Dis-Chem
PHARMACIES

PROVISIONAL REVIEWED ANNUAL CONDENSED CONSOLIDATED RESULTS

for the twelve months ended 28 February

2017

CONTENTS

TURNOVER
↑ 14.7%

OPERATING PROFIT
↑ 24.3%

EBITDA
↑ 21.8%

RETURN ON EQUITY
66.9%

The provisional reviewed annual condensed consolidated financial statements have been prepared under the supervision of Mr Rui Manuel Morais CA(SA), the Chief Financial Officer of the Group.

COMMENTARY

Overview

The Group listed 27.5% of its issued share capital on the Johannesburg Stock Exchange on 18 November 2016. This listing was a major milestone for the company's management team.

The performance for the year resulted in an increase of 21.8% in earnings before interest, tax, depreciation and amortisation (EBITDA) and an increase of 13.8% in profit after tax from the prior year. Return on equity for the year improved to 66.9% compared to 52.8% in the prior year.

Earnings attributable to shareholders, headline earnings and adjusted headline earnings increased by 19.4%, 22.5% and 30.8% respectively from the prior year.

Headline earnings per share and adjusted headline earnings per share are 74.7 and 69.2 cents per share, a decrease of 63.7% and 61.3% respectively as a result of a significant change in the weighted average number of shares (WANOS) in 2017 financial year. The shares were issued in January and February 2016 and therefore included in the determination of WANOS for 12 months in the current year versus less than two months in the comparative period. The change was as a result of a group restructure prior to listing on the JSE.

The strong performance is principally due to a maturing store base, good margin management and 11 new stores being added to the Group.

Trading and financial performance

Group turnover increased by 14.7% to R17.3 billion from the prior year.

- Retail turnover increased by 15.3% from the prior year with like-for-like (LFL) turnover increasing by 9.1%.
- Product inflation was estimated at 6.5% for the year.
- Wholesale turnover increased by 22.2% from the prior year.

Turnover growth for the Group was a result of maturing store base and the addition of 11 stores in the current year, resulting in 108 stores at February 2017.

CJ Distribution's wholesale space has been increased through the opening of the Durban warehouse (14 400 m^2) as well as the additional space (3 250 m^2) added to the Delmas warehouse. The Cape Town warehouse (15 693 m^2) is currently being completed with operations starting in the first quarter of the new financial year. Management believes that the wholesale space is fully invested and will be able to accommodate the retail and wholesale growth strategies over the next three to five years.

From the increased wholesale space CJ Distribution will be focused on increasing its current market share of 25% by continuing to service Dis-Chem, increasing supply to a greater number of TLC (The Local choice) franchisees and serving a greater number of independent pharmacies.

Gross profit increased by 19.4% to R4.2 billion from the prior year (2017 margin: 24.4%; 2016 margin 23.4%). The increase is due to better trade terms with suppliers as the Group continued to increase market shares across our core categories.

Other income increased by 37.6% to R605 million from the prior year. This increase has been boosted in the current year through the renegotiation of the Midrand warehouse lease as well as the renegotiation of certain store leases. Although the Group continues to look for opportunities to reduce lease expenses, these opportunities are unlikely to occur to the same extent in years following.

Other expenses increased by 20.3% due to costs associated with the increase in warehouse and retail space. It is expected that expenses will grow at a lower rate than turnover in the coming financial year.

Operating profit increased by 24.3% to R1.1 billion from the prior year as the Retail margin increased by 0.4% while the Wholesale margin increased by 0.1%. The Group's operating margin increased by 50 basis points to 6.5%.

Net finance costs increased by 1.5 times to R225 million from the prior year. The increase is due to a change in the capital structure of the Group.

Total assets increased by 14.1% or R0.7 billion from the prior year. This increase is due to the opening of new stores and the related fixed assets and working capital requirements. Total capital expenditure of R221 million comprised of R73 million replacement expenditure and R148 million expansionary expenditure.

COMMENTARY CONTINUED

In the current year, the Group has improved its overall working capital position from 50 to 43 days. This was due to a concerted effort made by management specifically with regard to average creditors' days that have increased from 48 days at February 2016 to 61 days at February 2017. The Group is expected to maintain the overall working capital position between 40 and 45 days going forward.

