



CLICKS GROUP  
LIMITED

PRELIMINARY REVIEWED CONDENSED  
CONSOLIDATED RESULTS  
for the year ended 31 August 2014

Group  
turnover up  
**9.2%**

Diluted headline  
EPS up  
**12.9%**

Total  
dividend up  
**13.1%**

Return on  
equity up to  
**57.0%**



# COMMENTARY

## Overview

Clicks Group delivered a good trading performance in an environment of continued economic pressure and fragile consumer confidence. The brands have strengthened their market positions, supported by the comparative resilience of the health and beauty markets.

The group has remained highly cash-generative, invested a record R337 million in capital expenditure for future growth and returned over R700 million to shareholders in dividends and share buy-backs.

The group's sector-leading return on equity increased from 55.5% to 57.0%.

## Financial performance

Group turnover increased by 9.2% to R19.1 billion, with retail sales growing by 8.8% and UPD by 11.1%. Selling price inflation was contained to 3.2% for the period.

Total income increased by 10.2% and the total income margin expanded by 20 basis points to 27.0% through well-managed buying and promotional campaigns, and growth in private label sales in Clicks.

Operating expenses in retail were 10.1% higher due to the increased investment in stores and staff. Comparable retail cost growth was contained below sales growth at 5.0%. UPD expenses increased by 10.3%. Following the investment in wholesale automation and distribution warehouse capacity, cost growth moderated in the second half as expected and was contained at 8.4%.

Operating profit grew by 10.3% to R1.2 billion as the group operating margin increased by 10 basis points to 6.4%. Both retail and distribution businesses improved margin by 10 basis points.

Diluted headline earnings per share (HEPS) increased by 12.9% to 336.8 cents. The total dividend was increased by 13.1% to 190 cents per share, based on a dividend cover ratio of 1.8 times. Diluted HEPS has shown a compound annual growth rate of 15.2% since 2009, while dividends per share have increased at a compound rate of 17.7% over the same period.

Inventory days in stock moved from 59 to 64 days. Inventory levels were 17.5% higher at year-end as Clicks focused on increasing product availability and UPD increased stock levels ahead of the anticipated growth in its preferred supply chain partner contract.

Cash inflow from operations increased by R144 million to R1.5 billion. The group returned R714 million to shareholders through dividend payments and share buy-backs in line with the policy of returning surplus cash to shareholders.

## Trading performance

The Clicks chain increased sales by 9.3% following a stronger second half performance which saw sales grow by 10.6%. This was driven mainly by volume gains through an effective promotional strategy and price competitiveness. Clicks extended its store footprint to 464, with 339 dispensaries and 139 clinics. The Clicks ClubCard loyalty programme has grown active membership to 4.7 million.

The Body Shop posted an improved result for the second six months and increased turnover for the year by 8.5%. Musica grew sales by 1.4% and continued to gain share in all its product categories.

Turnover in UPD increased by 11.1%. UPD has grown its share of the private pharmaceutical wholesale market from

24.5% to 25.2%. The expansion of the distribution facility in Johannesburg has increased warehouse capacity by 50%.

## Outlook

The current consumer environment is not expected to change significantly in the year ahead.

The businesses will continue to focus on the effective delivery of their strategies. Clicks plans to expand its retail presence by opening 20 – 25 stores and pharmacies. UPD aims to gain further market share in pharmaceutical wholesale.

Management remains confident in the group's ability to continue to grow market share and generate cash. The board of directors have resolved to reduce the dividend cover to 1.7 times commencing with the 2015 interim dividend. Capital expenditure of R370 million has been committed for 2015, mainly for stores and pharmacies, and IT systems.

## Final dividend

The board of directors have approved a final gross ordinary dividend of 136.5 cents per share (2013: 119.5 cents per share) and a 19.0 cents per ordinary "A" share (2013: 16.8 cents per share). The source of the dividend will be from distributable reserves and paid in cash.

## Additional information

No Secondary Tax on Companies (STC) credits have been utilised as part of these declarations.

Dividends Tax (DT) amounting to 20.475 cents per ordinary share and 2.85 cents per ordinary "A" 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 116.025 cents net of DT and ordinary "A" shareholders will receive a dividend of 16.15 cents net of DT.

