CLICKS GROUP LIMITED

PRELIMINARY REVIEWED CONDENSED CONSOLIDATED RESULTS

FOR THE YEAR ENDED 31 AUGUST 2019

CONTENTS

Group turnover up

7.2%

Health and beauty turnover up

10.5%

Operating margin up 40 bps to

7.4%

Cash generated by operations

R2.9 billion

Diluted HEPS up

16.8%

Total dividend up

17.1%

COMMENTARY

Overview

Clicks Group posted another year of strong growth as both the retail and distribution businesses delivered highly competitive performances in an environment of low economic growth and challenging trading conditions.

Retail health and beauty sales increased by 10.5% on good volume growth as Clicks gained market share across all its core product categories.

UPD also performed well, growing its operating margin by gaining new bulk distribution contracts while also reporting growth in market share.

The group's diluted headline earnings per share (HEPS) increased by 16.8% to 672 cents. The total dividend grew by 17.1% to 445 cents per share, with the dividend payout ratio being increased from 62% to 65%.

Over the past 10 years the group has returned R7.4 billion to shareholders and generated a compound annual total shareholder return of 28.6% per annum. Diluted HEPS has grown by a compound rate of 15.0% per annum and dividend per share by 18.1% per annum, with the dividend payout ratio increasing from 50% to 65% over the past decade.

Financial performance

Group turnover increased by 7.2% to R31.4 billion. Retail sales grew by 9.7% and by 6.4% in comparable stores, with selling price inflation of only 1.5%. Distribution turnover increased by 4.0% with price inflation of 0.9% for the year.

Total income grew by 9.7% to R8.7 billion, with the group's total income margin strengthening by 60 basis points to 27.6%. The retail margin was impacted by increased transport costs and product mix. The UPD margin benefited mainly from gaining new distribution contracts.

Retail expenses grew by 8.1% as the group invested in a net 42 new health and beauty stores, 35 additional pharmacies and refurbished 56 stores.

Comparable retail costs were contained to an increase of 5.6%. UPD expenses, which include the costs related to the new distribution contracts, grew by 10.2%, well below the growth in total managed turnover of 17.6%.

Group operating profit increased by 14.2% to R2.3 billion, with the group's operating margin expanding by 40 basis points to 7.4%. The retail and distribution businesses both improved operating margins despite the low inflationary environment and challenging trading conditions.

Working capital continues to be efficiently managed and the group's net working capital improved from 36 to 34 days. Retail inventory levels were 10.9% higher owing to the expansion of the store footprint.

Cash generated by operations increased by 19.5% to R2.9 billion. Capital expenditure of R647 million (2018: R671 million) was invested mainly in new stores and pharmacies, store refurbishments, supply chain and information technology. Cash resources increased by R1.1 billion over the previous year and the group ended the year with cash of R2.6 billion.

The group returned R1.2 billion to shareholders in dividend payments (R981 million) and share buy-backs (R211 million).

Trading performance

Retail health and beauty sales, which includes Clicks and the franchise brands GNC, The Body Shop and Claire's, increased by 10.5%, driven by competitive pricing, a differentiated product offer and new stores. Sales in comparable stores increased by 6.9% and showed strong volume growth of 5.8%, with inflation of only 1.1% for the year.

Clicks opened its 700th store in August 2019, ending the year on 704 stores, and increased its pharmacy network to 545 pharmacies. Clicks increased its share of the retail pharmacy market from 23.9% to 24.9% at August 2019 (source IQVIA).

Clicks ClubCard active membership reached 8.1 million and accounted for 77.6% of the brand's sales. In the past year R504 million was paid to customers in cashback rewards.

UPD's total managed turnover, combining wholesale and bulk distribution, increased by 17.6% to R21.1 billion. The business gained four new distribution contracts in the past year, increasing its portfolio of bulk distribution clients to 30. UPD grew wholesale turnover by 6.8% and increased its market share from 26.0% to 27.0% at August 2019 (source IQVIA).

Outlook

While the consumer spending environment will continue to be constrained in the year ahead, the group has adapted well to trading in this protracted economic downturn and the group is confident of sustaining volume growth in the year ahead.

The group operates in growing and defensive health and beauty markets where the strategy and business model have proven to be resilient, ensuring that the group's market-leading brands are well positioned to increase market share.

Selling price inflation is expected to remain low in the first half of the 2020 financial year and the group anticipates that the annual increase in the single exit price (SEP) of medicines will be marginally higher than the current year.

Capital investment of R718 million is planned for the new financial year, focused on the store and pharmacy network as well as retail and distribution infrastructure to support the increased scale of the business.

