

# Independent Auditor's REPORT

TO THE SHAREHOLDERS OF CLICKS GROUP LIMITED

## REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

### Opinion

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

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

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board of Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the

group and company and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the group and company and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

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

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

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

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### **Key audit matter**

### **How the matter was addressed in the audit**

#### **Impact of civil unrest**

The widespread civil unrest across both KwaZulu-Natal and Gauteng saw a total of 52 Clicks stores, one The Body Shop store, the Clicks Distribution Centre (DC) in Centurion and the UPD Johannesburg DC looted and vandalised.

The impact on the consolidated annual financial statements of Clicks Group Limited was as follows:

- insurance proceeds resulted in an increase in other income of R217.4 million;
- stock loss resulted in an increase in cost of sales of R333.6 million;
- additional costs incurred arising from the unrest resulted in an increase in other expenditure of R31.6 million; and
- additional impairment of property, plant and equipment and right-of-use assets amounted to R61.3 million.

Together, these items result in a net reduction of profit before taxation amounting to R209.1 million.

The impact of the civil unrest and associated insurance claim is disclosed in note 35.

The civil unrest was a significant event that occurred during the financial year, the outcome of which has had a material effect on the financial position and performance of the group. Significant auditor attention was therefore required and extended audit procedures were performed.

The civil unrest is therefore considered to be a matter of most significance to the current year's audit and identified as a key audit matter.

Our audit procedures, amongst others, included the following:

- In conjunction with our technical accounting specialists, we assessed the recognition of insurance income in accordance with the relevant International Financial Reporting Standards and audited the amount recognised through inspection of correspondence with SASRIA and confirmation of the payment received to banking records.
- We evaluated management's controls and processes for identifying, valuing and impairing damaged or lost stock by attending a sample of stock counts and performing sample counts of inventory items to test the completeness and existence of the remaining inventory as follows:
  - we attended the Clicks and UPD DC stock counts; and
  - for the 12 Clicks stores that were partially damaged or looted, we attended one additional stock count.
- For the 40 Clicks stores in which stock was completely looted or destroyed (i.e. for which there was no stock left to count), we obtained and assessed management's supporting analysis and documentation (for example date-tagged photos, stock listings, and correspondence between Clicks Group Limited and the insurers) to assess the measurement and occurrence of the inventory write-offs.
- For a sample of additional costs incurred we agreed the transaction details to supporting documentation confirming the value, nature and classification of the expenditure incurred to confirm they relate directly to the civil unrest.
- We obtained an understanding of the process management followed in determining the impairment of property, plant and equipment and right-of-use assets through discussions with management and performing a walkthrough of documented procedures.
- For a sample of Clicks stores, and the Clicks and UPD DCs we obtained the fixed asset registers and assessed management's supporting documents (for example, date-tagged photos and correspondence between Clicks Group Limited and the insurers) to assess the measurement and occurrence of impairments identified.
- We recalculated depreciation and impaired carrying values for a sample of assets written off to ensure arithmetical accuracy.
- We considered the classification of the transactions in the consolidated statement of comprehensive income and the relevance and accuracy of additional disclosure provided in the notes to the consolidated financial statements against the requirements of IFRS.

## OTHER INFORMATION

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

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

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

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

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

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

be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

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

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

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

*Ernst & Young Inc.*

**Ernst & Young Inc.**

Director – Anthony Robert Cadman  
Chartered Accountant  
Registered Auditor

11 November 2021

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