CLICKS GROUP
LIMITED

PRELIMINARY REVIEWED CONDENSED CONSOLIDATED RESULTS

FOR THE YEAR ENDED 31 AUGUST 2020

CONTENTS

Group turnover up
9.6%

Retail health and beauty sales up
8.4%

UPD turnover up
11.2%

Diluted HEPS up
13.7%

Dividend per share
450 cents

Cash at year-end
R2.2 billion

COMMENTARY

Overview

Clicks Group delivered a strong and resilient performance against the background of a global humanitarian crisis and a deepening economic recession locally.

Retail health and beauty sales increased by 8.4% supported by strong front shop health sales growth during the pandemic. UPD reported robust growth of 11.2% and continued to gain market share after securing new wholesale and bulk distribution contracts.

Tight cost management, continued working capital efficiency, pleasing health and beauty sales and the strong performance of UPD were the main contributors to the group's diluted headline earnings per share increasing by 13.7% to 754 cents. This is in line with earnings guidance provided in the trading statement released on SENS on 12 August 2020.

The board has declared a dividend of 450 cents per share for the full year, based on a dividend payout ratio of 60%.

Impact of Covid-19

As essential healthcare service providers Clicks and UPD traded throughout the national lockdown which started on 27 March 2020. Management responded decisively to the lockdown, immediately implementing measures to reduce the group's cost base to off-set the impact of slower sales, with cash preservation being a priority to protect shareholder value.

Trading patterns shifted as customer shopping behaviour changed in response to the various lockdown restrictions. Consumers chose to shop closer to home and shop less frequently, while many stayed home and shopped online to reduce the risk of contracting Covid-19.

The accessibility of the Clicks store network proved beneficial, with 74% of stores located in convenience and neighbourhood shopping centres. This largely negated the significant slowdown in footfall at super regional and regional malls across the country.

Online sales in Clicks increased by 361% off a relatively low base for the second half of the financial year, reaping the benefit of the investment in its e-commerce and digital platform over the past four years.

The absence of a traditional winter cold and flu season adversely impacted pharmacy sales. The incidence of colds and flu was low as people wore face masks to avoid infection, travel and social interaction was limited, schooling restricted and many South Africans worked from home.

Clicks stores were restricted to shorter trading hours and limited to selling only essential products under lockdown level 5 until 30 April 2020. The group's other retail brand stores all closed from the start of the lockdown. The Body Shop reopened from 1 May 2020 while Musica and Claire´s reopened from 1 June 2020 when the country moved to lockdown level 3. The group received some rental relief on stores which were closed due to the lockdown.

UPD's business to the private hospital and independent pharmacy channels grew strongly due to increased demand for medicines and healthcare products during the pandemic.

The group incurred Covid-19-related costs of R44 million. This was off-set by focused cost management, lower overtime payments owing to restricted trading hours, rental reductions due to store closures and government funding for employees unable to work during the lockdown.

Financial performance

Group turnover increased by 9.6% to R34.4 billion. Retail sales grew by 7.3% and by 3.4% in comparable stores, with selling price inflation of 2.2%. Distribution turnover increased by 11.2% with price inflation of 2.5% for the year.

Total income grew by 8.4% to R9.4 billion. The retail margin was maintained at 33.3% while the distribution margin strengthened by 30 basis points to 8.5% owing to the benefit of new contracts and the higher annual increase in the single exit price (SEP) of medicines. The faster growth of the distribution business resulted in a mix change which contributed to the group's total income margin declining by 30 basis points to 27.3%.

Retail expenses grew by 6.5% as the group continued to invest in new Clicks stores and pharmacies over the past year. UPD expenses, which include the costs related to the new wholesale and bulk distribution contracts, grew by 17.9%.

Group operating profit increased by 10.4% to R2.8 billion with the group's operating margin expanding by 10 basis points to 8.1%. The retail margin was well managed and increased by 20 basis points to 9.1% despite the impact of Covid-19 on the trading environment. The distribution margin was maintained at 3.3%.