Final dividend

The board of directors has approved a final gross ordinary dividend for the period ended 31 August 2019 of 327.0 cents per share (2018: 277.5 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 65.4 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 261.6 cents net of DT.

The company has 262 083 439 ordinary shares in issues. 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, 21 January 2020
Shares trade "ex" the dividend	Wednesday, 22 January 2020
Record date	Friday, 24 January 2020
Payment to shareholders	Monday, 27 January 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 22 January 2020 and Friday, 24 January 2020, both days inclusive.

The board of directors has determined that dividend cheques amounting to R50.00 or less due to any ordinary shareholder will not be paid unless a written request to the contrary is delivered to the transfer secretaries, Computershare Investor Services Proprietary Limited, by no later than close of business on Tuesday, 21 January 2020, being the day the shares trade "cum" the dividend. Unpaid dividend cheques will be aggregated with other such amounts and donated to a charity to be nominated by the directors.

Matthew Welz
Company secretary

24 October 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Year to 31 August 2019	Restated year to[1] 31 August 2018	% change
Revenue	**33 376 010**	30 981 958	7.7
Turnover	**31 352 109**	29 239 054	7.2
Cost of merchandise sold	**(24 662 049)**	(23 071 202)	6.9
Gross profit	**6 690 060**	6 167 852	8.5
Other income	**1 960 480**	1 717 147	14.2
Total income	**8 650 540**	7 884 999	9.7
Expenses	**(6 329 145)**	(5 852 575)	8.1
Depreciation and amortisation	**(368 865)**	(319 976)	15.3
Occupancy costs	**(1 011 396)**	(927 661)	9.0
Employment costs	**(3 341 862)**	(3 094 845)	8.0
Other costs	**(1 605 693)**	(1 514 191)	6.0
Impairment (allowance)/recovery	**(1 329)**	4 098	
Operating profit	**2 321 395**	2 032 424	14.2
Loss on disposal of property, plant and equipment	**(351)**	(1 287)	
Profit before financing costs	**2 321 044**	2 031 137	14.3
Net financing income	**39 656**	2 065	
Financial income	**63 421**	25 757	146.2
Financial expense	**(23 765)**	(23 692)	0.3
Profit before earnings from associate	**2 360 700**	2 033 202	16.1
Share of profit of an associate	**2 803**	2 541	10.3
Profit before taxation	**2 363 503**	2 035 743	16.1
Income tax expense	**(660 589)**	(567 375)	16.4
Profit for the year	**1 702 914**	1 468 368	16.0
Other comprehensive (loss)/income:			
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	**(1 155)**	9 242	
Cash flow hedges	**(13 877)**	64 423	
Change in fair value of effective portion	**(19 274)**	89 476	
Deferred tax on movement of effective portion	**5 397**	(25 053)	
Cost of hedging reserve	**(15 827)**	(18 409)	
Cost of hedging recognised	**(21 982)**	(25 568)	
Deferred tax on cost of hedging	**6 155**	7 159	
Other comprehensive (loss)/income for the year, net of tax	**(24 522)**	55 256	
Total comprehensive income for the year	**1 678 392**	1 523 624	
Earnings per share (cents)	**683.6**	609.1	12.2
Diluted earnings per share (cents)	**671.8**	575.0	16.8

HEADLINE EARNINGS RECONCILIATION

R'000	Year to 31 August 2019	Restated year to[1] 31 August 2018	% change
Total profit for the year	**1 702 914**	1 468 368	
Adjusted for:			
Loss net of tax on disposal of property, plant and equipment	**254**	927	
Goodwill impairment	**704**	–	
Headline earnings	**1 703 872**	1 469 295	16.0
Headline earnings per share (cents)	**683.9**	609.5	12.2
Diluted headline earnings per share (cents)	**672.2**	575.3	16.8

