

**Dis-Chem** +

REVIEWED ANNUAL  
CONDENSED  
CONSOLIDATED  
RESULTS



**2023**

FOR THE TWELVE MONTHS ENDED 28 FEBRUARY

DIS-CHEM PHARMACIES LIMITED  
REGISTRATION NUMBER 2005/009766/06

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# COMMENTARY

## Overview

The Group is pleased with the performance of its businesses during the current period characterised by the normalisation of shopping patterns after COVID-19 and the constrained economic environment.

Earnings per share (EPS) and headline earnings per share (HEPS) are 116.3 cents and 116.5 cents per share respectively, an increase of 17.2% and 17.4% respectively.

During the period, Dis-Chem continued to increase its dispensary market share extending its position as South Africa's largest retail pharmacy group, by dispensary market share.

## Review of financial performance

### Revenue

During the twelve-month period from 1 March 2022 to 28 February 2023, Dis-Chem recorded Group revenue growth of 7.4% to R32.7 billion.

Retail revenue grew by 6.5% to R28.9 billion with comparable store revenue at 3.3%. Retail revenue growth was impacted by COVID-19 vaccine and testing in the prior period compared to the current period. If the contribution of COVID-19 vaccines and testing are excluded from both periods, retail revenue grew by 8.4%. During the twelve months to 28 February 2023, thirteen retail pharmacy stores were opened, eight retail pharmacy stores closed (all former Medicare stores) and eight retail baby stores were opened. A net 12 Baby Boom stores were acquired, extending our baby retail leadership position, resulting in 258 retail pharmacy stores and 54 retail baby stores at February 2023.

Wholesale revenue grew by 10.4% to R24.2 billion. Wholesale revenue to our own retail stores, still the biggest contributor, grew by 9.6%, while external revenue to independent pharmacies and The Local Choice ("TLC") franchises grew by 7.7% and 23.9% respectively over the corresponding period. When excluding wholesale revenue to Medicare and Baby Boom stores in the prior period (internalised since 1 October 2021 and 1 March 2022 respectively), external revenue grew by 20.7%, comprising independent pharmacy growth of 18.2% and TLC growth of 23.9%. The TLC growth is due to a combination of an increase in TLC franchise stores from 147 to 171 together with increasing support of the supply chain from existing TLC franchisees. Independent pharmacy growth is attributable to both new customers and increased support from the current base.

### Total income

Total income grew by 15.7% to R10.2 billion, with the Group's total income margin being 31.1% compared to 28.9% in the corresponding period. The Group has exceeded the targeted 30% total income margin eighteen months sooner than initially anticipated. This increase has resulted in improvements in both EBITDA and operating margins.

Retail total income grew by 13.4% with the retail margin increasing from 28.2% to 30.0% over the corresponding period. The normalisation of category mix is total income margin supportive. Higher margin categories are now recovering, and the Group continues to see improvements in its trading terms and service income as a result of its ever-increasing scale and Return on Invested Capital ("ROIC") focus.

Wholesale total income grew by 22.7% with the wholesale margin now at 8.3%. On 1 April 2022, the Group acquired 100% of the shares of CT Distribution Proprietary Limited, KZN Warehouse Proprietary Limited and Eleadora Proprietary Limited. This was a related party transaction due to the companies acquired being owned by directors, previous directors and prescribed officers of Dis-Chem, who are also shareholders of Dis-Chem. These acquisitions resulted in the release of the existing lease liability and right-of-use asset on the statement of financial position; resulting in a R72 million gain recognised in other income in the statement of comprehensive income.

When this once-off gain was excluded from the wholesale segment, wholesale total income grew by 18.3% with the wholesale margin at 8.0%. This increase is attributable to a higher contribution of more profitable pharmacy volume following the Medicare acquisition, together with a continued focus on increasing fees earned on the back of ever increasing wholesale scale.