Headline earnings grew by 12.2% to R1.9 billion. Earnings per share increased by 11.4% to 751 cents with headline earnings per share increasing by 11.7% to 754 cents. Diluted headline earnings per share grew by 13.7%.

Inventory days reduced from 70 to 66 days as stock levels were tightly managed in the second half of the year. Retail inventory levels increased by 5.5% and distribution by 2.4%.

Cash generated by operating activities before dividends paid totalled R2.3 billion. Capital expenditure of R591 million (2019: R647 million) was invested mainly in new stores and pharmacies, store refurbishments, supply chain and information technology.

The group returned R822 million to shareholders in dividend payments and R653 million in share buy-backs. At year-end the group held cash resources of R2.2 billion.

Trading performance

Retail health and beauty sales, including Clicks and the international franchise brands GNC, The Body Shop and Claire's, increased by 8.4%, driven by competitive everyday pricing, differentiated product ranges, the Clicks ClubCard, new stores and online sales. Sales in comparable stores increased by 4.1%, with volume growth of 2.1% and inflation of 2.0%.

Clicks opened 39 stores to expand its retail footprint to 743 stores and increased its pharmacy network to 585 following the opening of 40 pharmacies. Clicks ClubCard active membership increased to 8.6 million and accounted for 78.2% of the brand's sales.

UPD grew wholesale turnover by 17.0% as the business gained new private hospital and buying group contracts. This contributed to UPD increasing its market share from 27.0% to 29.4% at August 2020 (source IQVIA). UPD's total managed turnover, combining wholesale turnover and turnover managed on behalf of bulk distribution clients, increased by 11.7% to R23.6 billion as the business gained two distribution contracts.

Outlook

The performance of the past year has again demonstrated that the group's core health and beauty markets and business model are resilient.

The consumer environment is expected to be extremely constrained in the year ahead owing to the continuing impact of Covid-19 and the socio-economic challenges arising from the lockdown. The first half of the new financial year was initially impacted by protest action at Clicks stores in early September and will be further affected by the widespread job losses expected in the aftermath of the pandemic.

The business has traded well in weak consumer markets over a sustained period and has adapted to the new market dynamics arising out of the Covid-19 crisis.

The group has a robust balance sheet, generates strong cash flows and the directors remain confident in the group's ability to deliver on its medium-term targets.

Final dividend

The board of directors has approved a final gross ordinary dividend for the period ended 31 August 2020 of 450.0 cents per share (2019: 327.0 cents per share). The source of the dividend will be from distributable reserves and it will be paid in cash.

Additional information

Dividends Tax (DT) of 20% amounting to 90.0 cents per ordinary share will be withheld in terms of the Income Tax Act. Ordinary shareholders who are not exempt from DT will therefore receive a dividend of 360.0 cents net of DT.

The Company has 248 662 647 ordinary shares in issue. Its income tax reference number is 9061/745/71/8.

Shareholders are advised of the following salient dates in respect of the final dividend:

Last day of trade "cum" the dividend	Tuesday, 19 January 2021
Shares trade "ex" the dividend	Wednesday, 20 January 2021
Record date	Friday, 22 January 2021
Payment to shareholders	Monday, 25 January 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 20 January 2021 and Friday, 22 January 2021, both days inclusive.