R750 million of the capital raised on listing was retained by the Group and used to reduce the bank overdraft as well as for general corporate purposes.

The Group has bought back a number of non-controlling interests in the current year. These acquisitions occurred through the issue of shares, cash payments and contingent consideration.

Directorate

With effect from 13 October 2016, LM Nestadt, MJ Bowman, A Coovadia and JS Mthimunye joined the board as non-executive independent directors. At the same time, B Epstein, S Goetsch, N Hegarty, K Sterling and LLS van der Watt resigned from the board but, with the exception of LLS van der Watt, have remained on the board of the main subsidiary of the Group. With effect from 3 May 2017, MSI Gani joined the board as a non-executive independent director.

Outlook

For the eight weeks to 30 April 2017, group turnover increased by 15.2% relative to the prior year and comparable retail turnover by 9.7%. Despite the strong start to the new financial year it is expected that the weak consumer spending environment will continue in 2017 with the ongoing political uncertainty, low economic growth and increase in taxes constraining consumers.

The Group remains focused on adding retail stores to its base and leveraging off an invested cost base associated with a relatively young store base. Resilient markets in which the Group operates will offer some protection against the relatively weak consumer environment.

Dividend declaration

Notice is hereby given that a gross final cash dividend of 7.34879 cents per share, in respect of the year ended 28 February 2017 has been declared based on 40% of adjusted headline earnings weighted by the amount of time the company was listed. 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 5.87903 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, 30 May 2017
- First trading day *ex* dividend on the JSE: Wednesday, 31 May 2017
- Record date: Friday, 2 June 2017
- Payment date: Monday, 5 June 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 31 May 2017 and Friday, 2 June 2017, 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.

Approval

The provisional condensed consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the directors on 16 May 2017.

On behalf of the Board

Ivan Saltzman
Chief Executive Officer

Rui Morais
Chief Financial Officer

The results presentation will be at 10:00 at Standard Bank, 30 Baker Street, Rosebank, 2196, Johannesburg. For further enquires contact investorrelations@dischem.co.za.

Live audio webcast on http://livestream.com/accounts/15630219

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year to 28 February 2017 (Reviewed) R'000	Year to 29 February 2016 (Audited) R'000	% change
Revenue		**17 897 313**	15 508 284	15.4
Turnover		**17 268 475**	15 061 293	14.7
Cost of sales		**(13 059 154)**	(11 534 533)	13.2
Gross profit		**4 209 321**	3 526 760	19.4
Other income		**604 861**	439 676	37.6
Other expenses		**(3 679 386)**	(3 059 758)	20.3
Transaction costs for listing		**(8 074)**	–	
Operating profit		**1 126 722**	906 678	24.3
Net finance costs		**(225 240)**	(89 151)	152.6
– Finance income		**23 977**	7 315	
– Finance costs		**(249 217)**	(96 466)	
Share of profit from associates		**501**	344	
Profit before taxation		**901 983**	817 871	10.3
Taxation		**(246 871)**	(242 116)	2.0
Total comprehensive income for the year, net of tax		**655 112**	575 755	13.8
Profit attributable to:				
– Equity holders of the parent		**612 346**	512 775	
– Non-controlling interests		**42 766**	62 980	
Earnings per share				
– Basic	(cents)	**75.0**	212.0	
– Diluted	(cents)	**75.0**	212.0	

CONDENDSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 28 February 2017 (Reviewed) R'000	As at 29 February 2016 (Audited) R'000
ASSETS			
Non-current assets		**1 191 740**	1 064 929
Property, plant and equipment		**995 401**	918 979
Intangible assets		**40 310**	35 253
Deferred taxation		**156 029**	108 762
Investments in associates		**–**	1 935
Current assets		**4 704 921**	4 104 904
Inventories		**3 233 911**	2 806 572
Trade and other receivables		**1 091 901**	767 807
Loans receivable		**72 270**	198 672
Taxation receivable		**12 141**	58 644
Cash and cash equivalents		**294 698**	273 209
Total assets		**5 896 661**	5 169 833
EQUITY AND LIABILITIES			
Equity attributable to equity holders of parent		**1 106 902**	722 566
Share capital		**6 140 554**	1 352 074
Common control reserve		**(990 991)**	(990 991)
Retained earnings		**(4 042 661)**	361 483
Non-controlling interests		**23 581**	117 117
Total equity		**1 130 483**	839 683
Non-current liabilities		**1 522 378**	822 551
Finance lease liability		**622 907**	651 679
Operating lease obligation		**179 162**	170 872
Loans payable		**647 000**	–
Contingent consideration		**73 309**	–
Current liabilities		**3 243 800**	3 507 599
Trade and other payables		**2 641 215**	1 754 293
Employee obligations		**125 391**	102 441
Deferred revenue		**95 364**	77 026
Contingent consideration		**24 003**	–
Finance lease obligation		**2 390**	2 541
Loans payable		**173 659**	27 026
Taxation payable		**14 719**	14 564
Bank overdraft		**167 059**	1 529 708
Total equity and liabilities		**5 896 661**	5 169 833
Net asset value per share (WANOS)	(cents)	**138.43**	347.22
Net asset value per share (actual shares at year-end)	(cents)	**131.56**	105.69

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Retained earnings R'000	Common control reserve R'000	Non-controlling interest R'000	Total R'000
Balance at 28 February 2015 (Audited)	199 101	857 111	161 982	83 346	1 301 540
Total comprehensive income for the year	–	512 775	–	62 980	575 755
Recapitalisation of reserves	1 152 973	–	(1 152 973)	–	–
Dividends paid	–	(1 008 403)	–	(29 209)	(1 037 612)
Balance at 29 February 2016 (Audited)	1 352 074	361 483	(990 991)	117 117	839 683
Total comprehensive income for the year	–	612 346	–	42 766	655 112
Dividends paid	–	(870 000)	–	(39 927)	(909 927)
Acquisition of non-controlling interests	–	(515 438)	–	(100 885)	(616 323)
Acquisition of subsidiary	–	–	–	4 510	4 510
Shares issued during the year	4 830 774	–	–	–	4 830 774
Capitalised share costs	(42 294)	–	–	–	(42 294)
Shares repurchased during the year	–	(3 631 052)	–	–	(3 631 052)
Balance at 28 February 2017 (Reviewed)	**6 140 554**	**(4 042 661)**	**(990 991)**	**23 581**	**1 130 483**

		Year to 28 February 2017 (Reviewed)	Year to 29 February 2016 (Audited)
Dividend per share*			
– Interim paid	(cents)	**109.5**	208.1
– Final declared/paid	(cents)	**7.3**	79.3

*After share split

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year to 28 February 2017 (Reviewed) R'000	Year to 29 February 2016 (Audited) R'000
Cash flow from operating activities	**159 160**	(668 312)
Cash inflow from trading operations	**1 276 127**	991 682
Movement in working capital	**218 460**	(326 868)
Finance income received	**23 977**	7 315
Finance costs paid	**(201 997)**	(66 327)
Taxation paid	**(247 480)**	(236 502)
Dividends paid	**(909 927)**	(1 037 612)
Cash flow from investing activities	**(221 539)**	(142 892)
Additions to property, plant and equipment and intangible assets		
– to maintain operations	**(73 234)**	(44 930)
– to expand operations	**(148 225)**	(179 721)
Proceeds on disposal of property, plant and equipment and intangible assets	**7 432**	81 759
Acquisition of subsidiary, net of cash acquired	**(7 512)**	–
Cash flow from financing activities	**1 446 517**	–
Shares issued	**4 381 052**	–
Capitalised share costs	**(42 294)**	–
Repurchase of shares	**(3 631 052)**	–
Loans received	**800 000**	–
Finance lease repayment	**(351)**	–
Acquisition of non-controlling interests	**(60 838)**	–
Net increase/(decrease) in cash and cash equivalents	**1 384 138**	(811 204)
Cash and cash equivalents at beginning of year	**(1 256 499)**	(445 295)
Cash and cash equivalents at end of year	**127 639**	(1 256 499)