The company has 246 137 763 ordinary shares and 29 153 295 ordinary "A" 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 to trade "cum" the dividend	Friday, 16 January 2015
Shares trade "ex" the dividend	Monday, 19 January 2015
Record date	Friday, 23 January 2015
Payment to shareholders	Monday, 26 January 2015

Share certificates may not be dematerialised or rematerialised between Monday, 19 January 2015 and Friday, 23 January 2015, both days inclusive.

The board of directors have 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 Friday, 16 January 2015, 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.

By order of the board

## David Janks

Company Secretary

23 October 2014

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Year to 31 August 2014	Year to 31 August 2013 (restated)	% change
Revenue	20 203 300	18 460 571	9.4
<b>Turnover</b>	<b>19 149 524</b>	17 543 301	9.2
Cost of merchandise sold	(15 026 159)	(13 760 770)	9.2
<b>Gross profit</b>	<b>4 123 365</b>	3 782 531	9.0
Other income	1 048 279	911 735	15.0
<b>Total income</b>	<b>5 171 644</b>	4 694 266	10.2
Expenses	(3 953 943)	(3 590 481)	10.1
Depreciation and amortisation	(219 871)	(200 398)	9.7
Occupancy costs	(564 469)	(500 992)	12.7
Employment costs	(2 033 605)	(1 790 649)	13.6
Other costs	(1 135 998)	(1 098 442)	3.4
<b>Operating profit</b>	<b>1 217 701</b>	1 103 785	10.3
Profit/(loss) on disposal of property, plant and equipment	29 687	(7 854)	
<b>Profit before financing costs</b>	<b>1 247 388</b>	1 095 931	13.8
Net financing costs	(40 660)	(46 369)	(12.3)
Financial income	5 497	5 535	(0.7)
Financial expense	(46 157)	(51 904)	(11.1)
<b>Profit before taxation</b>	<b>1 206 728</b>	1 049 562	15.0
Income tax expense	(341 883)	(298 873)	14.4
<b>Profit for the year</b>	<b>864 845</b>	750 689	15.2
<b>Other comprehensive (loss)/income:</b>			
Items that will not be subsequently reclassified to profit or loss	–	879	
Remeasurement of post-employment benefit obligations	–	1 221	
Deferred tax on remeasurement	–	(342)	
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign subsidiaries	(236)	2 009	
Cash flow hedges	(11 584)	9 952	
Change in fair value of effective portion	(16 087)	13 822	
Deferred tax on movement of effective portion	4 503	(3 870)	
<b>Other comprehensive (loss)/income for the year, net of tax</b>	<b>(11 820)</b>	12 840	
<b>Total comprehensive income for the year</b>	<b>853 025</b>	763 529	
<b>Profit attributable to:</b>			
Equity holders of the parent	864 612	750 292	
Non-controlling interest	233	397	
	<b>864 845</b>	750 689	
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent	852 792	763 132	
Non-controlling interest	233	397	
	<b>853 025</b>	763 529	
Earnings per share (cents)	352.4	299.8	17.5
Diluted earnings per share (cents)	347.4	296.1	17.3

## HEADLINE EARNINGS RECONCILIATION

R'000	Year to 31 August 2014	Year to 31 August 2013 (restated)	% change
Total profit for the year attributable to equity holders of the parent	864 612	750 292	
Adjusted for:			
(Profit)/loss on disposal of property, plant and equipment	(26 250)	5 655	
<b>Headline earnings</b>	<b>838 362</b>	755 947	10.9
Headline earnings per share (cents)	341.7	302.0	13.1
Diluted headline earnings per share (cents)	336.8	298.3	12.9