[1] Retrospective adjustment relating to the adoption of IFRS 15 and IFRS 9. Refer to note 1.9.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	As at 31 August 2019	Restated as at[1] 31 August 2018	Restated as at[1] 1 September 2017
Non-current assets	**2 951 610**	3 233 920	2 855 625
Property, plant and equipment	**2 067 036**	1 843 402	1 533 935
Intangible assets	**497 078**	476 761	457 603
Goodwill	**102 806**	103 510	103 510
Deferred tax assets	**47 136**	478 608	573 567
Investment in associate	**20 091**	20 044	20 039
Loans receivable	**10 131**	15 003	4 500
Financial assets at fair value through profit or loss	**75 370**	82 482	27 580
Derivative financial assets	**131 962**	214 110	134 891
Current assets	**10 103 065**	8 354 984	6 890 087
Inventories	**4 710 169**	4 250 907	3 777 047
Trade and other receivables	**2 646 612**	2 331 531	2 212 719
Income tax receivable	**29 744**	–	–
Loans receivable	**611**	9 675	9 000
Cash and cash equivalents	**2 613 554**	1 523 815	700 473
Derivative financial assets	**102 375**	239 056	190 848
Total assets	**13 054 675**	11 588 904	9 745 712
Equity and liabilities			
Total equity	**4 912 810**	4 424 007	3 296 894
Non-current liabilities	**391 894**	447 546	402 257
Employee benefits	**199 000**	245 407	209 231
Operating lease liability	**192 894**	202 139	193 026
Current liabilities	**7 749 971**	6 717 351	6 046 561
Trade and other payables	**7 303 492**	6 227 123	5 503 235
Employee benefits	**366 218**	418 216	394 460
Provisions	**9 099**	4 993	6 733
Income tax payable	**71 162**	67 019	132 991
Derivative financial liabilities	**–**	–	9 142
Total equity and liabilities	**13 054 675**	11 588 904	9 745 712

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Year to 31 August 2019	Restated year to[1] 31 August 2018
Operating profit before working capital changes	**2 732 810**	2 264 349
Working capital changes	**202 684**	191 206
Net interest received	**58 945**	16 301
Taxation paid	**(262 241)**	(267 341)
Acquisition of derivative financial asset used to hedge the long-term incentive scheme[2]	**(66 313)**	(83 115)
Settlement of derivative financial asset used to hedge the long-term incentive scheme[2]	**199 816**	190 848
Cash inflow from operating activities before dividends paid	**2 865 701**	2 312 248
Dividends paid to shareholders	**(980 506)**	(811 578)
Net cash effects from operating activities	**1 885 195**	1 500 670
Net cash effects from investing activities	**(635 494)**	(726 900)
Capital expenditure	**(646 714)**	(671 233)
Other investing activities	**11 220**	(55 667)
Net cash effects from financing activities	**(159 962)**	49 572
Purchase of treasury shares	**(210 637)**	–
Proceeds from sale of treasury shares	**50 974**	49 855
Transaction cost on the issue of shares	**(299)**	(283)
Net increase in cash and cash equivalents	**1 089 739**	823 342
Cash and cash equivalents at the beginning of the year	**1 523 815**	700 473
Cash and cash equivalents at the end of the year	**2 613 554**	1 523 815

[1] Retrospective adjustment relating to the adoption of IFRS 15 and IFRS 9. Refer to note 1.9.
[2] Retrospective adjustment relating to a prior-period error. Refer to note 1.8.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	**Year to 31 August 2019**	Restated year to[1] 31 August 2018
Opening balance	**4 424 007**	3 300 350
Effect of adoption of new accounting standards	**–**	(3 456)
Opening balance (restated)	**4 424 007**	3 296 894
Dividends paid to shareholders	**(980 506)**	(811 578)
Total comprehensive income for the year	**1 678 392**	1 523 624
Transaction cost on share issue	**(299)**	(283)
Share-based payment reserve movement	**(26 699)**	341 284
Net treasury share movement	**(159 663)**	49 855
Withholding tax on distribution to shareholders[2]	**–**	5 634
Transfer of reserves to inventory	**(22 422)**	18 577
Total	**4 912 810**	4 424 007
Dividend per share (cents)		
Interim paid	**118.0**	102.5
Final declared/paid	**327.0**	277.5
	445.0	380.0

[1] Retrospective adjustment relating to the adoption of IFRS 15 and IFRS 9. Refer to note 1.9.
[2] Release of withholding tax overprovision related to the 2012 interim dividend.

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 2019					
Retail	**23 104 815**	**1 881 158**	**6 452 600**	**554 157**	**3 845 445**
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**	**2 321 395**	**9 877 919**	**594 193**	**5 010 336**
Non-reportable segmental balance	**–**	**42 108**	**3 176 756**	**52 520**	**3 131 529**
Total group balance	**31 352 109**	**2 363 503**	**13 054 675**	**646 714**	**8 141 865**
Twelve months to 31 August 2018 (restated)*					
Retail	21 062 318	1 695 304	5 194 332	539 775	3 257 926
Distribution	13 376 110	362 314	6 316 781	74 512	4 406 823
Inter-segmental	(5 199 374)	(25 194)	(3 227 746)	–	(3 165 735)
Total reportable segmental balance	29 239 054	2 032 424	8 283 367	614 287	4 499 014
Non-reportable segmental balance	–	3 319	3 305 537	56 946	2 665 883
Total group balance	29 239 054	2 035 743	11 588 904	671 233	7 164 897

* Refer to note 1.2.