HEADLINE EARNINGS

		As at 28 February 2017 (Reviewed) R'000	As at 29 February 2016 (Audited) R'000
Reconciliation of profit for the year to headline earnings			
Profit attributable to equity holders of the parent		**612 346**	512 775
Net loss/(profit) on disposal of property, plant and equipment and intangible assets		**423**	(20 249)
Insurance recovery from third parties		**(3 245)**	–
Taxation		**790**	5 706
Headline earnings		**610 314**	498 232
Items deemed to relate to capital structure of the Group			
Finance lease obligation renegotiation		**(80 136)**	(91 602)
Operating lease renegotiation		**(29 208)**	–
Items related to neither Retail nor Wholesale general operations			
Fair value loss relating to non-hedging derivatives		**35 812**	–
Items not expected to reoccur			
Transaction costs for listing		**8 074**	–
Taxation		**20 589**	25 649
Adjusted headline earnings		**565 445**	432 279
Earnings per share			
Basic	(cents)	**75.0**	212.0
Diluted	(cents)	**75.0**	212.0
Headline earnings per share			
Basic	(cents)	**74.7**	206.0
Diluted	(cents)	**74.7**	206.0
Adjusted headline earnings per share			
Basic	(cents)	**69.2**	178.8
Diluted	(cents)	**69.2**	178.8

Adjusted headline earnings per share reconciliation

The *pro forma* financial information below has been prepared for illustrative purposes only to provide information on how the adjusted headline earnings have been calculated. Because of its nature, the *pro forma* financial information may not be a fair reflection of the Group's results of operations, financial position, changes in equity or cash flows. No other adjustments have been made to the *pro forma* financial information.

The directors of Dis-Chem are responsible for the preparation of the *pro forma* financial information. The *pro forma* information has been prepared using accounting policies that are consistent with International Financial Reporting Standards and the basis on which the consolidated results of the Group has been prepared in terms of the accounting policies of Dis-Chem. The *pro forma* financial information has been prepared in accordance with the accounting policies of the Company, the Listings Requirements and the revised Guide on *Pro Forma* Financial Information issued by SAICA.

This *pro forma* financial information has been reviewed by the independent external auditors, Ernst & Young Inc., in terms of International Standards on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of *Pro forma* Financial Information Included in a Prospectus. Their unmodified review report is available for inspection at the Company's registered office.

HEADLINE EARNINGS CONTINUED

	Notes	12 months to 28 February 2017 R'000 1	Adjustments R'000	After *pro forma* adjustments R'000
Turnover		**17 268 475**	–	17 268 475
Cost of sales		**(13 059 154)**	–	(13 059 154)
Gross profit		**4 209 321**	–	4 209 321
Other income	2	**604 861**	(109 344)	495 517
Other expenses	3	**(3 679 386)**	35 812	(3 643 574)
Transaction costs for listing	4	**(8 074)**	8 074	-
		1 126 722	(65 458)	1 061 264
Net finance costs		**(225 240)**	–	(225 240)
Share of profit from associates		**501**	–	501
Profit before tax		**901 983**	(65 458)	836 525
Taxation	5	**(246 871)**	20 589	(226 282)
Non-controlling interest		**(42 766)**	–	(42 766)
Total comprehensive income for the year for equity holders		**612 346**	(44 869)	567 477
Net loss/(profit) on disposal of PPE and intangibles		**423**		423
Insurance recovery from third parties		**(3 245)**		(3 245)
Taxation		**790**		790
Headline earnings		**610 314**	(44 869)	565 445
Adjusted earnings per share (cents)	6	**75.0**		69.5
Adjusted diluted earnings per share (cents)	6	**75.0**		69.5
Adjusted headline earnings per share (cents)	6	**74.7**		69.2
Adjusted diluted headline earnings per share (cents)	6	**74.7**		69.2
Normal and diluted weighted average number of shares (m's)		**816.6**		816.6

Notes:

1. As per the statement of comprehensive income for the 12 months ended 28 February 2017 per the annual condensed consolidated results.
2. Finance and operating lease renegotiations that are deemed to relate to the capital structure of the Group and will not occur every financial period. The finance lease was renegotiated with effect from 18 November 2016.
3. Fair value loss relating to non-hedging derivatives that are deemed to relate to neither Retail nor Wholesale day to day operations and will not occur every financial period.
4. Relating to once-off transactions costs on listing that will not reoccur every financial period.
5. The taxation expense has been adjusted for the adjusted items above at a rate of 28%. As there would be no tax deduction for the transaction costs for listing no tax impact has been calculated.
6. Per share calculation is based on adjusted total comprehensive income for the year for equity holders and adjusted headline earnings.

HEADLINE EARNINGS CONTINUED

	As at 28 February 2017 (Reviewed) R'000	As at 29 February 2016 (Audited) R'000
Reconciliation of shares in issue to weighted average number of shares in issue		
Total number of shares in issue at beginning of the year	**5 296 308**	1 212 121
Shares issued during the year before the share split weighted for the period outstanding	**62 383**	400 084
Shares in issue before the share split	**5 358 691**	1 612 205
Share split	**798 444 959**	240 218 545
Shares repurchased after the share split during the year weighted for the period outstanding	**(54 858 637)**	–
Shares issued after the share split during the year weighted for the period outstanding	**67 672 225**	–
Total weighted number of shares in issue at the end of the year	**816 617 238**	241 830 750

On 30 September 2016, a 150-for-1 share split took place and therefore increased the number of shares in issue. This has been taken into account in the above calculation of the weighted average number of shares as if the shares were in issue for the whole year and all earlier years presented.

The total weighted average number of shares in issue for the year equals the total weighted average diluted number of shares in issue for the year as the Group has no share options or other instruments that would result in a dilutive impact.

SEGMENTAL INFORMATION

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

28 February 2017 (Reviewed)		Retail R'000	Wholesale R'000	Intergroup/ Consolidation R'000	Total R'000
External customers		15 646 131	1 622 344	–	17 268 475
Inter-segment		–	9 295 733	(9 295 733)	–
Total turnover		15 646 131	10 918 077	(9 295 733)	17 268 475
Cost of sales		(11 853 918)	(9 995 286)	8 790 050	(13 059 154)
Gross profit		3 792 213	922 791	(505 683)	4 209 321
Other income		611 091	90 469	(96 699)	604 861
Other expenses (excluding depreciation and amortisation)		(3 176 755)	(884 352)	535 675	(3 525 432)
Depreciation and amortisation		(126 036)	(35 992)	–	(162 028)
Net finance costs		(125 639)	(99 601)	–	(225 240)
Share of profit from associates		–	–	501	501
Profit before tax		974 874	(6 685)	(66 206)	901 983
EBITDA		1 226 549	128 908	(66 707)	1 288 750
Capital expenditure		191 249	30 210	–	221 459
Total assets		4 711 001	4 329 291	(3 143 631)	5 896 661
Total liabilities		3 123 181	2 955 555	(1 312 558)	4 766 178
Gross profit margin	(%)	24.2	8.5	–	24.4
EBITDA margin	(%)	7.8	1.2	–	7.5
Operating margin	(%)	7.0	0.9	–	6.5

SEGMENTAL INFORMATION CONTINUED

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

29 February 2016 (Audited)		Retail R'000	Wholesale R'000	Intergroup/ Consolidation R'000	Total R'000
External customers		13 573 393	1 487 900	–	15 061 293
Inter-segment		–	7 444 913	(7 444 913)	–
Total turnover		13 573 393	8 932 813	(7 444 913)	15 061 293
Cost of sales		(10 329 480)	(8 169 741)	6 964 688	(11 534 533)
Gross profit		3 243 913	763 072	(480 225)	3 526 760
Other income		430 134	96 783	(87 241)	439 676
Other expenses (excluding depreciation and amortisation)		(2 660 048)	(751 492)	502 556	(2 908 984)
Depreciation and amortisation		(113 585)	(37 189)	–	(150 774)
Net finance costs		(14 109)	(75 042)	–	(89 151)
Share of profit from associates		–	–	344	344
Profit before tax		886 305	(3 868)	(64 566)	817 871
EBITDA		1 013 999	108 363	(64 910)	1 057 452
Capital expenditure		(155 156)	(69 495)	–	(224 651)
Total assets		3 812 444	3 312 618	(1 955 229)	5 169 833
Total liabilities		3 131 629	1 938 148	(739 627)	4 330 150
Gross profit margin	(%)	23.9	8.5		23.4
EBITDA margin	(%)	7.5	1.2		7.0
Operating margin	(%)	6.6	0.8		6.0