# COMMENTARY CONTINUED

## Other expenses

Expenses (excluding depreciation) grew by 16.1% over the corresponding period. Excluding the Medicare costs in the current and prior period (acquired 1 October 2021), expenses grew by 14.0%.

Retail expenses (excluding depreciation) grew by 15.8% as the Group invested in new stores and acquisitions (Baby Boom and Westville Junction) in the current period. Retail costs were also influenced by employee costs increasing by 14.5% (excluding Medicare by 11.7%), IT costs including the roll-out of the new point-of-sale system increasing by 32% and additional advertising expenditure due to retail trade normalisation.

Wholesale expenses (excluding depreciation) grew by 12.2%, predominately driven by an increase in employee costs of 10% due to inflationary pressure, an increase in diesel costs of 56%, unrealised and realised forex losses totalling R43 million as a result of exchange rate weakness as well as an increase in IT costs with the stock management system being migrated to a SAP hosted cloud solution allowing scalability for the new warehouse.

The Group's strategic early investment in generator capacity has resulted in minimal disruption to our ability to trade but did result in the Group's diesel expense increasing by 65% to R91 million over the corresponding period.

## Net finance costs

Net financing costs increased by 11.8% from the prior comparable period. IFRS 16 related finance costs reduced by 2.3% due to the maturity of our lease base which partially offset the increase in interest on bank loans. The new term loan facility taken out with Standard Bank amounted to R455 million and was used to fund the acquisition of the warehouse properties.

## Net working capital

During the current period, the Group's inventory increased by R598 million from February 2022 due to the additional inventory held in new stores as well as the strategic buy in of stock ahead of price increases. Inventory has continued to be well managed and inventory days have decreased to 88.2 days from 88.6 days in the prior period.

Trade receivables continue to increase with the expansion of third-party sales within the wholesale segment.

Net working capital, at 28.1 days has increased from 26.5 days at 28 February 2022 due to the increase in the trade and other receivables of 2.1 days. Inventory days continues to marginally improve while creditors days has remained constant when compared to the corresponding period.

## Capital expenditure

Capital expenditure on tangible and intangible assets of R1.1 billion comprised of R367 million for expansionary expenditure as the Group invested in additional stores as well as information technology enhancements across both the retail and wholesale segments. The balance of R723 million relates to replacement expenditure incurred to maintain the existing retail and wholesale networks as well as R496 million for the purchase of properties.

## Directorate

On 14 July 2022, Ms. H Masondo was appointed as a non-executive director and Mr. SE Saltzman and Mr. SRN Goetsch were appointed as executive directors. Mr. M Bowman resigned as a non-executive director and Ms. LF Saltzman as an executive director on 14 July 2022.

## Dividend declaration

Notice is hereby given that a gross final cash dividend of 18.45305 cents per share, in respect of the period ended 28 February 2023 has been declared based on 40% of headline earnings. The number of shares in issue at the date of this declaration is 860 084 483. The dividend has been declared out of income reserves as defined in the Income Tax Act, 1962, and will be subject to the South African dividend withholding tax ("DWT") rate of 20% which will result in a net dividend of 14.76244 cents per share to those shareholders who are not exempt from paying dividend tax. Dis-Chem's tax reference number is 9931586144.

The salient dates relating to the payment of the dividend are as follows:

- Last day to trade cum dividend on the JSE: Tuesday, 6 June 2023
- First trading day ex dividend on the JSE: Wednesday, 7 June 2023
- Record date: Friday, 9 June 2023
- Payment date: Monday, 12 June 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 7 June 2023 and Friday, 9 June 2023, both days inclusive. Shareholders who hold ordinary shares in certificated form ("certificated shareholders") should note that dividends will be paid by cheque and by means of an electronic funds transfer ("EFT") method. Where the dividend payable to a particular certificated shareholder is less than R100, the dividend will be paid by EFT only to such certificated shareholder. Certificated shareholders who do not have access to any EFT facilities are advised to contact the company's transfer secretaries, Computershare Investor Services Proprietary Limited at Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196; on 011 370 5000; or on 0861 100 9818 (fax), in order to make the necessary arrangements to take delivery of the proceeds of their dividend. Shareholders who hold ordinary shares in dematerialised form will have their accounts held at their CSDP or broker credited electronically with the proceeds of their dividend.