David Nurek
Chairman

Vikesh Ramsunder
Chief executive officer

Michael Fleming
Chief financial officer

Cape Town
22 October 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Year to 31 August 2020	Restated year to[1] 31 August 2019	% change
Revenue	**36 591 196**	33 376 010	9.6
Turnover	**34 364 398**	31 352 109	9.6
Cost of merchandise sold	**(27 156 052)**	(24 662 049)	10.1
Gross profit	**7 208 346**	6 690 060	7.7
Other income	**2 166 315**	1 960 480	10.5
Total income	**9 374 661**	8 650 540	8.4
Expenses	**(6 607 789)**	(6 144 001)	7.5
Depreciation and amortisation	**(1 131 068)**	(1 004 998)	12.5
Occupancy costs	**(184 834)**	(190 119)	(2.8)
Employment costs	**(3 497 422)**	(3 341 862)	4.7
Other costs	**(1 790 687)**	(1 605 693)	11.5
Impairment allowance	**(3 778)**	(1 329)	
Operating profit	**2 766 872**	2 506 539	10.4
Loss on disposal of property, plant and equipment	**(8 337)**	(351)	
Loss on disposal of business	**(1 196)**	–	
Profit before financing costs	**2 757 339**	2 506 188	10.0
Net financing expense	**(175 450)**	(175 754)	
Financial income	**60 483**	63 421	(4.6)
Financial expense	**(235 933)**	(239 175)	(1.4)
Profit before earnings from associate	**2 581 889**	2 330 434	10.8
Share of profit of an associate	**2 105**	2 803	(24.9)
Profit before taxation	**2 583 994**	2 333 237	10.7
Income tax expense	**(703 819)**	(652 115)	7.9
Profit for the year	**1 880 175**	1 681 122	11.8
Other comprehensive income/(loss):			
Items that will not be subsequently reclassified to profit or loss	**9 956**	6 337	
Remeasurement of post-employment benefit obligations	**13 828**	8 801	
Deferred tax on remeasurement	**(3 872)**	(2 464)	
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign subsidiaries	**3 895**	(2 222)	
Cash flow hedges	**60 461**	(13 877)	
Change in fair value of effective portion	**83 973**	(19 274)	
Deferred tax on movement of effective portion	**(23 512)**	5 397	
Cost of hedging reserve	**(18 890)**	(15 827)	
Cost of hedging recognised	**(26 236)**	(21 982)	
Deferred tax on cost of hedging	**7 346**	6 155	
Other comprehensive income/(loss) for the year, net of tax	**55 422**	(25 589)	
Total comprehensive income for the year	**1 935 597**	1 655 533	
Earnings per share (cents)	**751.4**	674.8	11.4
Diluted earnings per share (cents)	**751.4**	663.2	13.3

[1] Retrospective adjustment relating to the adoption of IFRS 16. Refer to note 1.10.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	As at 31 August 2020	Restated as at[1] 31 August 2019	Restated as at[1] 1 September 2018
Non-current assets	**5 530 507**	5 045 548	5 069 238
Property, plant and equipment	**2 120 674**	2 067 036	1 843 402
Right-of-use asset	**2 371 179**	2 046 014	1 795 868
Intangible assets	**568 700**	497 078	476 761
Goodwill	**102 806**	102 806	103 510
Deferred tax assets	**110 694**	95 060	518 058
Investment in associate	**20 062**	20 091	20 044
Loans receivable	**9 608**	10 131	15 003
Financial assets at fair value through profit or loss	**113 951**	75 370	82 482
Derivative financial assets	**112 833**	131 962	214 110
Current assets	**9 743 698**	10 023 576	8 280 346
Inventories	**4 920 919**	4 710 169	4 250 907
Trade and other receivables	**2 567 215**	2 567 123	2 256 893
Income tax receivable	**–**	29 744	–
Loans receivable	**1 339**	611	9 675
Cash and cash equivalents	**2 152 483**	2 613 554	1 523 815
Derivative financial assets	**101 742**	102 375	239 056
Total assets	**15 274 205**	15 069 124	13 349 584
Equity and liabilities			
Total equity	**5 193 951**	4 786 987	4 321 043
Non-current liabilities	**1 940 022**	1 688 563	1 502 168
Lease liability	**1 795 306**	1 489 563	1 256 761
Employee benefits	**144 716**	199 000	245 407
Current liabilities	**8 140 232**	8 593 574	7 526 373
Trade and other payables	**6 746 977**	7 303 492	6 227 123
Lease liability	**890 411**	852 702	814 015
Employee benefits	**374 429**	366 218	418 216
Income tax payable	**126 045**	71 162	67 019
Derivative financial liabilities	**2 370**	–	–
Total equity and liabilities	**15 274 205**	15 069 124	13 349 584