SEGMENTAL INFORMATION CONTINUED

During the 2017 financial year the composition of the financial information reviewed by the chief operating decision maker was amended to incorporate the performance of its operating segments through a change in the allocation of rebates and fees earned by the wholesale segment between the two operating segments. This has resulted in the revenue line item previously reported in the segments being restated in order to show the effect of this change. The following table shows the impact of this restatement:

	Retail R'000	Wholesale R'000	Intergroup/ Consolidation R'000	Total R'000
29 February 2016 (Audited)				
Turnover – previously reported	13 573 393	9 237 646	(7 749 746)	15 061 293
Change in fees charged	–	(304 833)	304 833	–
Turnover	13 573 393	8 932 813	(7 444 913)	15 061 293
EBITDA – if previously reported	374 144	748 218	(64 910)	1 057 452
Change in fees charged	639 855	(639 855)	–	–
EBITDA	1 013 999	108 363	(64 910)	1 057 452
28 February 2015 (Audited)				
Turnover – previously reported	11 750 656	6 602 980	(5 443 042)	12 910 594
Change in fees charged	(142 716)	(245 832)	388 548	–
Turnover	11 607 940	6 357 148	(5 054 494)	12 910 594
EBITDA – if previously reported	349 059	468 217	(18 449)	798 827
Change in fees charged	516 474	(516 474)	–	–
EBITDA	865 533	(48 257)	(18 449)	798 827
28 February 2014 (Audited)				
Turnover – previously reported	9 987 451	4 117 933	(3 784 385)	10 320 999
Change in fees charged	–	(248 757)	248 757	–
Turnover	9 987 451	3 869 176	(3 535 628)	10 320 999
EBITDA – if previously reported	402 170	334 393	(20 861)	715 702
Change in fees charged	327 923	(327 923)	–	–
EBITDA	730 093	6 470	(20 861)	715 702

COMMITMENTS

	As at 28 February 2017 (Reviewed) R'000	As at 29 February 2016 (Audited) R'000
Operating lease commitments		
– Within one year	**340 170**	266 920
– Two to five years	**1 274 970**	757 897
– Over five years	**828 567**	609 461
Finance lease commitments		
– Within one year	**64 040**	59 676
– Two to five years	**301 292**	279 611
– Over five years	**1 303 571**	4 066 935

FAIR VALUE HIERARCHY

The information below analyses financial assets and liabilities that are carried at fair value or financial assets and liabilities that have carrying amounts that differ from their fair values:

	Level 1 R'000	Level 2 R'000	Level 3 R'000
2017			
Financial liabilities at fair value through profit and loss			
– Derivative liability	–	15 783	–
– Contingent consideration	–	–	97 312
2016			
Financial liabilities at fair value through profit and loss			
– Derivative liability	–	–	–
– Contingent consideration	–	–	–

The derivatives represent forward exchange contracts (FECs). The fair value of the FEC liability is measured with reference to market data. The key input into this valuation is the forward exchange rate as provided by a reputable bank.

The fair value of the contingent consideration payable is measured with reference to the performance forecasts which can be used to estimate future cash flows. The key inputs into this valuation are the estimated future cash flows and the average discount rate of 12.9% used to determine the present value of the future cash flows.

	2017 R'000
Reconciliation of recurring Level 3 fair value movements:	
Opening balance	–
Acquisitions	94 027
Payments	–
Interest	3 285
Closing balance	97 312

There has been no change in the range of undiscounted contingent consideration outcomes during the year. A reasonable movement in the unobservable inputs would not significantly impact the fair value of the contingent consideration as at the end of the reporting period and therefore not significantly impact profit after tax or equity.