## Outlook

The Group expects that the South African consumer will continue to experience financial hardship. While the Group has taken the necessary measures to minimise the operational impact of loadshedding, the unavoidable increase in operational costs will continue to impact earnings. The Group's integration into the healthcare value chain reinforces the resilient nature of its current and future earnings profile.

The recently announced succession implementation ensures a smooth leadership transition and ensures executive management's commitment to deliver on the Group's strategic ambitions over the long-term.

The imminent acquisition of a 63,000m<sup>2</sup> distribution centre will support the Group's commitment to accelerate retail space growth, adding warehouse capacity for the Group to double its current store count, and continue to grow its market share in the independent market.

The information contained in the outlook commentary has not been audited or reviewed by the Group's independent auditor.

## Approval

The condensed consolidated results of the Group were authorised for issue in accordance with a resolution of the directors on 18 May 2023. On behalf of the Board

**Ivan Saltzman**  
Chief Executive Officer

**Rui Morais**  
Chief Financial Officer

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year to 28 February 2023 (Reviewed) R'000	Year to 28 February 2022 (Audited) R'000	change %
Revenue from contracts with customers (note 2)	32 663 513	30 406 611	7.4%
Cost of sales	(25 076 217)	(23 576 145)	6.4%
<b>Gross profit</b>	<b>7 587 296</b>	6 830 466	11.1%
Other income	2 586 591	1 961 443	31.9%
<b>Total income</b>	<b>10 173 887</b>	8 791 909	15.7%
Other expenses	(8 429 702)	(7 252 478)	16.2%
<b>Operating profit before interest and equity accounted earnings</b>	<b>1 744 185</b>	1 539 431	13.3%
Net financing costs	(350 236)	(313 389)	11.8%
- Finance income	20 210	12 095	67.1%
- Finance costs	(370 446)	(325 484)	13.8%
Profit from associates and joint ventures	22 779	1 186	1820.7%
<b>Profit before taxation</b>	<b>1 416 728</b>	1 227 228	15.4%
Taxation	(389 181)	(337 124)	15.4%
<b>Total profit for the year, net of tax</b>	<b>1 027 547</b>	890 104	15.4%
<b>Other comprehensive income</b>			
Items that may be subsequently reclassified to profit or loss			
- Exchange differences on translating foreign subsidiaries	(136)	324	
<b>Other comprehensive income for the year, net of taxation</b>	<b>(136)</b>	324	
<b>Total comprehensive income for the year</b>	<b>1 027 411</b>	890 428	15.4%
<b>Profit attributable to:</b>			
- Equity holders of the parent	1 000 224	853 446	
- Non-controlling interests	27 323	36 658	
<b>Total comprehensive income attributable to:</b>			
- Equity holders of the parent	1 000 088	853 770	
- Non-controlling interests	27 323	36 658	
<b>Earning per share (cents)</b>			
- Basic	116.3	99.2	
- Diluted	116.3	99.2	

