INTERIM CONDENSED CONSOLIDATED RESULTS

FOR THE SIX MONTHS ENDED 29 FEBRUARY 2020

CLICKS GROUP
LIMITED

CONTENTS

Group turnover up

9.9%

Retail health and beauty sales up

9.6%

UPD reported turnover up

12.3%

Profit after tax up

12.9%

Diluted HEPS up

14.4%

Cash on hand of

R2.3 billion

COMMENTARY

Overview

Clicks Group continued its strong growth trend and delivered a highly competitive performance against a background of low economic growth, constrained consumer spending and extensive trading disruption due to electricity load shedding.

Retail health and beauty sales increased by 9.6% as Clicks gained market share across all its core product categories. UPD reported strong sales growth of 12.3% and continued to gain market share after securing new wholesale contracts.

The strong performances from both the retail and distribution businesses, together with efficient capital management, contributed to the group's diluted headline earnings per share increasing by 14.4% to 338 cents.

Owing to the economic upheaval arising from the Covid-19 pandemic, the board has decided to preserve cash and consider an annual dividend at year-end once there is greater certainty.

Financial performance

Group turnover increased by 9.9% to R16.9 billion. Retail sales grew by 8.6% and by 5.0% in comparable stores, with selling price inflation of 2.7%. Distribution turnover increased by 12.3% with price inflation of 2.4% for the half-year.

Total income grew by 8.2% to R4.6 billion, with the group's total income margin declining by 40 basis points to 27.3%. The retail margin was impacted by higher operating costs at the retail Centurion distribution centre due to the implementation of a centralised single picking project. The UPD margin strengthened by 20 basis points as the business gained new wholesale contracts.

Retail expenses grew by 7.3% as the group invested in a net 41 new Clicks stores and 44 new pharmacies over the past 12 months. Comparable retail costs were contained to an increase of 3.8%. UPD expenses, which include the costs related to the new wholesale contracts, grew by 14.5%.

Group operating profit increased by 9.4% to R1.2 billion with the group's operating margin constant at 7.4%. The retail and distribution businesses both did well to hold margins despite the low inflationary environment and challenging trading conditions.

Headline earnings grew by 13.1% to R851.2 million. Earnings per share and headline earnings per share increased by 10.2% and 10.4% respectively to 338 cents.

Working capital continues to be efficiently managed and the group's net working capital improved from 37 to 35 days. Retail inventory levels were 12.3% higher owing to increased front shop stock levels shipped earlier due to Covid-19 challenges being experienced in China. The new wholesale contracts in UPD, together with strategic stock buy-ins due to anticipated supply chain challenges in Asia and the annual increase in the single exit price of medicines, have resulted in group inventory increasing by 22.1%. These stock levels are expected to normalise in the second half of the year.

Cash generated by operating activities before dividends paid increased by 2.9% to R1.2 billion for the six months. Capital expenditure of R309 million (2019: R264 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, 20.5% higher than the prior period. Cash and cash equivalents increased by R857 million and the group had cash resources of R2.3 billion at the end of February 2020.

Subsequent to the reporting period the group repurchased 2 862 264 shares for a total consideration of R653.3 million as part of its ongoing capital management strategy aimed at enhancing returns to shareholders. The repurchases were made under a closed period mandate approved by the JSE. In order to preserve cash no further share repurchases have been made since South Africa entered the lockdown period.

Trading performance

Retail health and beauty sales, which includes Clicks and the franchise brands GNC, The Body Shop and Claire's, increased by 9.6%, driven by competitive pricing, differentiated product ranges, the Clicks ClubCard and new stores. Sales in comparable stores increased by 5.8%, with volume growth of 3.5% and inflation of 2.3% for the six months.

Clicks opened 17 stores in the six months to expand its retail footprint to 721 stores and increased its pharmacy network to 572 following the opening of 27 pharmacies. Clicks increased its share of the retail pharmacy market from 24.1% to 24.6% at February 2020 (source IQVIA).