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Year to 31 August 2020	Restated year to[1] 31 August 2019
Operating profit before working capital changes	**3 884 623**	3 563 332
Working capital changes	**(820 884)**	203 429
Net interest paid	**(161 104)**	(156 465)
Taxation paid	**(634 200)**	(262 241)
Acquisition of derivative financial asset used to hedge the long-term incentive scheme	**(49 635)**	(66 313)
Settlement of derivative financial asset used to hedge the long-term incentive scheme	**120 481**	199 816
Cash inflow from operating activities before dividends paid	**2 339 281**	3 481 558
Dividends paid to shareholders	**(822 485)**	(980 506)
Net cash effects from operating activities	**1 516 796**	2 501 052
Net cash effects from investing activities	**(621 961)**	(635 494)
Capital expenditure	**(590 883)**	(646 714)
Other investing activities	**(31 078)**	11 220
Net cash effects from financing activities	**(1 355 906)**	(775 819)
Purchase of treasury shares	**(653 367)**	(210 637)
Proceeds from sale of treasury shares	**–**	50 974
Transaction cost on the issue of shares	**–**	(299)
Repayment of lease liability	**(702 539)**	(615 857)
Net (decrease)/increase in cash and cash equivalents	**(461 071)**	1 089 739
Cash and cash equivalents at the beginning of the year	**2 613 554**	1 523 815
Cash and cash equivalents at the end of the year	**2 152 483**	2 613 554

[1] Retrospective adjustment relating to the adoption of IFRS 16. Refer to note 1.10.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Year to 31 August 2020	Restated year to[1] 31 August 2019
Opening balance	**4 786 987**	4 424 007
Effect of adoption of new accounting standards	**–**	(102 964)
Opening balance (restated)	**4 786 987**	4 321 043
Dividends paid to shareholders	**(822 485)**	(980 506)
Total comprehensive income for the year	**1 935 597**	1 655 533
Transaction cost on share issue	**–**	(299)
Share-based payment reserve movement	**–**	(26 699)
Net treasury share movement	**–**	(159 663)
Shares repurchased and cancelled	**(653 367)**	–
Transfer of reserves to inventory	**(52 781)**	(22 422)
Total	**5 193 951**	4 786 987
Dividend per share (cents)		
Interim paid	**–**	118.0
Final declared/paid	**450.0**	327.0
	450.0	445.0

[1] Retrospective adjustment relating to the adoption of IFRS 16. Refer to note 1.10.

SEGMENTAL ANALYSIS

The group's reportable segments under IFRS 8 are Retail and Distribution.

R'000	Turnover	Profit before taxation	Total assets	Capital expenditure	Total liabilities
Twelve months to 31 August 2020					
Retail	**24 785 362**	**2 259 784**	**8 433 077**	**516 490**	**6 294 802**
Distribution	**15 473 637**	**513 162**	**7 121 348**	**39 620**	**4 292 678**
Inter-segmental	**(5 894 601)**	**(6 074)**	**(3 568 395)**	**–**	**(3 486 275)**
Total reportable segmental balance	**34 364 398**	**2 766 872**	**11 986 030**	**556 110**	**7 101 205**
Non-reportable segmental balance	**–**	**(182 878)**	**3 288 175**	**34 773**	**2 979 049**
Total group balance	**34 364 398**	**2 583 994**	**15 274 205**	**590 883**	**10 080 254**
Twelve months to 31 August 2019 (restated)*					
Retail	23 104 815	2 066 302	8 467 049	554 158	5 985 717
Distribution	13 909 007	454 274	7 256 565	40 036	4 920 090
Inter-segmental	(5 661 713)	(14 037)	(3 831 246)	–	(3 755 199)
Total reportable segmental balance	31 352 109	2 506 539	11 892 368	594 194	7 150 608
Non-reportable segmental balance	–	(173 302)	3 176 756	52 520	3 131 529
Total group balance	31 352 109	2 333 237	15 069 124	646 714	10 282 137

* Refer to note 1.2.

