



**CLICKS GROUP**  
**LIMITED**

**PRELIMINARY REVIEWED  
CONDENSED RESULTS**  
for the year ended 31 August 2013

# COMMENTARY

Group turnover up

13.6%

Diluted headline EPS up

9.2%

Total dividend up

10.5%

Return on equity of

55.6%

## Overview and trading environment

Consumers in the middle income market, which represent the core customer in Clicks, have remained under pressure over the past year.

This pressure is evident in the low level of real growth in the private healthcare market and the continued reliance on promotional activity to drive volume in the health and beauty markets. These factors have also contributed to selling price inflation remaining constrained.

The Clicks chain reported improved sales growth in the second half of the year, despite the headwinds facing the consumer. Clicks has strengthened its competitive position and gained share in all of its core health and beauty markets.

UPD continues to achieve its strategic objectives and increased total managed turnover by 43.9% to R11.5 billion. This includes wholesale turnover and notional turnover managed on behalf of distribution agency clients.

The group's solid financial and operational performance for the year has resulted in the return on equity again being at a sector-leading 55.6%.

## Financial performance

Group turnover increased by 13.6% to R17.5 billion, with continued low selling price inflation which averaged 2.6% for the year. Retail sales grew by 7.9% while UPD increased turnover by 22.8%. All the group's businesses recorded volume growth in the tough consumer economic climate.

Total income increased by 9.8%. The retail total income margin improved by 30 basis points to 33.3% driven by private label margin growth and well managed promotions in Clicks. UPD's margin was impacted by supplier mix and declined from 8.9% to 8.5%.

Operating expenses grew by 10.0%. Retail costs increased by 9.6% with continuing investment in pharmacy, stores and IT systems. Comparable retail cost growth was contained to 7.8%. UPD's cost growth of 14.3% includes additional variable bulk distribution and temporary warehouse costs, with comparable costs increasing by 6.1%.

Operating profit increased by 9.1% to R1.1 billion and the group operating margin was 30 basis points lower at 6.3% as a result of the faster growth rate in the lower margin UPD business.

Diluted headline earnings per share grew by 9.2% to 298.6 cents, at the upper end of the earnings guidance range provided at the interim results in April.

The total dividend was increased by 10.5% to 168.0 cents per share.

Group inventory days improved from 63 to 59 days. Inventory levels were managed below turnover growth across all brands.

The group remains strongly cash generative with cash inflow from operations increasing 33% to R1 013 million, mainly through improved management of working capital. During the year R748 million was returned to shareholders through dividend payments and share buy-backs as part of the group's ongoing commitment to return excess cash to shareholders. Capital expenditure of R310 million was R54 million higher than the previous year owing mainly to the investment in UPD's infrastructure.

## Trading performance

Retail sales growth was driven by the 8.6% sales increase in Clicks, with comparable store sales growing by 5.8%. Clicks opened a net 22 new stores to extend the footprint to 442, with 331 in-store pharmacies. Membership of the Clicks ClubCard loyalty programme has grown to 4.1 million.

Musica continued to gain market share in CDs and DVDs, despite the net closure of 14 stores. The brand's comparable store sales increased by 5.9%. The Body Shop increased turnover by 11.3%, benefiting from the opening of four new stores during the year.

UPD increased turnover by 22.8% and grew its share of the private pharmaceutical wholesale market from 24.3% to 26.7%. UPD has become an increasingly significant player in the bulk distribution market and now has 20 distribution agency clients.

## Prospects

The group remains focused on delivering excellence in health and beauty retailing and healthcare supply management. The current weak consumer spending environment is anticipated to continue and trading over the important festive season period will be critical to performance in the year ahead. Selling price inflation is expected to be 4% – 5% for 2014.

The Clicks footprint will be expanded with the planned opening of 25 new stores and 20 – 25 dispensaries.

Capital expenditure of R338 million has been committed for 2014 for stores and pharmacies, IT systems and expanding distribution capacity in UPD.

## Final dividend

The board of directors has approved a final gross ordinary dividend of 119.5 cents per share (2012: 107.9 cents per share) and a 16.8 cents per ordinary "A" share (2012: 15.2 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 17.925 cents per ordinary share and 2.52 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 101.575 cents net of DT and ordinary "A" shareholders will receive a dividend of 14.28 cents net of DT.

The company has 29 153 295 ordinary "A" shares and 268 323 498 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 dividends:

Last day to trade "cum" the dividend	Friday, 17 January 2014
Shares trade "ex" the dividend	Monday, 20 January 2014
Record date	Friday, 24 January 2014
Payment to shareholders	Monday, 27 January 2014

Share certificates may not be dematerialised or rematerialised between Monday, 20 January 2014 and Friday, 24 January 2014, both days inclusive.