Clicks ClubCard active membership reached 8.4 million and accounted for 78.2% of the brand's sales. ClubCard launched a new affinity partnership with Engen South Africa in December 2019 and earlier this month was appointed as the preferred health and beauty retail partner of the eBucks loyalty programme.

UPD grew wholesale turnover by 17.6% as the business gained new private hospital and buying group contracts. This contributed to UPD increasing its market share from 26.0% to 27.2% at February 2020 (source IQVIA). UPD's total managed turnover, combining wholesale and bulk distribution, increased by 3.3% to R10.6 billion, impacted by the timing of State tenders.

Trading update for seven weeks to 19 April 2020

Following the declaration of the state of disaster in South Africa in response to the Covid-19 pandemic and the subsequent announcement of the national lockdown, Clicks experienced unprecedented levels of sales demand by customers across stores nationally, particularly in hygiene and healthcare products. However, this trend has reversed during the lockdown period.

Retail sales for the seven weeks to 19 April 2020 (the period), being the first seven weeks of the second half of the financial year, increased by 7.9% with health and beauty sales up 9.3%. The period includes the first 24 days of the lockdown during which time Clicks has been restricted to shorter trading hours and limited to only selling essential products. All Musica, The Body Shop and Claire's stores are closed during the lockdown.

UPD's turnover for the period grew by 31.2% due to customers preparing for the Covid-19 impact. UPD is well positioned in terms of its scale and logistics capabilities to support all healthcare facilities with medicine requirements as the country deals with the Covid-19 pandemic.

Group turnover for the period increased by 15.9%.

Outlook

Trading conditions are expected to be extremely tough for the remainder of the financial year as the extent and economic impact of the Covid-19 pandemic are unknown. This could be compounded by electricity load shedding which remains a risk to retail sales, particularly in the higher-demand winter season. The recent sharp depreciation in the value of the Rand could impact on selling price inflation towards the end of the financial year and place further pressure on constrained consumers.

The group's sustained long-term performance is evidence that the strategy and business model remain relevant and resilient. This will be severely tested in the months ahead. The business has a robust balance sheet, generates strong cash flows and its plans to open 38 new Clicks stores and 40 pharmacies in the financial year are unchanged.

Despite the headwinds from the Covid-19 pandemic the group is well positioned in its core markets to respond to the needs of retail and distribution customers during this time of uncertainty and crisis. The directors remain confident in the group's ability to deliver on its medium-term targets.

The financial information in this announcement has not been reviewed or reported on by the group's independent auditor.