R'000	Year to 31 August 2020	Year to 31 August 2019
Non-reportable segmental profit before taxation consists of:		
Loss on disposal of property, plant and equipment	**(8 337)**	(351)
Loss on disposal of business	**(1 196)**	–
Financial income	**60 483**	63 421
Financial expense	**(235 933)**	(239 175)
Share of profit of an associate	**2 105**	2 803
	(182 878)	(173 302)

SUPPLEMENTARY INFORMATION

		As at 31 August 2020	As at 31 August 2019
Number of ordinary shares in issue (gross)	('000)	**248 663**	262 083
Number of ordinary shares in issue (net of treasury shares)	('000)	**248 663**	251 525
Weighted average number of shares in issue (net of treasury shares)	('000)	**250 212**	249 125
Weighted average diluted number of shares in issue (net of treasury shares)	('000)	**250 212**	253 471
Net asset value per share	(cents)	**2 089**	1 903
Net tangible asset value per share	(cents)	**1 819**	1 665
Depreciation and amortisation	(R'000)	**1 177 144**	1 036 325
Capital expenditure	(R'000)	**590 883**	646 714
Capital commitments	(R'000)	**745 085**	717 830

ACCOUNTING POLICIES AND NOTES

1.1 These condensed consolidated financial statements for the year ended 31 August 2020 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 – Interim Financial Reporting.

Ernst & Young Inc., the group's independent auditor, has reviewed the preliminary condensed consolidated financial statements contained on pages 2 to 9 of this preliminary report and has expressed an unmodified review conclusion on the preliminary condensed consolidated financial statements. Their review report is available for inspection at the company's registered office together with the preliminary condensed consolidated financial statements identified in the auditor's report. These condensed financial statements have been prepared under the supervision of Mr M Fleming CA (SA), the chief financial officer of the group.

The accounting policies used in the preparation of the financial results for the year ended 31 August 2020 are in terms of IFRS and are consistent with those applied in the Audited Financial Statements for the year ended 31 August 2019, with the exception of the adoption of IFRS 16 – Leases. The group implemented the standard using the full retrospective approach and, accordingly, the comparative information in the results have been restated.

1.2 The segmental analysis for the year ended 31 August 2019 has been restated for the adoption of IFRS 16. The restatement has been outlined in note 1.10.

1.3 Related party transactions for the current year are similar to those disclosed in the group's annual financial statements for the year ended 31 August 2019.

1.4 During the year, the group cancelled 10 558 528 treasury shares. In addition, the group repurchased and cancelled 2 862 264 Clicks Group Limited ordinary shares.

1.5 The carrying value of all financial instruments approximates fair value. All financial instruments are held at amortised cost, with the exception of derivative instruments, the investment in Guardrisk Insurance Company Limited and investments held by the New Clicks Foundation Trust, which are accounted for at fair value through profit or loss. The fair value of financial instruments that are not traded in active markets are determined by using valuation techniques; if all significant inputs required to fair value an instrument are observable, the instrument is included in level 2 and if the significant inputs required to fair value an instrument are unobservable, the instrument is included in level 3. The derivative instruments comprise equity derivative hedges which are 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; and forward exchange contracts which are calculated using standard market calculation conventions with reference to the relevant closing market spot rates, forward foreign exchange rates and interest rates. All financial instruments accounted for at fair value through profit or loss are considered to be level 2 instruments with the exception of investments held by the New Clicks Foundation Trust which are considered to be level 1 instruments, since the investments are listed instruments based on listed prices. There have been no transfers between levels 1, 2 and 3 instruments during the year. The group applies hedge accounting and where derivative instruments are designated as hedging instruments in a cash flow hedge, fair value gains/losses are recognised in other comprehensive income and released either to profit or loss or the hedged item when the forecast transaction takes place.