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 28 February 2023 (Reviewed) R'000	As at 28 February 2022 (Audited) R'000
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>6 067 828</b>	5 221 151
Property, plant and equipment (including right-of-use asset)	4 429 226	3 688 681
Intangible assets	1 270 255	1 209 646
Investment in associates and joint ventures	194 403	183 202
Deferred taxation	173 944	139 622
<b>Current assets</b>	<b>9 447 980</b>	8 853 964
Inventories	6 356 781	5 758 858
Trade and other receivables	2 583 384	2 159 936
Loans receivable	214 062	221 887
Taxation receivable	6 368	7 432
Cash and cash equivalents	287 385	705 851
<b>Total assets</b>	<b>15 515 808</b>	14 075 115
<b>EQUITY AND LIABILITIES</b>		
<b>Equity and reserves</b>	<b>3 900 395</b>	3 323 844
Share capital	6 155 554	6 155 554
Retained earnings	2 354 837	1 776 310
Other reserves	(4 609 996)	(4 608 020)
<b>Non-controlling interest</b>	<b>32 085</b>	61 714
<b>Total equity</b>	<b>3 932 480</b>	3 385 558
<b>Non-current liabilities</b>	<b>3 232 905</b>	3 175 367
Lease liability	2 660 592	2 682 277
Loans payable	501 479	479 170
Deferred taxation	70 834	13 920
<b>Current liabilities</b>	<b>8 350 423</b>	7 514 190
Trade and other payables	6 103 666	5 787 867
Lease liability	567 043	522 225
Loans payable	797 475	398 863
Employee-related obligations	292 871	257 437
Deferred revenue (contract liability)	77 170	74 445
Contingent consideration	-	7 984
Taxation payable	64 644	40 371
Bank overdraft	447 554	424 998
<b>Total equity and liabilities</b>	<b>15 515 808</b>	14 075 115

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Retained earnings/ (loss) R'000	Other Treasury Shares R'000	Reserves Other <sup>(1)</sup> R'000	Non-controlling interest R'000	Total R'000
<b>Balance at 28 February 2021 (audited)</b>	6 155 554	1 368 478	(6 429)	(4 608 957)	43 018	2 951 664
Total comprehensive income for the year	-	853 446	-	324	36 658	890 428
Profit for the year, net of taxation	-	853 446	-	-	36 658	890 104
Other comprehensive income for the year, net of taxation	-	-	-	324	-	324
Change in ownership interest in subsidiary and acquisitions	-	(9 870)	-	-	5 499	(4 371)
Share-based payment expense	-	-	-	20 127	-	20 127
Exercise of share-based payment	-	(637)	6 429	(7 344)	-	(1 552)
Treasury shares acquired	-	-	(12 170)	-	-	(12 170)
Dividends paid	-	(435 107)	-	-	(23 461)	(458 568)
<b>Balance at 28 February 2022 (audited)</b>	6 155 554	1 776 310	(12 170)	(4 595 850)	61 714	3 385 558
Total comprehensive income for the year	-	<b>1 000 224</b>	-	<b>(136)</b>	<b>27 323</b>	<b>1 027 411</b>
Profit for the year, net of taxation	-	<b>1 000 224</b>	-	-	<b>27 323</b>	<b>1 027 547</b>
Other comprehensive income for the year, net of taxation	-	-	-	<b>(136)</b>	-	<b>(136)</b>
Change in ownership interest in subsidiary and acquisitions	-	-	-	-	<b>(6 775)</b>	<b>(6 775)</b>
Share-based payment expense	-	-	-	<b>21 450</b>	-	<b>21 450</b>
Exercise of share-based payment	-	<b>(5 868)</b>	<b>16 082</b>	<b>(10 845)</b>	-	<b>(631)</b>
Treasury shares acquired	-	-	<b>(28 527)</b>	-	-	<b>(28 527)</b>
Dividends paid	-	<b>(415 829)</b>	-	-	<b>(50 177)</b>	<b>(466 006)</b>
<b>Balance at 28 February 2023 (reviewed)</b>	<b>6 155 554</b>	<b>2 354 837</b>	<b>(24 615)</b>	<b>(4 585 381)</b>	<b>32 085</b>	<b>3 932 480</b>

(1) Other consists of common control reserve, share-based payments, shares repurchased and foreign currency translation reserve

	As at 28 February 2023 (Reviewed) Cents	As at 28 February 2022 (Audited) Cents
<b>Dividends per share</b>		
- Interim paid	<b>28.1</b>	19.5
- Final declared	<b>18.5</b>	20.2