By order of the board

Matthew Welz
Company secretary

23 April 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Unaudited six months to 29 February 2020	Restated six months to 28 February 2019	% change	Restated year to 31 August 2019
Revenue	**17 918 650**	16 245 459	10.3	33 376 010
Turnover	**16 856 600**	15 334 139	9.9	31 352 109
Cost of merchandise sold	**(13 272 251)**	(11 970 087)	10.9	(24 662 049)
Gross profit	**3 584 349**	3 364 052	6.5	6 690 060
Other income	**1 016 801**	887 550	14.6	1 960 480
Total income	**4 601 150**	4 251 602	8.2	8 650 540
Expenses	**(3 355 532)**	(3 113 451)	7.8	(6 144 001)
Depreciation and amortisation	**(543 631)**	(486 860)	11.7	(1 004 998)
Occupancy costs	**(98 396)**	(95 242)	3.3	(190 119)
Employment costs	**(1 777 682)**	(1 678 429)	5.9	(3 341 862)
Other costs	**(935 759)**	(854 727)	9.5	(1 605 693)
Impairment allowance	**(64)**	1 807		(1 329)
Operating profit	**1 245 618**	1 138 151	9.4	2 506 539
Profit/(loss) on disposal of property, plant and equipment	**102**	491		(351)
Loss on disposal of business	**(1 196)**	–		–
Profit before financing costs	**1 244 524**	1 138 642	9.3	2 506 188
Net financing costs	**(66 881)**	(95 302)	(29.8)	(175 754)
Financial income	**45 249**	23 770	90.4	63 421
Financial expense	**(112 130)**	(119 072)	(5.8)	(239 175)
Profit before earnings from associate	**1 177 643**	1 043 340	12.9	2 330 434
Share of profit of an associate	**1 813**	1 308		2 803
Profit before taxation	**1 179 456**	1 044 648	12.9	2 333 237
Income tax expense	**(329 402)**	(291 442)	13.0	(652 115)
Profit for the period	**850 054**	753 206	12.9	1 681 122
Other comprehensive income/(loss):				
Items that will not be subsequently reclassified to profit or loss	**–**	–		6 337
Remeasurement of post-employment benefit obligations	**–**	–		8 801
Deferred tax on remeasurement	**–**	–		(2 464)
Items that may be subsequently reclassified to profit or loss				
Exchange differences on translation of foreign subsidiaries	**363**	(4 474)		(2 222)
Cash flow hedges	**14 699**	(57 241)		(13 877)
Change in fair value of effective portion	**20 415**	(79 501)		(19 274)
Deferred tax on movement of effective portion	**(5 716)**	22 260		5 397
Cost of hedging reserve	**(9 874)**	(7 421)		(15 827)
Cost of hedging recognised	**(13 714)**	(10 307)		(21 982)
Deferred tax on cost of hedging	**3 840**	2 886		6 155
Other comprehensive income/(loss) for the period, net of tax	**5 188**	(69 136)		(25 589)
Total comprehensive income for the period	**855 242**	684 070		1 655 533
Earnings per share (cents)	**338.0**	306.7	10.2	674.8
Diluted earnings per share (cents)	**338.0**	296.1	14.2	663.2

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Unaudited As at 29 February 2020	Restated as at 28 February 2019	Restated as at 31 August 2019
Non-current assets	**5 378 431**	5 158 394	5 045 548
Property, plant and equipment	**2 120 231**	1 930 401	2 067 036
Right-of-use asset	**2 241 816**	2 100 777	2 046 014
Intangible assets	**531 654**	461 714	497 078
Goodwill	**102 806**	103 510	102 806
Deferred tax assets	**97 205**	337 504	95 060
Investment in associate	**20 505**	20 320	20 091
Loans receivable	**10 153**	14 491	10 131
Financial assets at fair value through profit or loss	**116 803**	73 518	75 370
Derivative financial assets	**137 258**	116 159	131 962
Current assets	**10 594 265**	8 986 742	10 023 576
Inventories	**5 904 831**	4 835 256	4 710 169
Trade and other receivables	**2 258 907**	2 626 468	2 567 123
Income tax receivable	**-**	-	29 744
Loans receivable	**611**	691	611
Cash and cash equivalents	**2 309 305**	1 452 400	2 613 554
Derivative financial assets	**120 611**	71 927	102 375
Total assets	**15 972 696**	14 145 136	15 069 124
Equity and liabilities			
Total equity	**4 849 989**	4 275 388	4 786 987
Non-current liabilities	**1 848 570**	1 796 273	1 688 563
Lease liability	**1 732 115**	1 614 286	1 489 563
Employee benefits	**116 455**	181 987	199 000
Current liabilities	**9 274 137**	8 073 475	8 593 574
Trade and other payables	**8 020 688**	6 911 605	7 303 492
Lease liability	**879 823**	848 822	852 702
Employee benefits	**272 760**	276 374	366 218
Income tax payable	**100 866**	35 939	71 162
Derivative financial liabilities	**-**	735	-
Total equity and liabilities	**15 972 696**	14 145 136	15 069 124