1.6 The majority of the non-current and current derivative financial assets are to hedge obligations under the cash-settled share compensation scheme.

1.7 The group disposed of its interest in Kalahari Medical Distributors Proprietary Limited during the financial year.

R'000	**Year to 31 August 2020**
Proceeds on disposal of subsidiary	**9 787**
Net asset value of subsidiary	**10 983**
Loss on disposal of subsidiary	**(1 196)**

1.8 Headline earnings reconciliation

R'000	**Year to 31 August 2020**	Restated Year to 31 August 2019
Total profit for the year	**1 880 175**	1 681 122
Adjusted for:		
Loss net of tax on disposal of property, plant and equipment	**6 003**	254
Loss on disposal of business	**1 196**	–
Goodwill impairment	**–**	704
Headline earnings	**1 887 374**	1 682 080
Headline earnings per share (cents)	**754.3**	675.2
Diluted headline earnings per share (cents)	**754.3**	663.6

1.9 The group's revenue from contracts with customers is disaggregated as disclosed below:

R'000	**31 August 2020**	31 August 2019
Revenue from contracts with customers		
Goods sold to customers	**34 364 398**	31 352 109
Other income	**2 166 315**	1 960 480
Distribution and logistics fees	**1 034 318**	927 015
Cost recoveries and other	**1 131 997**	1 033 465
	36 530 713	33 312 589

1.10 Adoption of IFRS 16

The group adopted IFRS 16 – Leases on a full retrospective basis during the current financial period, with the date of initial application being 1 September 2019.

IFRS 16 was issued and published by the IASB in January 2016 and replaces IAS 17 – Leases. It requires lessees to make use of a single lease accounting model to recognise a right-of-use asset for all qualifying leases and a corresponding lease liability as the present value of all future payments as opposed to IAS 17 which required lessees to classify leases as either finance or operating leases and only recognise a lease expense on a straight-line basis in profit or loss when classified as an operating lease. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosure of leases.

The group has an extensive portfolio of leases across its retail stores. The group recognised a right-of-use asset and corresponding lease liability for each retail store in the group, except for stores where the contract qualifies for recognition of a short-term lease of less than 12 months. All other leases (mainly leases of computer equipment and equipment) are recognised as short-term leases or low-value items. As a practical expedient, the group applied IFRS 16C.3 where it applied IFRS 16 to leases previously identified under IAS 17 and IFRIC 4 and did not apply IFRS 16 to contracts where a lease was not identified under IAS 17 and IFRIC 4.

At inception of the lease the group recognises a right-of-use asset and corresponding lease liability at the present value of all future lease payments, over the term of the lease. All leases of low-value assets and short-term leases are expensed in the statement of comprehensive income as a rent expense on a straight-line basis in the year when the expense was incurred.

The group early adopted the Covid-19-Related Rent Concessions, IFRS 16 amendment during the current financial year for rentals of retail space that meets the definitions as set out in the amendment. The group negotiated rental relief amounting to R10.9 million with landlords as a result of Musica, The Body Shop and Claire's stores being closed during the lockdown period. The group accounted for these rental concessions by reducing the lease liability and recognising a negative variable lease payment in occupancy costs.

IFRS 16 impacts the group's statement of financial position, statement of comprehensive income, disclosure in the statement of cash flows and the notes to the annual financial statements. The adoption of the standard results in changes to lease liabilities, deferred tax, depreciation, finance cost and income tax expense and the recognition of a right-of-use asset.

On the adoption of the new standard, the group considered the disclosure of interest paid on lease liabilities to be more appropriately classified with interest paid and disclosed under operating cash flow activities instead of included in repayment of lease liability under financing activities as previously disclosed in the interim results in February 2020.

