsidiary companies were:

	Group	
	2015 R'000	2014 R'000
The Clicks Helping Hand Trust	5 729	5 507
The New Clicks Foundation Trust	–	–

No financial benefits were derived by the group from these relationships. See note 13 for further information relating the loan balances owing by the charitable trusts.

Contributions to pension and provident fund

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

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

31 Related party transactions (continued)

31.2 Company

	Company	
	2015 R'000	2014 R'000
The company has the following related party transactions:		
31.2.1 Dividends received		
New Clicks South Africa Proprietary Limited	400 000	145 000
Total dividends received from related parties	400 000	145 000
31.2.2 Dividends paid		
New Clicks South Africa Proprietary Limited	11 017	27 078
Clicks Group Employee Share Ownership Trust	5 539	4 898
New Clicks Holdings Share Trust	341	285
Total dividends paid to related parties	16 897	32 261
31.2.3 Amounts owing to/(by) subsidiary companies		
New Clicks South Africa Proprietary Limited	(228 589)	(130 671)
Clicks Group Employee Share Ownership Trust	291	291
Clicks Centurion Proprietary Limited	9 000	9 000
	(219 298)	(121 380)

A schedule of the loans and investments in related parties is included on page 58.

Details regarding dividends relating to treasury shares are included in note 26.

Notes to the annual financial statements (continued)

for the year ended 31 August 2015

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 of Clicks, a specialist health, beauty and homeware retailer; Claires, a speciality retailer of fashionable jewellery and accessories at affordable prices; GNC, a speciality retailer of health and wellness products; Musica, a retailer of entertainment-related merchandise; and The Body Shop, which specialises in naturally inspired luxury toiletries, cosmetics, gifting and grooming, with stores in the Republic of South Africa, Namibia, Swaziland, Botswana and Lesotho.

Distribution

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

The information regarding the results of each reportable segment is included on page 13. 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.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 August 2015

	Notes	2015 R'000	2014 R'000
(Loss)/profit on sale of fixed assets		(68)	37 308
Dividend income – subsidiary		400 000	145 000
Bank charges		(7)	(5)
Operating costs		(797)	(896)
Profit before financing cost		399 128	181 407
Financial income		635	1 022
Profit before taxation		399 763	182 429
Income tax expense	7	(176)	(5 856)
Profit for the year		399 587	176 573
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year		399 587	176 573

COMPANY STATEMENT OF FINANCIAL POSITION

at 31 August 2015

	Notes	2015 R'000	2014 R'000
Assets			
Non-current assets			
Interest in subsidiary companies (see page 58)		230 258	276 092
Current assets			
Cash and cash equivalents		312	10 794
Total assets		230 570	286 886
Equity		222 454	273 520
Share capital	18	2 754	2 754
Share premium	18	14 089	14 089
Share option reserve	19	152 517	100 433
Distributable reserve		53 094	156 244
Current liabilities		8 116	13 366
Trade and other payables		2 257	7 602
Income tax payable		5 859	5 764
Total equity and liabilities		230 570	286 886

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2015

	Number of shares (Note 18) 000'	Share capital (Note 18) R'000	Share premium (Note 18) R'000	Share option reserve (Note 19) R'000	Distributable reserve R'000	Total R'000
Balance at 1 September 2013	297 476	2 976	14 089	69 878	1 737 565	1 824 508
Treasury shares cancelled	(22 185)	(222)	–	–	(1 297 422)	(1 297 644)
Treasury share cancellation costs	–	–	–	–	(3 244)	(3 244)
Equity-settled capital contribution to subsidiary	–	–	–	30 555	–	30 555
Total comprehensive income for the year	–	–	–	–	176 573	176 573
Dividends to shareholders (see note 26)	–	–	–	–	(457 228)	(457 228)
Balance at 31 August 2014	275 291	2 754	14 089	100 433	156 244	273 520
Equity-settled capital contribution to subsidiary	–	–	–	52 084	–	52 084
Total comprehensive income for the year	–	–	–	–	399 587	399 587
Dividends to shareholders (see note 26)	–	–	–	–	(502 737)	(502 737)
Balance at 31 August 2015	275 291	2 754	14 089	152 517	53 094	222 454

Nil ordinary shares of one cent each were cancelled by the group during the year (2014: 22.2 million).