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year at 28 February 2023 (Reviewed) R'000	Year at 28 February 2022 (Audited) R'000
<b>Cash flow from operating activities</b>	<b>853 943</b>	1 377 575
Cash inflow from trading operations	2 782 522	2 413 472
Movement in working capital	(718 371)	44 644
Leave payment	(18 687)	-
Finance income received	19 155	10 060
Finance costs paid	(363 362)	(330 959)
Taxation paid	(381 308)	(301 074)
Dividends paid	(466 006)	(458 568)
<b>Cash flow from investing activities</b>	<b>(1 090 644)</b>	(795 556)
Additions to property, plant and equipment and intangible assets		
- To maintain operations	(723 329)	(140 191)
- To expand operations	(366 619)	(237 074)
Proceeds on disposal of property, plant and equipment and intangible assets	22 811	8 307
Acquisition in business combination and subsidiaries, net of cash acquired	(43 525)	(265 746)
Part disposal of subsidiary becoming associate	(1 191)	-
Acquisition of additional interest in joint venture	2 105	-
Proceeds from/(investment in) joint ventures	19 104	(160 852)
<b>Cash flow from financing activities</b>	<b>(203 154)</b>	(444 606)
Bank loans repaid	(925 791)	(431 567)
Receipt of bank loans	1 316 519	536 533
Lease liability repayment	(565 355)	(510 096)
Contingent consideration repayment	-	(16 455)
Purchase of treasury shares	(28 527)	(12 170)
Change in ownership interest in subsidiary	-	(10 851)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(439 855)</b>	137 413
<b>Foreign currency impact on cash and cash equivalents</b>	<b>(1 167)</b>	7 624
<b>Cash and cash equivalents at beginning of year</b>	<b>280 853</b>	135 816
<b>Cash and cash equivalents at end of year</b>	<b>(160 169)</b>	280 853

# EARNINGS PER SHARE

	Year to 28 February 2023 (Reviewed) R'000	Year to 28 February 2022 (Audited) R'000
<b>Reconciliation of profit for the year to headline earnings</b>		
Profit attributable to equity holders of the parent	1 000 224	853 446
Net loss on disposal of property, plant and equipment and intangible assets	1 194	364
Impairment of property, plant and equipment and intangible assets	-	6 457
Loss of control of subsidiary	797	-
Compensation from third parties for items of property, plant and equipment and intangible assets	(1 147)	(6 681)
Taxation	321	(176)
<b>Headline earnings</b>	<b>1 001 389</b>	<b>853 410</b>
<b>Earnings per share (cents)</b>		
- Basic	116.3	99.2
- Diluted	116.3	99.2
<b>Headline earnings per share (cents)</b>		
- Basic	116.5	99.2
- Diluted	116.4	99.2

\* Refer to note 4

	Year to 28 February 2023	Year to 28 February 2022
<b>Reconciliation of shares in issues to weighted average number of shares in issue</b>		
Total number of shares in issue at beginning of the period	860 084 483	860 084 483
Total number of treasury shares in issue at the beginning of the period	(339 001)	(255 587)
Total number of shares outstanding at the beginning of the period	859 745 482	859 828 896
Treasury shares exercised and issued under the share scheme	136 802	149 151
Treasury shares acquired	(105 306)	(37 151)
Total weighted number of shares in issue at the end of the period	859 776 978	859 940 896
Share options	585 453	472 395
Total diluted weighted number of shares in issue at the end of the period	860 362 431	860 413 291

# SEGMENTAL INFORMATION

The Group has identified two reportable segments being Retail and Wholesale.