The impact on the financial statements of the above restatements are as follows:

R'000	31 August 2019	IFRS 16 Adjustment	2019 Restated
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Non-current assets			
Right-of-use asset	–	2 046 014	2 046 014
Deferred tax asset	47 136	47 924	95 060
Current assets			
Trade and other receivables	2 646 612	(79 489)	2 567 123
Equity			
Distributable reserve	4 734 171	(123 235)	4 610 936
Foreign currency translation reserve	7 331	(2 588)	4 743
Non-current liabilities			
Operating lease liability	192 894	(192 894)	–
Lease liability	–	1 489 563	1 489 563
Current liability			
Lease liability	–	852 702	852 702
Provisions	9 099	(9 099)	–
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
Depreciation and amortisation	(368 865)	(636 133)	(1 004 998)
Occupancy costs	(1 011 396)	821 277	(190 119)
Financial expense	(23 765)	(215 410)	(239 175)
Income tax expense	(660 589)	8 474	(652 115)
Other comprehensive income			
Exchange differences on translation of foreign subsidiaries	(1 155)	(1 067)	(2 222)
Earnings per share			
Profit attributable to equity holders of the parent	1 702 914	(21 792)	1 681 122
Earnings per share (cents per share)	683.6	(8.8)	674.8
Diluted earnings per share (cents per share)	671.8	(8.6)	663.2

R'000	31 August 2019	IFRS 16 Adjustment	2019 Restated
CONSOLIDATED CASH FLOW STATEMENT			
Cash effects from operating activities			
Profit before working capital changes	2 732 810	830 522	3 563 332
Working capital changes	202 684	745	203 429
Interest paid	(4 476)	(215 410)	(219 886)
Cash effects from financing activities			
Repayment of lease liability	–	(615 857)	(615 857)
NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS			
Profit before working capital changes			
Profit before tax	2 363 503	(30 266)	2 333 237
Net financing expense	(39 656)	215 410	175 754
Depreciation and amortisation	400 192	636 133	1 036 325
Movement in operating lease liability	(9 245)	9 245	–
Working capital changes			
Increase in trade and other receivables	(315 081)	4 851	(310 230)
Increase in provisions	4 106	(4 106)	–

R'000	31 August 2018	IFRS 16 Adjustment	2018 Restated
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Non-current assets			
Right-of-use asset	–	1 795 868	1 795 868
Deferred tax asset	478 608	39 450	518 058
Current assets			
Trade and other receivables	2 331 531	(74 638)	2 256 893
Equity			
Distributable reserve	3 954 452	(101 443)	3 853 009
Foreign currency translation reserve	8 486	(1 521)	6 965
Non-current liabilities			
Operating lease liability	202 139	(202 139)	–
Lease liability	–	1 256 761	1 256 761
Current liability			
Lease liability	–	814 015	814 015
Provisions	4 993	(4 993)	–

1.11 **Ongoing financial impact of Covid-19**

Covid-19 has had a negative impact on the group during the 2020 financial year. During the initial lockdown (27 March 2020 to 1 May 2020) all Musica, The Body Shop and Claire's stores were closed, since these stores were classified as non-essential services. All Clicks stores were permitted to trade essential products only and for limited hours daily. Subsequent to the initial lockdown The Body Shop stores opened on 1 May 2020, while Claire's and Musica stores were permitted to trade from 1 June 2020. The initial and subsequent lockdown levels resulted in restricted trading hours, as well as lower customer footfall due to fears of Covid-19 and travel restrictions imposed on consumers. As a result consumers continued to buy larger basket values, while preferring convenience stores over destination stores.

The lockdown restrictions have resulted in lower sales as a consequence. The group incurred additional expenditure, which included personal protective equipment, store hygiene and deep-cleaning costs, protective consumables, additional data and other transport costs.

Management took decisive action to reduce variable costs and access government-funded Covid-19 assistance. These initiatives achieved savings in employment and other costs due to certain stores being closed, reduced trading hours, as well as TERS and skill levy recoveries claimed. The group also negotiated rental relief from landlords as a result of stores being closed during the lockdown period.

Despite the negative impact of Covid-19 on operations, the group has actively managed the balance sheet, thereby ensuring adequate cash resources and borrowing capacity have remained available to sustain and grow operations.