SEGMENTAL ANALYSIS CONTINUED

R'000	Year to 31 August 2019	Year to 31 August 2018
Non-reportable segmental profit before taxation consists of:		
Loss on disposal of property, plant and equipment	**(351)**	(1 287)
Financial income	**63 421**	25 757
Financial expense	**(23 765)**	(23 692)
Share of profit of an associate	**2 803**	2 541
	42 108	3 319

SUPPLEMENTARY INFORMATION

		As at 31 August 2019	As at 31 August 2018
Number of ordinary shares in issue (gross)	('000)	**262 083**	253 948
Number of ordinary shares in issue including "A" shares issued in terms of employee share ownership programme (gross)	('000)	**262 083**	268 525
Number of ordinary shares in issue (net of treasury shares)	('000)	**251 525**	244 505
Weighted average number of shares in issue (net of treasury shares)	('000)	**249 125**	241 073
Weighted average diluted number of shares in issue (net of treasury shares)	('000)	**253 471**	255 385
Net asset value per share	(cents)	**1 953**	1 811
Net tangible asset value per share	(cents)	**1 715**	1 574
Depreciation and amortisation	(R'000)	**400 192**	339 142
Capital expenditure	(R'000)	**646 714**	671 233
Capital commitments	(R'000)	**717 830**	698 949

ACCOUNTING POLICIES AND NOTES

1.1 These condensed consolidated financial statements for the year ended 31 August 2019 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), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by 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 2019 are in terms of IFRS and are consistent with those applied in the Audited Financial Statements for the year ended 31 August 2018, with the exception of the adoption of IFRS 15 and IFRS 9 for which the accounting policies were changed from 1 September 2018.

1.2 The segmental analysis for the year ended 31 August 2018 has been restated with the adoption of IFRS 15 and IFRS 9. The restatement has been outlined in note 1.9.

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 2018. During the year Clicks Group Limited issued 261 396 ordinary shares to the New Clicks Foundation Trust arising from the unwind of 50% of the employee share ownership scheme. No other significant related party transactions arose during the year.

1.4 In terms of the unwind of 50% of the Clicks Group Employee Share Ownership Scheme, 8 135 087 ordinary shares were issued to beneficiaries of the scheme and 14 576 648 ordinary "A" shares were repurchased by Clicks Group Limited from the Employee Share Ownership Trust. The New Clicks Foundation Trust acquired 261 396 ordinary shares from the vesting of the ESOP scheme as at 28 February 2019.

1.5 During the period the group acquired 1 115 083 Clicks Group Limited ordinary shares.

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 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 investments with the exception of investments held by the New Clicks Foundation Trust which are considered to be level 1 instruments. There have been no transfers between levels 1, 2 and 3 during the year.

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

1.8 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".

R'000	2018 As previously reported	Adjustment	**Restated 2018**
Condensed consolidated statement of cash flows			
Cash effects from operating activities			
Acquisition of derivative financial asset used to hedge the long-term incentive scheme	–	(83 115)	**(83 115)**
Settlement of derivative financial asset used to hedge the long-term incentive scheme	–	190 848	**190 848**
Net cash effects from operating activities	1 392 937	107 733	**1 500 670**
Cash effects from financing activities			
Acquisition of derivative financial asset used to hedge the long-term incentive scheme	(83 115)	83 115	**–**
Settlement of derivative financial asset used to hedge the long-term incentive scheme	190 848	(190 848)	**–**
Net cash effects from financing activities	157 305	(107 733)	**49 572**

1.9 The statements of financial position as at 1 September 2017 and as at 31 August 2018, and the statements of comprehensive income, changes in equity and cash flows for the year then ended have been restated as a result of the adoption of IFRS 15 and IFRS 9.

IFRS 15

The IFRS 15 restatement applies to the revenue as disclosed below:

R'000	2019	Restated 2018
Revenue from contracts with customers		
Goods sold to customers	**31 352 109**	29 239 054
Other income	**1 960 480**	1 717 147
Distribution and logistics fees	**927 015**	792 482
Cost recoveries and other	**1 033 465**	924 665
	33 312 589	30 956 201

The group adopted IFRS 15 – Revenue from Contracts with Customers, which provides a five-step model for the recognition, measurement and disclosure of revenue arising from contracts with customers. The group has elected to apply the new standard on a full retrospective basis. The group recognises revenue when goods are sold to the customer at the consideration received.