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Unaudited six months to 29 February 2020	Restated six months to 28 February 2019	Restated year to 31 August 2019
Operating profit before working capital changes	**1 769 775**	1 669 845	3 563 332
Working capital changes	**(391 224)**	(489 217)	203 429
Net interest received	**44 630**	20 959	58 945
Taxation paid	**(260 885)**	(136 409)	(262 241)
Acquisition of derivative financial asset used to hedge the long-term incentive scheme	**(49 635)**	(66 313)	(66 313)
Settlement of derivative financial asset used to hedge the long-term incentive scheme	**120 481**	199 816	199 816
Cash inflow from operating activities before dividends paid	**1 233 142**	1 198 681	3 696 968
Dividends paid to shareholders	**(822 486)**	(682 486)	(980 506)
Net cash effects from operating activities	**410 656**	516 195	2 716 462
Net cash effects from investing activities	**(340 466)**	(253 523)	(635 494)
Capital expenditure	**(308 997)**	(263 956)	(646 714)
Other investing activities	**(31 469)**	10 433	11 220
Net cash effects from financing activities	**(374 439)**	(334 087)	(991 229)
Proceeds from sale of treasury shares	**–**	–	50 974
Purchase of treasury shares	**–**	(3 875)	(210 637)
Transaction cost on issue of shares	**–**	–	(299)
Repayment of lease liability	**(374 439)**	(330 212)	(831 267)
Net (decrease)/increase in cash and cash equivalents	**(304 249)**	(71 415)	1 089 739
Cash and cash equivalents at the beginning of the period	**2 613 554**	1 523 815	1 523 815
Cash and cash equivalents at the end of the period	**2 309 305**	1 452 400	2 613 554

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Unaudited six months to 29 February 2020	Restated six months to 28 February 2019	Restated year to 31 August 2019
Opening balance	**4 786 987**	4 424 007	4 424 007
Effect of adoption of new accounting standards	**–**	(102 964)	(102 964)
Opening balance (restated)	**4 786 987**	4 321 043	4 321 043
Dividends paid to shareholders	**(822 486)**	(682 486)	(980 506)
Total comprehensive income for the period	**855 242**	684 070	1 655 533
Transaction cost on share issue	**–**	(299)	(299)
Share-based payment reserve movement	**–**	(26 699)	(26 699)
Net treasury share movement	**–**	(3 875)	(159 663)
Transfer of reserves to inventory	**30 246**	(16 366)	(22 422)
Total	**4 849 989**	4 275 388	4 786 987
Dividend per share (cents)			
Interim declared/paid	**–**	118.0	118.0
Final paid	**–**	–	327.0
	–	118.0	445.0

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
Unaudited six months to 29 February 2020					
Retail	**12 304 501**	**1 043 348**	**9 010 385**	**274 649**	**5 982 854**
Distribution	**7 466 595**	**220 655**	**8 497 210**	**22 640**	**5 957 530**
Inter-segmental	**(2 914 496)**	**(18 385)**	**(4 569 917)**	**–**	**(4 475 485)**
Total reportable segmental balance	**16 856 600**	**1 245 618**	**12 937 678**	**297 289**	**7 464 899**
Non-reportable segmental balance	**–**	**(66 162)**	**3 035 018**	**11 708**	**3 657 808**
Total group balance	**16 856 600**	**1 179 456**	**15 972 696**	**308 997**	**11 122 707**
Restated six months to 28 February 2019					
Retail	11 329 682	957 639	7 735 631	231 716	5 788 496
Distribution	6 650 524	194 330	6 926 771	12 587	4 831 130
Inter-segmental	(2 646 067)	(13 818)	(3 217 839)	–	(3 142 010)
Total reportable segmental balance	15 334 139	1 138 151	11 444 563	244 303	7 477 616
Non-reportable segmental balance	–	(93 503)	2 700 573	19 653	2 392 132
Total group balance	15 334 139	1 044 648	14 145 136	263 956	9 869 748
Restated twelve months to 31 August 2019					
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

SEGMENTAL ANALYSIS CONTINUED

R'000	Unaudited as at 29 February 2020	Restated as at 28 February 2019	Restated as at 31 August 2019
Non-reportable segmental profit before taxation consists of:			
Profit/(loss) on disposal of property, plant and equipment	**102**	491	(351)
Loss on sale of business	**(1 196)**	–	–
Financial income	**45 249**	23 770	63 421
Financial expense	**(112 130)**	(119 072)	(239 175)
Share of profit of an associate	**1 813**	1 308	2 803
	(66 162)	(93 503)	(173 302)