The group has performed a line-by-line assessment on the annual financial statements for the year ended 31 August 2020 for the impact of the Covid-19 pandemic on the business and its financial and operating performance.

The following material financial statement line items were considered and appropriate disclosures have been made.

1.11.1 Going concern

- The group assessed the going concern assumption at year-end as a result of the current economic, trading and operational conditions on the group consolidated annual financial statements, as well as the financial statements of each statutory entity. The directors are comfortable, based on the forecast evaluation and current financial position, that the group will continue to operate as a going concern for the 12 months after year-end.

1.11.2 Significant estimates and judgements

- Impairment of trade and other receivables (Retail and Distribution)
  - The impact of Covid-19 on the group's trade receivables was considered in the expected credit loss matrix. There was no material impact on Retail dispensary debtors. The impact on Distribution and other debtors was assessed and included in the expected credit loss matrix.

    The group considered and included, where appropriate, the impact of Covid-19 in the assessment of its forward-looking information and loss percentage adjustment.
- Impairment of goodwill, intangible assets and cash-generating units
  - The group performs an annual value-in-use calculation on all business units/cash-generating units, including those where goodwill is allocated and where intangible assets are recognised. This value in use is based on the assessment of the group's future cash flows.
- Net realisable value of inventory
  - The group assesses all inventory categories for write-down to net realisable value, should this be lower than cost. The group included the impact of Covid-19 on sales patterns and realisable values on inventory categories in its assessment of the net realisable values of these categories.
- Provision for employee benefits/share-based payments
  - The long-term incentive (LTI) liability is revalued annually based on observable inputs and the three-year plan. Covid-19 has not significantly impacted the valuation.
  - The post-retirement medical aid obligation is formally revalued every second year. Even though the group's external valuation experts performed a valuation in 2019, a valuation was performed in 2020 due to the impact of Covid-19 on the economic factors and interest rates used in the valuation.
- Clubcard provision
  - The group annually reassesses its expected redemption rate used in the valuation of the Clubcard provision. Covid-19 has not significantly impacted the valuation.
- Financial instruments (FECs and LTI hedge)
  - The group's financial instruments are designated at fair value. The group uses observable inputs to value these instruments.

    The effectiveness of the hedges is evaluated annually.
- Financial assets at fair value through profit or loss
  - The group has an investment in a unit trust investment portfolio. This portfolio is valued using observable inputs.

    Covid-19 has not significantly impacted the valuation as stock market investments have largely recovered.
- Leases
  - The group adopted the practical expedient issued by the IASB for rental concessions granted by lessors. The group elected not to treat these rental concessions as a modification to the lease, but rather treat these as a negative variable lease payment credit in the income statement.

    The group tests the ROU assets annually for impairment. This impairment test uses the budgeted future cash flows, which already takes into account the effects of Covid-19.

1.12 **Events after the reporting period**

The commencement of the new financial year was impacted over four days by the protest action against the online TRESemmé advert. This protest action resulted in the group incurring losses in revenue, inventory, as well as additional costs and damages to several stores. The group plans to submit a claim in terms of the group's insurance policy for this incident.

Registered address: Cnr Searle and Pontac Streets, Cape Town 8001. PO Box 5142, Cape Town 8000

Directors: DM Nurek* (Chairman), F Abrahams*, JA Bester*, F Daniels*, BD Engelbrecht,
M Fleming (Chief Financial Officer), MJN Njeke*, V Ramsunder (Chief Executive Officer), M Rosen*
* Independent non-executive

Company secretary: M Welz

Registration number: 1996/000645/06

Share code: CLS **ISIN:** ZAE000134854 **CUSIP:** 18682W205 **LEI:** 378900E967958A677472

Transfer secretaries: Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank 2196. Private Bag X9000, Saxonwold 2132

Sponsor: Investec Bank Limited

This information, together with additional detail, is available on the Clicks Group Limited website:

www.clicksgroup.co.za

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