There were no transfers of financial instruments between Level 1, Level 2 and Level 3 fair value measurements during the year ended February 2017.

ADDITIONAL INFORMATION

Ordinary shares in issue	(000's)	859 274
Share price (Closing)	(R)	23.98
Share price (high)	(R)	25.27
Share price (low)	(R)	20.60

NOTES TO THE PROVISIONAL REVIEWED CONDENSED CONSOLIDATED RESULTS

1. These condensed consolidated financial results for the twelve months ended 28 February 2017 have been prepared in accordance with International Accounting Standard (IAS) 34 Financial Reporting and the requirements of the Companies Act of South Africa. The Listings Requirements of the JSE require summarised consolidated financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ('IFRS') and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

   The 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 29 February 2016 as none of the new standards, interpretations and amendments effective as of 1 March 2016 have had material impact on the annual consolidated financial statements of the Group or the condensed consolidated financial statements of the Group.

   The provisional reviewed annual condensed consolidated financial statements have been prepared under the supervision of Mr Rui Manuel Morais CA(SA), the Chief Financial Officer of the Group.

2. Dis-Chem enters into certain transactions with related parties. A finance lease has been entered into with Columbia Falls Property 7 Proprietary Limited on which rental of R57 million was incurred during the year (2016: R54 million). This finance lease obligation amounted to R620 million at 28 February 2017 (2016: R649 million).

   Amounts owing from MSDS No.3 Proprietary Limited and Eleador Proprietary Limited at 28 February 2017 amounted to R26 million and R3 million respectively (2016: R2 million and R8 million respectively). Amounts owing to Josneo Proprietary Limited and Minlou Proprietary Limited at 28 February 2017 amounted to R17 million and R3 million respectively (2016: R84 million receivable and R7 million respectively).

3. There were no impairments of assets in the current and prior comparable year. However, during the current year the Northridge store in Bloemfontein was flooded due to heavy rains which resulted in fixed assets of R0.4 million and inventory of R8 million being written off which has been fully recovered through insurance.

4. On 30 September 2016, a 150-for-1 share split took place and therefore increased the number of shares in issue to 794 446 200. In addition, during the current year 261 135 336 shares were issued for R4.8 billion and 196 307 863 shares were repurchased for R3.6 billion. During the prior year 4 084 187 shares were issued for R1.2 billion to the current shareholders in proportion to their existing shareholding prior to the issue through a recapitalisation of shares.

5. During the current year, the Group acquired an additional interest in the voting shares of Evening Star Trading Proprietary Limited and The Pharmacy Development Company Proprietary Limited. Prior to 1 September the Group held 26% and 35% respectively in these companies and now holds 51.3% and 70% respectively. The Group also acquired 100% interest in Platinum Park, a local pharmacy.

   The total identifiable net assets at fair value amounted to R10.7 million (R1.9 million of which related to cash) with goodwill arising of R8.5 million.

   In addition the company acquired the non-controlling interest of 14 entities for an amount of R461 million in Dis-Chem shares, R60.8 million in cash and R94 million in contingent consideration based on the future performance of the stores.

   There were no business combinations during the prior comparable year.

6. On 1 April 2017, the Group acquired certain assets and liabilities of Optipharm Proprietary Limited, a pharmaceutical wholesaler. The provisional fair value of identifiable net liabilities amounted to R66 million with goodwill arising of R66 million. No other material subsequent events have taken place since reporting date.

7. These provisional reviewed condensed consolidated results have been reviewed by independent external auditors, Ernst & Young Inc. and their unmodified review report is available for inspection at the Company's registered office.