The directors of the company 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, 17 January 2014, 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  
24 October 2013

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Year to 31 August 2013 (reviewed)	Year to 31 August 2012 (audited)	% change
Revenue	18 463 420	16 243 377	13.7%
<b>Turnover</b>	<b>17 543 301</b>	15 436 947	13.6%
Cost of merchandise sold	(13 760 770)	(11 961 536)	15.0%
Gross profit	3 782 531	3 475 411	8.8%
Other income	913 431	800 554	14.1%
<b>Total income</b>	<b>4 695 962</b>	4 275 965	9.8%
Expenses	(3 592 109)	(3 264 637)	10.0%
Depreciation and amortisation	(200 398)	(171 535)	16.8%
Occupancy costs	(500 992)	(471 897)	6.2%
Employment costs	(1 789 428)	(1 582 459)	13.1%
Other costs	(1 101 291)	(1 038 746)	6.0%
<b>Operating profit</b>	<b>1 103 853</b>	1 011 328	9.1%
Loss on disposal of property, plant and equipment	(7 854)	(6 578)	19.4%
<b>Profit before financing costs</b>	<b>1 095 999</b>	1 004 750	9.1%
Net financing costs	(45 216)	(46 396)	(2.5%)
Financial income	6 688	5 876	13.8%
Financial expense	(51 904)	(52 272)	(0.7%)
<b>Profit before taxation</b>	<b>1 050 783</b>	958 354	9.6%
Income tax expense	(299 215)	(269 974)	10.8%
<b>Profit for the year</b>	<b>751 568</b>	688 380	9.2%
<b>Other comprehensive income:</b>			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign subsidiaries	2 009	1 615	
<b>Cash flow hedges</b>	<b>9 952</b>	1 485	
Change in fair value of effective portion	13 822	2 063	
Deferred tax on movement of effective portion	(3 870)	(578)	
<b>Other comprehensive income for the year, net of tax</b>	<b>11 961</b>	3 100	
<b>Total comprehensive income for the year</b>	<b>763 529</b>	691 480	
<b>Profit/(loss) attributable to:</b>			
Equity holders of the parent	751 171	688 687	
Non-controlling interest	397	(307)	
	<b>751 568</b>	688 380	
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent	763 132	691 787	
Non-controlling interest	397	(307)	
	<b>763 529</b>	691 480	
Earnings per share (cents)	300.1	272.0	10.3%
Diluted earnings per share (cents)	296.4	271.9	9.0%

## HEADLINE EARNINGS RECONCILIATION

R'000	Year to 31 August 2013 (reviewed)	Year to 31 August 2012 (audited)	% change
Total profit for the year attributable to equity holders of the parent	751 171	688 687	
Adjusted for:			
Loss on disposal of property, plant and equipment	5 655	4 736	
Insurance recovery income	-	(1 018)	
<b>Headline earnings</b>	<b>756 826</b>	692 405	9.3%
Headline earnings per share (cents)	302.4	273.5	10.6%
Diluted headline earnings per share (cents)	298.6	273.4	9.2%

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	As at 31 August 2013 (reviewed)	As at 31 August 2012 (audited)
<b>Non-current assets</b>	<b>1 582 698</b>	1 490 348
Property, plant and equipment	1 058 967	1 010 657
Intangible assets	349 018	306 286
Goodwill	103 510	103 510
Deferred tax assets	59 098	57 401
Loans receivable	12 105	12 494
<b>Current assets</b>	<b>3 866 710</b>	3 286 064
Inventories	2 225 372	2 080 375
Trade and other receivables	1 507 766	1 171 541
Loans receivable	-	3 710
Cash and cash equivalents	115 559	25 451
Derivative financial assets	18 013	4 987
<b>Total assets</b>	<b>5 449 408</b>	4 776 412
<b>Equity and liabilities</b>		
<b>Total equity</b>	<b>1 376 838</b>	1 348 904
<b>Non-current liabilities</b>	<b>252 305</b>	286 601
Employee benefits	91 489	105 989
Deferred tax liabilities	9 208	39 555
Operating lease liability	151 608	141 057
<b>Current liabilities</b>	<b>3 820 265</b>	3 140 907
Trade and other payables	3 260 197	2 768 759
Employee benefits	148 402	109 861
Provisions	6 596	8 828
Interest-bearing borrowings	344 355	214 566
Income tax payable	58 605	37 536
Derivative financial liabilities	2 110	1 357
<b>Total equity and liabilities</b>	<b>5 449 408</b>	4 776 412

## CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Year to 31 August 2013 (reviewed)	Year to 31 August 2012 (audited)
Operating profit before working capital changes	1 350 885	1 235 114
Working capital changes	25 718	(161 586)
Net interest paid	(35 141)	(33 465)
Taxation paid	(328 647)	(276 458)
Cash inflow from operating activities before dividends	1 012 815	763 605
Dividends paid to shareholders	(394 005)	(337 285)
Net cash effects from operating activities	618 810	426 320
Net cash effects from investing activities	(304 491)	(247 949)
Capital expenditure	(309 886)	(255 789)
Other investing activities	5 395	7 840
Net cash effects from financing activities	(224 211)	(170 710)
Purchase of treasury shares	(354 158)	(12 013)
Other financing activities	129 947	(158 697)
Net increase in cash and cash equivalents	90 108	7 661
Cash and cash equivalents at the beginning of the year	25 451	17 790
<b>Cash and cash equivalents at the end of the year</b>	<b>115 559</b>	25 451