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 August 2015

	2015 R'000	2014 R'000
Cash effects of operating activities		
Loss before working capital changes	(804)	(901)
Dividends received	400 000	145 000
Financial income	635	1 022
Working capital changes	(5 345)	5 497
Cash generated by operations	394 486	150 618
Taxation paid	(81)	(92)
Cash inflow from operating activities before dividends paid	394 405	150 526
Dividends paid to shareholders	(502 737)	(457 228)
Net cash effects of operating activities	(108 332)	(306 702)
Cash effects of investing activities		
(Costs)/proceeds from disposal of fixed assets	(68)	37 308
Increase in subsidiary loans payable	97 918	1 580 963
Net cash effects of investing activities	97 850	1 618 271
Cash effects of financing activities		
Treasury shares cancelled	–	(1 297 644)
Treasury share cancellation costs	–	(3 244)
Net cash effects of financing activities	–	(1 300 888)
Net movement in cash and cash equivalents	(10 482)	10 681
Cash and cash equivalents at the beginning of the year	10 794	113
Cash and cash equivalents at the end of the year	312	10 794

NOTES TO THE COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 August 2015

	2015 R'000	2014 R'000
Loss before working capital changes		
Profit before taxation	399 763	182 429
Adjustment for:		
Dividend received	(400 000)	(145 000)
Loss/(profit) on disposal of fixed assets	68	(37 308)
Financial income	(635)	(1 022)
	(804)	(901)
Working capital changes		
(Decrease)/increase in trade and other payables	(5 345)	5 497
	(5 345)	5 497
Taxation paid		
Income tax payable at the beginning of the year	5 764	–
Current tax charge	176	5 856
Income tax payable at the end of the year	(5 859)	(5 764)
	81	92

INTEREST IN SUBSIDIARY COMPANIES

at 31 August 2015

Name of company/entity and nature of business	Country of incorporation	Ordinary issued share capital/trust capital	Shares at cost less amounts written off		Amount owing (to)/by subsidiaries	
			2015 R'000	2014 R'000	2015 R'000	2014 R'000
Directly held						
i) Trading						
New Clicks South Africa (Proprietary) Limited	South Africa	R500	272 439	272 439	(228 589)	(130 671)
ii) Clicks Group Employee Share Ownership Trust	South Africa	R1 000	–	–	291	291
iii) Property owning						
Clicks Centurion (Proprietary) Limited	South Africa	R10	*	*	9 000	9 000
Indirectly held						
i) Trading						
Safeway (Swaziland) (Proprietary) Limited	Swaziland	E2	–	–	–	–
The Clicks Organisation (Botswana) (Proprietary) Limited	Botswana	BWP3 000	–	–	–	–
Clicks Group (Namibia) (Proprietary) Limited	Namibia	N\$100	–	–	–	–
Clicks Stores (Lesotho) (Proprietary) Limited	Lesotho	M1000	–	–	–	–
Unicorn Pharmaceutical (Proprietary) Limited	South Africa	R10	–	–	–	–
Clicks Retailers (Proprietary) Limited	South Africa	R200	–	–	–	–
Kalahari Medical Distributors (Proprietary) Limited	Botswana	BWP400	–	–	–	–
Clicks Direct Medicines (Proprietary) Limited	South Africa	R700	–	–	–	–
ii) Name protection and dormant						
Five companies (2014: Six companies)						
			272 439	272 439	(219 298)	(121 380)
Shares at cost less amounts written off			272 439	272 439		
Amounts owing (to)/by subsidiary companies			(219 298)	(121 380)		
Share-based payments capitalised			177 117	125 033		
Interest in subsidiaries			230 258	276 092		

All subsidiary companies/entities are wholly owned with the exception of The Link Investment Trust ("Link").

Clicks Group Limited has a 56% interest in Link.

The loan and investment in Link were impaired in prior years as the carrying value of the loan and investment exceeded the present value of management's best estimate of likely future cash flows discounted at the group's risk-adjusted pre-tax weighted average cost of capital.

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

* Values less than R1 000.

SHAREHOLDER ANALYSIS

at 31 August 2015

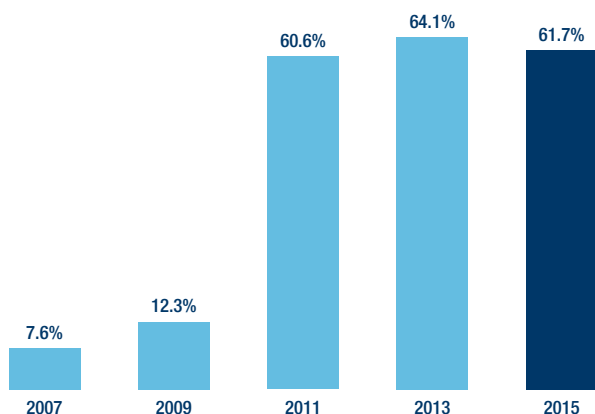
Public and non-public shareholders	Number of shares	Percentage of shares
Public shareholders	239 234 548	97.2
Non-public shareholders		
Shares held by directors	649 790	0.2
Treasury stock held by New Clicks South Africa Proprietary Limited	6 082 975	2.5
The New Clicks Holdings Share Trust	170 450	0.1
Total non-public shareholders	6 903 215	2.8
Total shareholders	246 137 763	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 shareholders held 3% or more of the issued share capital at 31 August 2015:

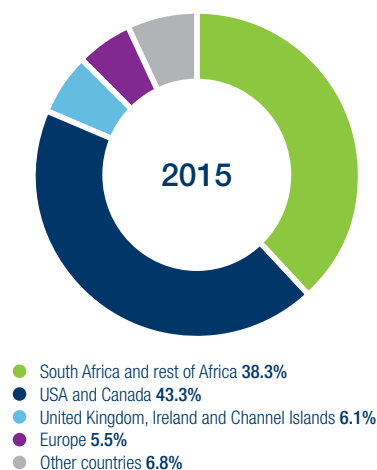
Major beneficial shareholders holding 3% or more	2015 Percentage of shares	2014 Percentage of shares
Government Employees Pension Fund	17.8	15.8
Fidelity International Growth Fund	4.0	4.0
GIC Private Limited	3.5	4.1

Major fund managers managing 3% or more	2015 Percentage of shares	2014 Percentage of shares
Public Investment Corporation (SA)	15.2	13.4
Fidelity Management & Research (US)	7.4	7.8
Coronation Fund Managers (SA)	6.5	19.1
Baillie Gifford & Co (UK)	4.4	2.7
Mawer Investment Management (CA)	3.8	2.9
MFS Investment Management (US)	3.5	–
GIC (Singapore)	3.4	4.1
Aberdeen Asset Management (UK)	3.2	6.6
<i>Fund managers no longer managing over 3%:</i>		
Mondrian Investment Partners (UK)	1.0	3.9

Offshore shareholding



Geographic distribution of shareholders



Shareholder analysis (continued)

at 31 August 2015

Classification of registered shareholdings	Number of holders	Percentage of shares
Custodians	116	54.3
Retirement funds	176	20.6
Mutual funds	190	12.3
Sovereign wealth funds	5	4.1
Treasury shares	1	2.5
Individuals	2 738	1.7
Insurance companies	33	1.6
Banks/Brokers	36	1.2
Trusts	372	0.8
Private companies	84	0.5
Other	104	0.4
	3 855	100.0

Distribution of registered shareholdings	Number of holders	Percentage holders	Number of shares	Percentage of shares
1 – 1 000	2 272	58.9	739 814	0.3
1 001 – 10 000	1 106	28.7	3 760 191	1.5
10 001 – 100 000	317	8.3	10 249 848	4.2
100 001 – 1 000 000	121	3.1	39 973 362	16.2
1 000 001 shares and over	39	1.0	191 414 548	77.8
	3 855	100.0	246 137 763	100.0

Directors' shareholdings

Director	2015			2014		
	Direct beneficial shares	Indirect beneficial shares	Total	Direct beneficial shares	Indirect beneficial shares	Total
David Nurek	–	200 000	200 000	–	240 000	240 000
John Bester	12 000	10 000	22 000	12 000	10 000	22 000
Bertina Engelbrecht	91 701	–	91 701	85 560	–	85 560
Michael Fleming	24 833	–	24 833	14 844	–	14 844
David Kneale	309 256	–	309 256	285 974	–	285 974
Martin Rosen	–	2 000	2 000	–	2 000	2 000
Total	437 790	212 000	649 790	398 378	252 000	650 378

The total number of ordinary shares in issue is 246 137 763 (2014: 246 137 763). Percentage of issued share capital held by directors is 0.26% (2014: 0.26%). 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

27 January 2016

Preliminary results announcements

Interim results to February 2016

on or about 21 April 2016

Final results to August 2016

on or about 27 October 2016

Publication of 2016 Integrated Annual Report

November 2016

Ordinary share dividend

2015 final dividend

Last day to trade with dividend included

15 January 2016

Date of dividend payment

25 January 2016

2016 interim dividend

Last day to trade with dividend included

July 2016

Date of dividend payment

July 2016

2016 final dividend

Last day to trade with dividend included

January 2017

Date of dividend payment

January 2017

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: CLGY
ADR CUSIP code: 18682W205

Registered address

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Cape Town 8001
Telephone: +27 (0)21 460 1911

Postal address

PO Box 5142
Cape Town 8000

Company secretary

David Janks, BA, LL B
E-mail: David.Janks@clicksgroup.co.za

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Ernst & Young Inc (EY)

Principal bankers

The Standard Bank of South Africa

JSE sponsor

Investec Bank Limited

Transfer secretaries

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