SUPPLEMENTARY INFORMATION

		Unaudited as at 29 February 2020	Restated as at 28 February 2019	Restated as at 31 August 2019
Number of ordinary shares in issue (gross)	('000)	**251 525**	262 083	262 083
Number of ordinary shares in issue (net of treasury shares)	('000)	**251 525**	252 355	251 525
Weighted average number of shares in issue (net of treasury shares)	('000)	**251 525**	245 582	249 125
Weighted average diluted number of shares in issue (net of treasury shares)	('000)	**251 525**	254 394	253 471
Net asset value per share	(cents)	**1 928**	1 694	1 903
Net tangible asset value per share	(cents)	**1 676**	1 470	1 665
Depreciation and amortisation	(R'000)	**565 238**	500 680	1 036 325
Capital expenditure	(R'000)	**308 997**	263 956	646 714
Capital commitments	(R'000)	**389 003**	436 617	717 830

ACCOUNTING POLICIES AND NOTES

1.1 These condensed consolidated financial statements for the six months ended 29 February 2020 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for interim reports and the requirements of the Companies Act of South Africa. The Listings Requirements require interim 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.

The information contained in the interim report has neither been audited nor reviewed by the group's external auditors. These condensed consolidated financial results have been prepared under the supervision of M Fleming CA(SA), the Chief Financial Officer of the group.

The accounting policies used in the preparation of the financial results for the six months ended 29 February 2020 are in terms of IFRS and are consistent with those applied in the Audited Annual Financial Statements for the year ended 31 August 2019, with the exception of the adoption of IFRS 16 for which the accounting policies were changed from 1 September 2019.

1.2 The segmental analysis for the period ended 28 February 2019 and the year ended 31 August 2019 have been restated with the adoption of IFRS 16. The restatements have been outlined in note 1.11.

1.3 Related party transactions for the current period are similar to those disclosed in the group's annual financial statements for the year ended 31 August 2019. No significant related party transactions arose during the current period.

1.4 During the period the group cancelled 10 558 528 Clicks Group Limited ordinary shares held by New Clicks South Africa Proprietary Limited as approved by the shareholders at the AGM held on 30 January 2020.

1.5 Inventories have increased by 22.1% on the prior year, mainly as a result of new wholesale contracts and strategic inventory buy-ins ahead of the single exit price increase in the Distribution business.

1.6 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. All financial instruments accounted for at fair value through profit or loss are considered to be level 2 investments with the exception of investments held by the New Clicks Foundation Trust which are considered to be level 1 instruments. The Guardrisk Insurance Company Limited investment is valued at the net asset value of the cell captive. There have been no transfers between levels 1, 2 and 3 during the period. The fair value disclosures are available in the Audited Annual Financial Statements for the year ended 31 August 2019. There were no changes in the group's valuation processes, valuation techniques and types of inputs used in the fair value measurements during the interim financial period.

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

1.8 The group disposed of its interest in Kala Hari Medical Distributors Proprietary Limited during the financial period. Refer to the cash flow statement in the interim group results for details.

1.9 **Headline earnings reconciliation**

R'000	**Unaudited six months to 29 February 2020**	Restated six months to 28 February 2019	% change	Restated year to 31 August 2019
Total profit for the period	**850 054**	753 206		1 681 122
Adjusted for:				
(Profit)/loss net of tax on disposal of property, plant and equipment	**(73)**	(353)		254
Profit on disposal of subsidiary	**1 196**	–		–
Goodwill impairment	**–**	–		704
Headline earnings	**851 177**	752 853	13.1	1 682 080
Headline earnings per share (cents)	**338.4**	306.6	10.4	675.2
Diluted headline earnings per share (cents)	**338.4**	295.9	14.4	663.6

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

	29 February 2020	28 February 2019	31 August 2019
Revenue from contracts with customers			
Goods sold to customers	**16 856 600**	15 334 139	31 352 109
Other income	**1 016 801**	887 550	1 960 480
Distribution and logistics fees	**489 078**	413 751	927 015
Cost recoveries and other	**527 723**	473 799	1 033 465
	17 873 401	16 221 689	33 312 589

1.11 The statements of financial position at 28 February 2019 and 31 August 2019, the statements of comprehensive income, changes in equity and cash flows for the period and year then ended respectively have been restated.