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	As at 31 August 2014	As at 31 August 2013 (restated)
<b>Non-current assets</b>	<b>1 771 636</b>	<b>1 601 461</b>
Property, plant and equipment	1 135 007	1 058 967
Intangible assets	371 623	349 018
Goodwill	103 510	103 510
Deferred tax assets	126 335	59 098
Loans receivable	12 540	12 105
Financial assets at fair value through profit and loss	22 621	18 763
<b>Current assets</b>	<b>4 420 621</b>	<b>3 843 317</b>
Inventories	2 614 196	2 225 372
Trade and other receivables	1 607 659	1 507 766
Cash and cash equivalents	195 631	92 166
Derivative financial assets	3 135	18 013
<b>Total assets</b>	<b>6 192 257</b>	<b>5 444 778</b>
<b>Equity and liabilities</b>		
<b>Total equity</b>	<b>1 566 973</b>	<b>1 376 838</b>
<b>Non-current liabilities</b>	<b>286 465</b>	<b>252 305</b>
Employee benefits	115 336	91 489
Deferred tax liabilities	2 782	9 208
Operating lease liability	168 347	151 608
<b>Current liabilities</b>	<b>4 338 819</b>	<b>3 815 635</b>
Trade and other payables	4 041 261	3 255 567
Employee benefits	190 494	148 402
Provisions	9 882	6 596
Interest-bearing borrowings	–	344 355
Income tax payable	94 342	58 605
Derivative financial liabilities	2 840	2 110
<b>Total equity and liabilities</b>	<b>6 192 257</b>	<b>5 444 778</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Year to 31 August 2014	Year to 31 August 2013 (restated)
Operating profit before working capital changes	1 490 840	1 346 850
Working capital changes	354 925	25 824
Net interest paid	(30 978)	(36 294)
Taxation paid	(350 204)	(328 647)
Cash inflow from operating activities before dividends	1 464 583	1 007 733
Dividends paid to shareholders	(429 277)	(394 005)
Net cash effects from operating activities	1 035 306	613 728
Net cash effects from investing activities	(299 096)	(304 491)
Capital expenditure	(336 854)	(309 886)
Other investing activities	37 758	5 395
Net cash effects from financing activities	(632 745)	(224 211)
Purchase of treasury shares	(285 146)	(354 158)
Treasury share cancellation costs	(3 244)	–
Other financing activities	(344 355)	129 947
Net increase in cash and cash equivalents	103 465	85 026
Cash and cash equivalents at the beginning of the year	92 166	7 140
<b>Cash and cash equivalents at the end of the year</b>	<b>195 631</b>	<b>92 166</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Year to 31 August 2014	Year to 31 August 2013 (restated)
Opening balance	1 376 838	1 348 904
Purchase of treasury shares	(285 146)	(354 158)
Treasury share cancellation costs	(3 244)	–
Disposal of treasury shares	–	158
Dividends paid to shareholders	(429 277)	(394 005)
Withholding tax on dividend	–	(11 234)
Total comprehensive income for the year	853 025	763 529
Share-based payment reserve movement	55 542	23 644
Acquisition of non-controlling interest	(765)	–
<b>Total</b>	<b>1 566 973</b>	<b>1 376 838</b>
Dividend per share (cents)		
Interim paid	53.5	48.5
Final declared/paid	136.5	119.5
	<b>190.0</b>	<b>168.0</b>

## 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
<b>Twelve months to 31 August 2014</b>					
Retail	13 369 083	1 000 119	3 070 544	234 844	2 390 715
Distribution	8 563 104	220 960	3 492 247	47 041	2 667 547
Inter-segmental	(2 782 663)	(3 378)	(1 347 924)	–	(1 337 715)
Total reportable segmental balance	19 149 524	1 217 701	5 214 867	281 885	3 720 547
Non-reportable segmental balance	–	(10 973)	977 390	54 969	904 737
Total group balance	19 149 524	1 206 728	6 192 257	336 854	4 625 284
<b>Twelve months to 31 August 2013 (restated)</b>					
Retail	12 292 106	906 531	2 857 864	209 523	1 913 513
Distribution	7 710 270	194 947	2 914 778	56 059	2 294 975
Inter-segmental	(2 459 075)	2 307	(1 161 928)	–	(1 155 097)
Total reportable segmental balance	17 543 301	1 103 785	4 610 714	265 582	3 053 391
Non-reportable segmental balance	–	(54 223)	834 064	44 304	1 014 549
Total group balance	17 543 301	1 049 562	5 444 778	309 886	4 067 940

	Year to 31 August 2014	Year to 31 August 2013 (restated)
<b>Non-reportable segmental profit before taxation consists of:</b>		
Profit/(loss) on disposal of property, plant and equipment	29 687	(7 854)
Financial income	5 497	5 535
Financial expense	(46 157)	(51 904)
	<b>(10 973)</b>	<b>(54 223)</b>