Twelve-months to 28 February 2023 (reviewed)	Retail*	Wholesale	Intergroup/ consolidation	Total
	R'000	R'000	R'000	R'000
External customers	28 883 241	3 780 272	-	32 663 513
Inter-segment	-	20 398 683	(20 398 683)	-
<b>Total revenue from contracts with customers</b>	<b>28 883 241</b>	<b>24 178 955</b>	<b>(20 398 683)</b>	<b>32 663 513</b>
Cost of sales	(22 584 104)	(22 428 676)	19 936 563	(25 076 217)
<b>Gross profit</b>	<b>6 299 137</b>	<b>1 750 279</b>	<b>(462 120)</b>	<b>7 587 296</b>
Other income	2 366 781	188 332	(40 683)	2 514 430
Gain on property transaction	-	72 161	-	72 161
<b>Total income</b>	<b>8 665 918</b>	<b>2 010 772</b>	<b>(502 803)</b>	<b>10 173 887</b>
Other expenses (excluding depreciation and amortisation)	(6 349 221)	(1 583 249)	504 871	(7 427 599)
Depreciation and amortisation	(884 956)	(117 147)	-	(1 002 103)
<b>Operating profit before interest and equity accounted earnings</b>	<b>1 431 741</b>	<b>310 376</b>	<b>2 068</b>	<b>1 744 185</b>
Net finance costs	(366 751)	16 515	-	(350 236)
Share of profit from associates and joint ventures	22 779	-	-	22 779
Profit/(loss) before tax	1 087 769	326 891	2 068	1 416 728
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>2 339 476</b>	<b>427 523</b>	<b>2 068</b>	<b>2 769 067</b>
Capital expenditure	(578 236)	(511 712)	-	(1 089 948)
Total assets	10 786 075	8 367 247	(3 637 514)	15 515 808
Total liabilities	7 408 114	6 196 692	(2 021 478)	11 583 328
Total income margin	30.0%	8.3%		31.1%
EBITDA margin	8.1%	1.8%		8.5%
Operating margin	5.0%	1.3%		5.3%

# SEGMENTAL INFORMATION CONTINUED

Twelve-months to 28 February 2022 (audited)	Retail* R'000	Wholesale R'000	Intergroup/ consolidation R'000	Total R'000
External customers	27 108 334	3 298 277	-	30 406 611
Inter-segment	-	18 612 741	(18 612 741)	-
<b>Total revenue from contracts with customers</b>	27 108 334	21 911 018	(18 612 741)	30 406 611
Cost of sales	(21 297 796)	(20 430 751)	18 152 402	(23 576 145)
<b>Gross profit</b>	5 810 538	1 480 267	(460 339)	6 830 466
Other income	1 830 941	159 076	(28 574)	1 961 443
<b>Total income</b>	7 641 479	1 639 343	(488 913)	8 791 909
Other expenses (excluding depreciation and amortisation)	(5 476 541)	(1 410 628)	495 735	(6 391 434)
Impairment of property, plant and equipment	(6 457)	-	-	(6 457)
Depreciation and amortisation	(741 058)	(113 529)	-	(854 587)
<b>Operating profit before interest and equity accounted earnings</b>	1 417 423	115 186	6 822	1 539 431
Net finance costs	(297 099)	(16 290)	-	(313 389)
Share of profit from associates	1 186	-	-	1 186
Profit/(loss) before tax	1 121 510	98 896	6 822	1 227 228
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	2 159 667	228 715	6 822	2 395 204
Capital expenditure	(325 746)	(51 519)	-	(377 265)
Total assets	10 301 293	7 277 885	(3 504 063)	14 075 115
Total liabilities	7 103 613	5 616 171	(2 030 227)	10 689 557
Total income margin	28.2%	7.5%		28.9%
EBITDA margin	8.0%	1.0%		7.9%
Operating margin	5.2%	0.5%		5.1%

\* *Baby is included in the retail operating segment as its operating results are not separately reviewed to make resourcing decisions. Expenses are incurred across the retail segment.*