Prior-period error

The group uses derivative financial instruments (options) to hedge its exposure to the cash flow risk arising on its cash-settled share-based compensation schemes. These options have been designated as hedging instruments and hedge accounting has been applied. In prior periods the group incorrectly classified the cash flows from these derivatives as financing activities; however, in terms of IAS 39.IG.G.2 "cash flows arising from hedging instruments are classified as operating, investing or financing activities, on the basis of the classification of the cash flows arising from the hedged item". The cash flows should have been classified as operating activities as the cash flows of the related hedged items have been included in operating activities (employee costs). This is in accordance with IAS 7.16 which states that "when a contract is accounted for as a hedge of an identifiable position the cash flows of the contract are classified in the same manner as the cash flows of the position being hedged".

In addition, the basis adjustment to include deferred gains/losses on hedging instruments directly in inventory was incorrectly shown as a reclassification adjustment through other comprehensive income. This error had no impact on reported profit for the year, or total equity.

R'000	28 February 2019	Correction of error	IFRS 16	2019 restated
Consolidated statement of cash flows				
Cash effects from operating activities				
Acquisition of derivative financial asset used to hedge the long-term incentive scheme	–	(66 313)	–	(66 313)
Settlement of derivative financial asset used to hedge the long-term incentive scheme	–	199 816	–	199 816
Net cash effects from operating activities	52 480	133 503	330 212	516 195
Cash effects from financing activities				
Acquisition of derivative financial asset used to hedge the long-term incentive scheme	(66 313)	66 313	–	–
Settlement of derivative financial asset used to hedge the long-term incentive scheme	199 816	(199 816)	–	–
Net cash effects from financing activities	129 628	(133 503)	(330 212)	(334 087)

R'000	28 February 2019	Correction of error	2019 restated
Other comprehensive income			
Cash flow hedges	(82 950)	25 709	(57 241)
Change in fair value of effective portion	(115 208)	35 707	(79 501)
Deferred tax on movement of effective portion	32 258	(9 998)	22 260

R'000	28 February 2019	Correction of error	2019 restated
Statement of changes in equity			
Cash flow hedge reserve	(82 950)	25 709	(57 241)
Transfer of reserves to inventory	–	(25 709)	(25 709)

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 a straight-lining expense in terms of IAS 17. 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. All other leases are recognised as short-term leases or small value items. As a practical expedient, the group applied IFRS 16 C.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 period when the expense was incurred.

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 property, plant and equipment, lease liabilities, deferred tax, depreciation, finance cost and income tax expense.

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

R'000	28 February 2019	IFRS 16	2019 restated
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Non-current assets			
Right-of-use asset	–	2 100 777	2 100 777
Deferred tax asset	293 978	43 526	337 504
Equity			
Distributable reserve	4 085 653	(111 924)	3 973 729
Foreign currency translation reserve	3 506	(1 015)	2 491
Non-current liabilities			
Operating lease liability	198 929	(198 929)	–
Lease liability	–	1 614 286	1 614 286
Current liability			
Lease liability	–	848 822	848 822
Provisions	6 937	(6 937)	–
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
Depreciation and amortisation	(177 242)	(309 618)	(486 860)
Occupancy costs	(498 826)	403 584	(95 242)
Financial expense	(10 549)	(108 523)	(119 072)
Income tax expense	(295 518)	4 076	(291 442)
Other comprehensive income			
Exchange differences on translation of foreign subsidiaries	(4 980)	506	(4 474)
CONSOLIDATED CASH FLOW STATEMENT			
Cash effects from operating activities			
Profit before working capital changes	1 263 051	406 794	1 669 845
Working capital changes	(412 635)	(76 582)	(489 217)
Cash effects from financing activities			
Repayment of lease liability	–	(330 212)	(330 212)
NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS			
Profit before working capital changes			
Profit before tax	1 059 205	(14 557)	1 044 648
Net financing cost	(13 221)	108 523	95 302
Depreciation and amortisation	191 062	309 618	500 680
Movement in operating lease liability	(3 210)	3 210	–
Working capital changes			
Increase in trade and other receivables	(294 937)	(74 638)	(369 575)
Increase in provisions	1 944	(1 944)	–