## SUPPLEMENTARY INFORMATION

		As at 31 August 2014	As at 31 August 2013 (restated)
Number of ordinary shares in issue (gross)	('000)	<b>246 138</b>	268 323
Number of ordinary shares in issue including "A" shares issued in terms of employee share ownership programme (gross)	('000)	<b>275 291</b>	297 477
Number of ordinary shares in issue (net of treasury shares)	('000)	<b>242 260</b>	246 880
Weighted average number of shares in issue (net of treasury shares)	('000)	<b>245 364</b>	250 297
Weighted average diluted number of shares in issue (net of treasury shares)	('000)	<b>248 892</b>	253 434
Number of ordinary shares purchased	('000)	<b>4 620</b>	6 187
Net asset value per share	(cents)	<b>647</b>	558
Net tangible asset value per share	(cents)	<b>451</b>	374
Depreciation and amortisation	(R'000)	<b>229 703</b>	210 105
Capital expenditure	(R'000)	<b>336 854</b>	309 886
Capital commitments	(R'000)	<b>369 700</b>	337 850

## NOTES

### Accounting policies

1.1 These condensed consolidated financial statements for the year ended 31 August 2014 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 in this preliminary report and has expressed an unmodified conclusion on the preliminary condensed consolidated financial statements. Their review report is available for inspection at the company's registered office. These condensed consolidated 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 2014 are in terms of IFRS and are consistent with those applied in the Audited Financial Statements for the year ended 31 August 2013, except for as disclosed below. In terms of IAS 1 – Presentation of Financial Statements the relevant comparative information has been restated and the effect on the financial statements is as follows:

- 1.2 The adoption of IAS 19 (Revised) – Employee Benefits has resulted in comparative figures being restated to recognise actuarial gains and losses through other comprehensive income. The impact of this has been to increase employment costs in the year to 31 August 2013 by R1.2 million, with a consequent increase in other comprehensive income. The related tax charge of R0.3 million has also been reclassified to other comprehensive income.
- 1.3 The adoption of IFRS 10 – Consolidated Financial Statements has resulted in comparative figures being restated in terms of the new definition of control where a structured entity is no longer deemed to be in the group's control. Previously the group consolidated its insurance cell investment. As a result of the implementation of IFRS 10 the net investment in the insurance cell is treated as a financial asset at fair value through profit or loss. The impact of the restatement on the statement of comprehensive income for the year ended 31 August 2013 has been to reduce other income by R1.7 million (2012: R1.5 million), to increase net financing costs by R1.2 million (2012: R1.0 million) and to reduce other costs by R2.8 million (2012: R2.5 million). The impact on the statement of financial position as at 31 August 2013 has been to recognise a financial asset at fair value through profit or loss of R18.8 million (2012: R14.8 million), to reduce cash and cash equivalents by R23.4 million (2012: R18.3 million) and to reduce trade and other payables by R4.6 million (2012: R3.5 million).
- 1.4 The effect on the financial statements of the above restatements is as follows:

R'000	Year to 31 August 2013 (restated)	Year to 31 August 2012 (restated)
(Decrease)/increase in operating profit	(68)	996
Increase in financing costs	(1 153)	(996)
Decrease in income tax expense	342	–
Increase in other comprehensive income	879	–
Increase in financial assets at fair value through profit or loss	18 763	14 771
Decrease in cash and cash equivalents	(23 393)	(18 311)
Decrease in trade and other payables	(4 630)	(3 540)
Decrease in earnings per share (cents)		
Basic	(0.3)	–
Diluted	(0.3)	–
Decrease in headline earnings per share (cents)		
Basic	(0.4)	–
Diluted	(0.3)	–



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

**Directors:** DM Nurek\* (Chairman), F Abrahams\*, JA Bester\*, BD Engelbrecht, M Fleming (Chief Financial Officer), F Jakoet\*, DA Kneale\* (Chief Executive Officer), NS Matlala\*, M Rosen\*, KDM Warburton^

\* Independent non-executive    # British    ^ Appointed 18 February 2014

**Registration number:** 1996/000645/06      **Income tax number:** 9061/745/71/8

**Share code:** CLS      **ISIN:** ZAE000134854      **CUSIP:** 18682W205

**Transfer secretaries:** Computershare Investor Services Proprietary Limited  
70 Marshall Street, Johannesburg 2001. PO Box 61051, Marshalltown 2107

**Sponsor:** Investec Bank Limited

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

[www.clicksgroup.co.za](http://www.clicksgroup.co.za)