# ADDITIONAL INFORMATION

		28 February 2023	28 February 2022
Ordinary shares in issue (including treasury shares)		<b>860 084 483</b>	860 084 483
Closing share price	(R/share)	<b>27.05</b>	34.62
Twelve-month share price (high)	(R/share)	<b>38.45</b>	38.20
Twelve-month share price (low)	(R/share)	<b>27.03</b>	21.81
Net asset value per share (WANOS)	(cents/share)	<b>457.38</b>	393.70
Net asset value per share (actual shares at year-end)	(cents/share)	<b>457.22</b>	393.63

# NOTES TO THE REVIEWED CONDENSED CONSOLIDATED RESULTS

1. These reviewed condensed consolidated financial results for the twelve months ended 28 February 2023 have been prepared in accordance with the measurement and recognition principles of International Financial Reporting Standards (IFRS), the disclosure requirements of International Accounting Standard (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act of South Africa and the JSE Listings Requirements.

The annual condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 28 February 2023.

The accounting policies and methods of computation used in the preparation of the condensed consolidated financial results are consistent in all material respects with those applied in the Group's annual financial statements as at 28 February 2022.

None of the new standards, interpretations and amendments effective as of 1 March 2022 have had a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements.

2. Revenue from contracts with customers can be disaggregated between the following retail categories:

	As at 28 February 2023	As at 28 February 2022
	%	%
Dispensary	36	36
Personal care and beauty	27	26
Healthcare and nutrition	22	24
Baby care	8	8
Other	7	6
	<b>100</b>	<b>100</b>

3. Dis-Chem enters into certain transactions with related parties including the rental of certain stores and warehouses. The lease obligation relating to these leases amounted to R0.8 billion at 28 February 2023 (2022: R0.9 billion).

Loans owing to Kaelo Diversified Holdings at 28 February 2023 amounted to R19 million (2022: Rnil million).

Amounts owing from Mathimba, Dis-Chem Bothomed, Dis-Chem Namibia, Dis-Chem Swakopmund, Dis-Chem Wernhill, Tony Ferguson, BEESECDCP, Servco, Geniob and Origin Brands at 28 February 2023 amounted to R99 million (2022: R93 million). Other related party transactions for the current period are similar in nature to those disclosed in the annual financial statements for the year ended 28 February 2022.

4. No material impairments took place in the current period. In the prior year, the civil unrest and looting in July 2021 resulted in an impairment of inventory of R28 million and property, plant and equipment of R6.5 million.
5. No shares were issued during the current and prior comparable period.

During the period, 454,183 treasury shares were issued as part of the share based payment scheme. The share based payment reserve (other reserves in the Statement of Changes in Equity) was reduced by R10.2 million and treasury shares reduced by R16.1 million (other reserves in the Statement of in Equity), representing the value at which they were purchased in the past. The difference of R5.9 million was recognised in retained income.

6. During the current year, the group acquired the following businesses in order to further increase store footprint:
- The acquisition of 100% of the shares of Superstrike Proprietary Limited (trading as Baby Boom), a group of specialised baby stores, on 1 March 2022.
  - The acquisition of assets and liabilities of GC Shnell (Westville Junction), an independent pharmacy, on 1 December 2022.

The fair values of the identifiable assets and liabilities as at the date of acquisition were:

<b>Assets</b>	<b>Baby Boom R'000</b>	<b>GC Schnell R'000</b>	<b>Total R'000</b>
Property, plant and equipment	9 224	-	9 224
Other intangibles	120	-	120
Trade and other receivables	834	-	834
Inventories	18 591	1 148	19 739
Loan receivable	3	-	3
<b>Liabilities</b>			
Trade and other payables	(62 896)	-	(62 896)
Lease liability	(7 133)	-	(7 133)
Bank overdraft	(18 853)	-	(18 853)
Employee obligations	-	(79)	(79)
Deferred revenue	(404)	-	(404)
<b>Total identifiable net assets at fair value</b>	<b>(60 514)</b>	<b>1 069</b>	<b>(59 445)</b>
Non-controlling interest at proportionate interest	-	-	-
Goodwill arising on acquisition	83 514	603	84 117
<b>Purchase consideration transferred</b>	<b>23 000</b>	<b>1 672</b>	<b>24 672</b>

The goodwill comprises the value of expected synergies arising from the acquisition which is not separately recognised. These synergies include expansion of product offerings, trade term agreements and overall availability of resources.