R'000	31 August 2019	IFRS 16	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)
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
Cash effects from financing activities			
Repayment of lease liability	–	(831 267)	(831 267)
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 cost	(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)	–

1.12 Events after the reporting period

Acquisition of Clicks Group Limited shares
Subsequent to the reporting date the company repurchased 2 862 264 Clicks Group Limited shares for a total consideration of R653.3 million under a closed period mandate approved by the JSE. The company applied to the JSE to cancel and delist the shares repurchased by Clicks Group Limited, which was approved.

Trading update for seven weeks to 19 April 2020
Following the declaration of the state of disaster in South Africa in response to the Covid-19 pandemic and the subsequent announcement of the national lockdown, Clicks experienced unprecedented levels of sales demand by customers across stores nationally, particularly in hygiene and healthcare products. However, this trend has reversed during the lockdown period.

Retail sales for the seven weeks to 19 April 2020 (the period), being the first seven weeks of the second half of the financial year, increased by 7.9%, with health and beauty sales up 9.3%. The period includes the first 24 days of the lockdown during which time Clicks has been restricted to shorter trading hours and limited to only selling essential products. All Musica, The Body Shop and Claire's stores are closed during the lockdown.

UPD's turnover for the period grew by 31.2% due to customers preparing for the Covid-19 impact. UPD is well positioned in terms of its scale and logistics capabilities to support all healthcare facilities with medicine requirements as the country deals with the Covid-19 pandemic.

Group turnover for the period increased by 15.9%.

Ongoing financial impact of Covid-19
In line with standard governance practice, the board has made an assessment of the group's solvency and liquidity applying forecast scenarios and is confident in the group's ability to continue as a going concern for the foreseeable future. The business has a robust balance sheet, generates strong cash flows and plans to open 38 new Clicks stores and 40 pharmacies in the financial year. Owing to the economic upheaval arising from the Covid-19 pandemic, the board has decided to preserve cash and consider an annual dividend at year-end once there is greater certainty.

Significant assumptions made in preparing the group's interim results remain largely unchanged at this stage as a result of Covid-19. The pandemic remains a risk to retail sales, which could be further compounded by electricity load shedding, particularly in the higher-demand winter season. The recent sharp depreciation in the value of the Rand could impact on selling price inflation towards the end of the financial year and place further pressure on constrained consumers. The group is not exposed to credit risk from in-store customers, however it does carry trade receivables from hospitals, medical aids and independent pharmacies, in addition to amounts recoverable from vendors. At this stage no significant change in this credit risk has been noted, however this will be actively monitored. While Musica, The Body Shop and Claire's stores have been restricted from trading during lockdown, no significant impairments of store assets are expected to arise; further assessment of this will be conducted in the second half of the year. There has been no significant impact on the net realisable value of inventory as a result of the crisis.

Trading conditions are expected to be extremely tough for the remainder of the financial year as the full extent and economic impact of the Covid-19 pandemic are unknown. To date the group has continued to pay rentals on Clicks stores, is actively seeking rental relief on Musica, The Body Shop and Claire's stores that cannot trade during the lockdown and will apply for applicable tax incentives over the coming months.

Despite the headwinds from the Covid-19 pandemic the group is well positioned in its core markets to respond to the needs of retail and distribution customers during this time of uncertainty and crisis. The directors remain confident in the group's ability to deliver on its medium-term targets.

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), NN Gobodo*, 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. PO Box 61051, Marshalltown 2107

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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