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Year to 31 August 2013 (reviewed)	Year to 31 August 2012 (audited)
Opening balance	1 348 904	965 187
Purchase of treasury shares	(354 158)	(12 013)
Disposal of treasury shares	158	1 973
Dividends paid to shareholders	(394 005)	(337 285)
Withholding tax on dividend*	(11 234)	–
Total comprehensive income for the year	763 529	691 480
Share-based payment reserve movement	23 644	39 562
<b>Total</b>	<b>1 376 838</b>	<b>1 348 904</b>
Dividend per share (cents)		
Interim paid	48.5	44.1
Final declared/paid	119.5	107.9
	<b>168.0</b>	<b>152.0</b>

\* Refer to note 1.3

## 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>Year to 31 August 2013</b>					
Retail	12 292 106	906 599	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	1 103 853	4 610 714	265 582	3 053 391
Non-reportable segmental balance	–	(53 070)	838 694	44 304	1 019 179
Total group balance	17 543 301	1 050 783	5 449 408	309 886	4 072 570
<b>Year to 31 August 2012 (restated)*</b>					
Retail	11 395 623	852 646	2 641 082	190 355	1 581 972
Distribution	6 277 104	156 919	2 452 249	33 427	1 979 544
Inter-segmental	(2 235 780)	1 763	(1 011 695)	–	(1 002 557)
Total reportable segmental balance	15 436 947	1 011 328	4 081 636	223 782	2 558 959
Non-reportable segmental balance	–	(52 974)	694 776	32 007	868 549
Total group balance	15 436 947	958 354	4 776 412	255 789	3 427 508
				<b>As at 31 August 2013 (reviewed)</b>	<b>As at 31 August 2012 (audited)</b>
<b>Non-reportable segmental profit before taxation consists of:</b>					
Loss on disposal of property, plant and equipment				(7 854)	(6 578)
Financial income				6 688	5 876
Financial expense				(51 904)	(52 272)
				<b>(53 070)</b>	<b>(52 974)</b>

\* Refer to note 1.2



## SUPPLEMENTARY INFORMATION

		As at 31 August 2013 (reviewed)	As at 31 August 2012 (audited)
Number of ordinary shares in issue (gross)	('000)	<b>268 323</b>	276 123
Number of ordinary shares in issue including "A" shares issued in terms of employee share ownership programme (gross)	('000)	<b>297 477</b>	305 277
Number of ordinary shares in issue (net of treasury shares)	('000)	<b>246 880</b>	253 042
Weighted average number of shares in issue (net of treasury shares)	('000)	<b>250 297</b>	253 154
Weighted average diluted number of shares in issue (net of treasury shares)	('000)	<b>253 434</b>	253 258
Number of ordinary shares purchased	('000)	<b>6 187</b>	217
Net asset value per share	(cents)	<b>558</b>	533
Net tangible asset value per share	(cents)	<b>374</b>	371
Depreciation and amortisation	(R'000)	<b>210 105</b>	181 102
Capital expenditure	(R'000)	<b>309 886</b>	255 789
Capital commitments	(R'000)	<b>337 850</b>	355 700

## NOTES

### Accounting policies

1.1 These annual financial results for the year ended 31 August 2013 have been prepared in compliance with International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Council, the disclosure requirements of IAS 34 and the South African Companies Act (71 of 2008, as amended).

The accounting policies used in the preparation of financial results for the year ended 31 August 2013, are in terms of IFRS and are consistent with those applied in the Audited Financial Statements for the year ended 31 August 2012, except for the change in segmental disclosure due to the change in reporting lines as detailed in note 1.2 below together with the standards and amendments that became effective on 1 January 2012 and 1 July 2012: Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets; Amendment to IAS 1 – Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income. These amendments have been applied for the first time in the group's financial year commencing 1 September 2012. The amendments did not result in any material change to the financial results.

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 financial statements have been prepared under the supervision of Mr M Fleming CA(SA), the Chief Financial Officer of the group.

1.2 The segmental analysis for the year to 31 August 2013 has been consolidated due to a change in the composition of its reportable segments. Clicks, Musica and Body Shop are reported as part of the Retail reportable segment. In addition, in the current financial year Clicks Direct Medicines has been included in the Distribution business which now comprises UPD and Clicks Direct Medicines. This change was made due to a change in management reporting lines as the business has been incorporated within the Distribution business. In the prior year, the business was reported as part of Retail. This has resulted in a decrease in total assets in Retail of R47.4 million, a decrease in total liabilities of R35.8 million and a decrease in operating profit of R1.9 million for 2012. Within Distribution, total assets increased by R21.2 million, total liabilities increased by R9.6 million and operating profit increased by R1.9 million for 2012.

1.3 Relating to retrospective withholding tax on 2012 interim dividend.

**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\* \* Independent non-executive \* British

**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)