   The review was performed in accordance with ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

SUPPLEMENTARY INFORMATION

Dis-Chem Pharmacies Limited
Registration number 2005/009766/06

DIRECTORS

Independent non-executive directors

L M Nestadt	(South African)	(Appointed 13 October 2016)	(Chairman)
M J Bowman	(South African)	(Appointed 13 October 2016)	
A Coovadia	(South African)	(Appointed 13 October 2016)	
J S Mthimunye	(South African)	(Appointed 13 October 2016)	
M S I Gani	(South African)	(Appointed 3 May 2017)	

Executive directors

I L Saltzman	(South African)		(Chief Executive Officer)
L F Saltzman	(South African)		(Managing Director)
R M Morais	(South African)		(Chief Financial Officer)
S E Saltzman	(South African)	(Alternate for L F Saltzman)	
B I Epstein	(South African)	(Resigned 13 October 2016)	
S R N Goetsch	(South African)	(Resigned 13 October 2016)	
N M Hegarty	(South African)	(Resigned 13 October 2016)	
K S Sterling	(South African)	(Resigned 13 October 2016)	
L L S van der Watt	(South African)	(Resigned 13 October 2016)	

Company registration number
2005/009766/06

Registered office
23 Stag Road
Midrand
1685

Company secretary
W T Green

Registered auditors
Ernst & Young Inc.
102 Rivonia Road
Sandton
Johannesburg
2196
South Africa

JSE code
DCP

ISIN
ZAE000227831

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

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

DEFINITIONS

Adjusted headline earnings

Adjusted Headline earnings per share (HEPS) is a performance measure derived from HEPS for three categories of items:

- Items deemed to relate to capital structure of the Group – these items relate to the capital structure of the Group but are not explicitly provided for in the HEPS circular;
- Items related to neither Retail nor Wholesale general operations – these items represent income and expenses that arise outside of the Group's core retail and wholesale business; and
- Items not expected to reoccur – these items are income and expenses that management does not expect to reoccur in the foreseeable future.

Capital expenditure – to maintain operations

Capital expenditure incurred in replacing existing capital (for example, refurbishment of existing new store).

Capital expenditure – to expand operations

Capital expenditure that is not to maintain operations (for example, capital expenditure to open a new store).

Creditors days

Creditors days is calculated as the average trade and other payables divided by cost of sales for the period, multiplied by 365 days.

Debtors days

Debtors days is calculated as the average trade and other receivables divided by turnover for the period, multiplied by 365 days.

Dividend payout ratio

Target pay-out ratio is approximately 40% of adjusted headline earnings weighted by the amount of time the company has been listed.

Dividend per share

Dividend per share is the interim cash dividend paid and the final cash dividend declared, expressed as cents per share.

Earnings per share

Profit attributable to equity holders of the parent divided by the WANOS for the period.

EBIT and EBITDA

EBIT is calculated as total comprehensive income plus net financing expense and taxation. EBITDA is calculated as EBIT plus depreciation and amortisation.

Gross profit margin

Gross profit margin is calculated as gross profit dividend by turnover.

Headline earnings

Profit attributable to equity holders of the parent adjusted for the after-tax effect of goodwill impairment and certain other capital items.

Headline earnings per share

Headline earnings divided by the WANOS in issue for the period.

Inventory days

Inventory days is calculated as the average inventory divided by cost of sales for the period, multiplied by 365 days.

Like-for-like revenue growth

Like-for-like revenue growth is defined as total growth in turnover only taking into account stores that have been open for at least two full financial years.

Net asset value per share (WANOS)

Net asset value per share is calculated as total equity at year-end divided by the weighted average number of shares (WANOS) for the year.

DEFINITIONS CONTINUED

Net asset value per share (Actual shares at year-end)

Net asset value per share is calculated as total equity at year-end divided by the actual number of shares issued at year-end.

Operating margin

Operating margin is calculated as operating profit dividend by turnover.

Return on equity

Return on equity is calculated as profit attributable to equity holders of the parent divided by average equity attributable to equity holders of the parent at the start and end of the year.

Total working capital days

Total working capital days is calculated as debtors days plus inventory days less creditors days.

Weighted average number of shares

The number of ordinary shares in issue, increased by shares issued during the period and reduced by shares purchased or shares cancelled during the period, weighted on a time basis for the period during which they have participated in the income of the group. A share split is taken into account in weighted average number of shares as if the shares were issued for the whole year and all earlier years.

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