The sale of certain items provides customers with a right of return. When contracts provide customers with a right to return goods, the group recognises a refund liability in trade and other payables and an asset for the right to recover products from a customer in inventories with the difference recognised in retained earnings. The movement in the refund liability was recognised in sales and the right of return asset in cost of sales in the comparative periods. The adjustments resulted in a deferred tax asset being raised.

IFRS 9

The group adopted IFRS 9 – Financial Instruments. The standard covers the recognition, derecognition, classification and measurement of financial instruments, provides guidance on hedge accounting and provides an expected credit loss model to determine the impairment provision of financial assets. The group has elected to apply the new standard on a full retrospective basis.

Classification and measurement

IFRS 9 requires all financial assets to be classified and measured on the basis of the group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Management has assessed the business models which apply to the financial assets held by the group and the financial instruments have been classified into the appropriate IFRS 9 categories.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the group. The group continued measuring at fair value all financial assets previously held at fair value under IAS 39. Trade receivables classified as loans and receivables as at 31 August 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost beginning 1 September 2018.

Hedge accounting

The group has elected to adopt hedge accounting in accordance with IFRS 9 at the date of the initial application. The group applied hedge accounting prospectively, except as stated below.

Since the adoption of IFRS 9 the group recognises changes in the fair value of foreign currency forwards attributable to forward points in the costs of hedging reserve within equity. The deferred costs of hedging are included within the initial cost of the related hedged item (inventory) when it is recognised. This change has been applied retrospectively for foreign currency forwards in cash flow hedge relationships resulting in the adjustments as per the table noted on page 8.

Costs of hedging (forward element) related to forward exchange contracts on foreign purchases previously recognised at fair value through profit or loss are now recognised in other comprehensive income and are recognised in a separate reserve, cost of hedging reserve. The basis adjustment is subsequently reclassified directly from equity. Consequently, cost of sales is increased for the year ended 31 August 2018, since the costs of hedging were previously recognised in cost of sales.

Impairment

The adoption of IFRS 9 has changed the group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. No material differences have been identified between the impairment allowances determined in accordance with IAS 39 and the loss allowances determined in accordance with IFRS 9 for the current and previous periods.

R'000	2018 As previously reported	IFRS 15	IFRS 9	Restated 2018
Consolidated statement of financial position				
Non-current assets				
Deferred tax asset	477 352	1 256	–	478 608
Current assets				
Inventory	4 227 336	23 571	–	4 250 907
Equity				
Distributable reserve	3 953 831	(3 861)	4 482	3 954 452
Cost of hedging reserve	–	–	(4 482)	(4 482)
Current liabilities				
Trade and other payables	6 198 435	28 688	–	6 227 123
Consolidated statement of comprehensive income				
Turnover	29 239 688	(634)	–	29 239 054
Cost of sales	(23 062 579)	318	(8 941)	(23 071 202)
Income tax expense	(569 790)	(88)	2 503	(567 375)
Other comprehensive (loss)/income:				
Cash flow hedges	58 154		6 269	64 423
Change in fair value of effective portion	80 770		8 706	89 476
Deferred tax on movement of effective portion	(22 616)		(2 437)	(25 053)
Consolidated cash flow statement				
Operating cash flow before working capital changes	2 273 606	(316)	(8 941)	2 264 349
Working capital changes	181 949	316	8 941	191 206

R'000	2017 As previously reported	IFRS 15	IFRS 9	Restated 2017
Consolidated statement of financial position				
Non-current assets				
Deferred tax asset	572 223	1 344	–	573 567
Current assets				
Inventory	3 753 794	23 253	–	3 777 047
Equity				
Distributable reserve	3 234 710	(3 456)	10 919	3 242 173
Cost of hedging reserve	–	–	(10 919)	(10 919)
Current liabilities				
Trade and other payables	5 475 182	28 053	–	5 503 235

IFRS 16

The group will adopt IFRS 16 – Leases, on a full retrospective basis, during the financial year ending 31 August 2020, 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. IFRS 16 will have a material impact on 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 will result in changes to property, plant and equipment, operating lease liabilities, deferred tax, depreciation, finance cost and income tax expense.

The group expects to create a right-of-use asset and lease liability of approximately R2.0 billion and R2.4 billion respectively as at 1 September 2019. Further detail on the expected impact of the new standard will be included in the 2019 annual financial statements.

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*, 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

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:

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