From the date of acquisition, R74 million in revenue and R11 million loss before tax was contributed to the Group from the above acquisitions. If the acquisitions had taken place at the beginning of the year, R91 million in revenue and R11 million loss before tax would have been contributed to the Group from the above acquisitions.

During the period, the Group obtained control of Servco Proprietary Limited by obtaining an additional 2% interest in the company, increasing its ownership interest to 52%. The Group lost control of Differenza Proprietary Limited by reducing its interest by 5.4% in the company, decreasing its ownership interest to 45.6%. During the current period, the Group also bought 25% of Tony Ferguson, offering health and lifestyle product ranges.

- On 1 April 2022, Dis-Chem acquired 100% of the share capital of CT Distribution Centre Proprietary Limited, KZN Warehouse Proprietary Limited and Eleadora Proprietary Limited for R223 million. This is a related party transaction due to the companies being owned by directors, previous directors and prescribed offices of Dis-Chem, who are also shareholders. These transactions were accounted for as asset acquisitions.

These transactions resulted in the release of the existing lease liability and right-of-use asset on the statement of financial position resulting in a R72 million gain recognised in other income in the statement of comprehensive income.

- A new term loan facility was taken out in the current year with Standard Bank amounting to R455 million. It is a bullet facility with a maturity date of five years and earns interest at the three-month JIBAR plus 1.44%. The loan was used to purchase the property companies.
- The increase in profit from associates and joint ventures from the prior period is predominately due to the additional profit earned from Kaelo (acquired 1 November 2021) as well as Geniob.
- Events after the reporting date

The Group is in the final stages of entering into an agreement to acquire a 63,000m<sup>2</sup> distribution centre in Gauteng, for a purchase consideration of R502 million. The rapid growth of the Group has necessitated the need for additional warehouse capacity to service increased demand from both our own retail stores and the independent market. The warehouse will be debt funded.

- These reviewed condensed consolidated results have been reviewed by the Group's external auditors and their unmodified review report is available for inspection at the Company's registered office.

Shareholders are advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a full copy of the auditor's report from Dis-Chem's registered officer.

The directors take full responsibility for the preparation of these condensed consolidated financial results, which has been prepared under the supervision of Mr Rui Morais CA(SA), the Chief Financial Officer of the Group.

# SUPPLEMENTARY INFORMATION

## Directors

### Independent non-executive directors

LM Nestadt	(South African)	
MJ Bowman	(South African)	(Resigned 14 July 2022)
A Coovadia	(South African)	
JS Mthimunye	(South African)	
A Sithebe	(South African)	
KKD Kobue	(South African)	
H Masondo	(South African)	(Appointed 14 July 2022)

### Executive directors

IL Saltzman	(South African)	
LF Saltzman	(South African)	(Resigned 14 July 2022)
RM Morais	(South African)	
SE Saltzman	(South African)	(Appointed 14 July 2022; previously alternate for L F Saltzman)
SRN Goetsch	(South African)	(Appointed 14 July 2022)

### Company registration number

2005/009766/06

### ISIN

ZAE000227831

### Registered office

23 Stag Road  
Midrand  
1685

### Sponsor

The Standard Bank of South Africa Limited  
3rd Floor, East Wing  
30 Baker Street  
Rosebank  
2196  
Johannesburg

### Company secretary

NJ Lumley

### Transfer secretaries

Computershare Investor Services Proprietary Limited  
Rosebank Towers  
15 Biermann Avenue  
Rosebank  
Johannesburg  
2196  
South Africa

### Registered auditors

Mazars  
Mazars House, 54 Glenhove Road  
Melrose Estate  
Johannesburg  
2196  
South Africa

### JSE code

DCP





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