Dis-Chem Pharmacies Limited
("Dis-Chem" or "the Company")
(Incorporated in the Republic of South Africa)
(Registration number 2005/009766/06)
Share code: DCP
ISIN: ZAE000227831

REVIEWED INTERIM CONDENSED CONSOLIDATED RESULTS
for the six-months ended 31 August 2017

The reviewed interim 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 performance for the interim period resulted in an increase in earnings before interest, tax, depreciation and amortisation (EBITDA) of 21% and an increase in profit after tax of 37.4% from the prior comparative period.

Earnings attributable to shareholders and earnings per share increased by 49.4% and 38.1% respectively from the prior comparative period. Part of this increase is due to the buy-out of the non-controlling interest in certain subsidiaries in September and November 2016.

Headline earnings per share and adjusted headline earnings per share are 46.8 cents per share, an increase of 38.1%, despite the change in the weighted average number of shares ("WANOS") which increased to 860 062 450 as at 31 August 2017 compared to the WANOS of 794 446 200 for the comparative period.

The increase in the WANOS is as a result of the listing of the Group on the JSE on 18 November 2016.

The strong performance is principally due to a maturing store base, good margin management and 19 new stores (10 new stores since February 2017) being added to the Group.

Trading and financial performance
Group turnover increased by 13.3% to R9.6 billion from the prior comparative period.
- Retail turnover increased by 15.0% from the prior comparative period with like-for-like (LFL) turnover increasing by 8.6%.
- Product inflation was estimated at 4.0% for the period.
- Wholesale turnover increased by 20.9% from the prior comparative period.

Turnover growth for the Group was a result of maturing store base and the addition of 19 stores since the prior comparative period, resulting in 118 stores at August 2017.

CJ Distribution's wholesale space, which now totals 80 123 m(2), was increased with the addition of the Cape Town space (15 693 m(2)) which was completed in July 2017. 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 focusing on increasing its current market share by continuing to service Dis-Chem, increasing supply to a greater number of The Local Choice ("TLC") franchisees and serving a greater number of independent pharmacies.

Gross profit increased by 17.8% to R2.4 billion from the prior comparative period (August 2017 margin: 24.7%; August 2016 margin 23.7%). The increase is a result of the additional centralisation of vendors and better trade terms with suppliers as the Group continued to increase market shares across our core categories.

Other income, being 3.5% of turnover increased by 48.6% to R340 million from the prior comparative period. Other expenses increased by 21.1% due to costs associated with the increase in warehouse and retail space.

Operating profit increased by 21.4% to R0.7 billion from the prior comparative period. The increase was a result of the retail margin increasing by 0.3%, offsetting a 0.2% decrease in wholesale margin on the back of the costs associated with the investment in adding space. The Group's operating margin increased from 6.3% to 6.8%.

Net finance costs decreased by 29.7% to R86 million from the prior comparable period. The decrease is due to the settlement of debt across the IPO and the additional repayment of term debt in the first half of the financial year.

Total assets increased by 24.1% or R1.2 billion from the comparable period. This increase is due to the opening of 19 new stores and the related fixed assets and working capital requirements. Total capital expenditure of R173 million in the current six-month period comprises of R41 million replacement expenditure and R132 million expansionary expenditure. On 1 April 2017, the Group also acquired certain assets and liabilities of Optipharm Proprietary Limited, a pharmaceutical courier.

In the current year, the Group has improved its overall working capital position from 43 days at year-end to 38 days. The improvement continues to be as a result of extended creditor days.

Management continues to focus on the overall working capital position and specifically on improving stock days post the investment in the additional distribution space that has been added in the last 12 months.

Directorate
With effect from 3 May 2017, M Gani joined the board as a non-executive independent director. No other changes have been made to the board since year-end.

Outlook
For the six weeks up until 15 October 2017, Group and retail turnover increased by 13% and 14% respectively, relative to the prior comparative period. It is expected that the weak consumer spending environment will continue into the second half of the financial year with low economic growth and an increase in taxes constraining consumers.

The Group continues to remain focused on adding retail stores to its base and growing market share. In addition, the Group will focus on leveraging off an invested cost base associated with a relatively young store base. As proven to be the case in the first half of the financial year, 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 interim cash dividend of 18.73035 cents per share, in respect of the interim ended 31 August 2017 has been declared based on 40% of adjusted 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 14.98428 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, 7 November 2017
- First trading day ex dividend on the JSE: Wednesday, 8 November 2017
- Record date: Friday, 10 November 2017
- Payment date: Monday, 13 November 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 8 November 2017 and Friday, 10 November 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 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 interim condensed consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the directors on 19 October 2017.

On behalf of the Board

Ivan Saltzman
Chief Executive Officer

Rui Morais
Chief Financial Officer

CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME

	Six months to 31 August 2017 (Reviewed) R'000	Six months to 31 August 2016 (Reviewed) R'000	% change	Year to 28 February 2017 (Audited) R'000
Revenue	9 950 690	8 718 914	14.1	17 897 313
Turnover	9 605 723	8 478 300	13.3	17 268 475
Cost of sales	(7 234 576)	(6 465 978)	11.9	(13 059 154)
Gross profit	2 371 147	2 012 322	17.8	4 209 321
Other income	340 307	228 978	48.6	604 861
Other expenses	(2 060 587)	(1 702 003)	21.1	(3 679 386)
Transaction costs	–	(3 000)		(8 074)
Operating profit	650 867	536 297	21.4	1 126 722
Net finance costs	(85 572)	(121 810)	(29.7)	(225 240)
– Finance income	4 660	11 636		23 977
– Finance costs	(90 232)	(133 446)		(249 217)
Share of profit from associates	–	501		501
Profit before taxation	565 295	414 988	36.2	901 983
Taxation	(155 969)	(117 115)	33.2	(246 871)
Total comprehensive income for the period, net of tax	409 326	297 873	37.4	655 112
Profit attributable to:				
– Equity holders of the parent	402 800	269 603		612 346
– Non-controlling interests	6 526	28 270		42 766
Earnings per share (cents)				

– Basic	46.8	33.9	75.0
– Diluted	46.8	33.9	75.0

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 Aug 2017 (Reviewed) R'000	As at 31 Aug 2016 (Reviewed) R'000	As at 28 Feb 2017 (Audited) R'000
ASSETS			
Non-current assets	1 496 166	1 077 687	1 191 740
Property, plant and equipment	1 098 357	925 136	995 401
Intangible assets	247 127	32 211	40 310
Deferred taxation	150 682	117 904	156 029
Investments in associates	–	2 436	–
Current assets	4 930 903	4 100 812	4 704 921
Inventories	3 578 075	2 862 856	3 233 911
Trade and other receivables	1 068 952	814 944	1 091 901
Loans receivable	88 945	247 056	72 270
Taxation receivable	9 164	54 587	12 141
Cash and cash equivalents	185 767	121 369	294 698
Total assets	6 427 069	5 178 499	5 896 661
EQUITY AND LIABILITIES			
Equity attributable to equity holders of parent	1 461 496	104 048	1 106 902
Share capital	6 155 554	1 352 074	6 140 554
Common control reserve	(990 991)	(990 991)	(990 991)
Retained earnings	(3 703 067)	(257 035)	(4 042 661)
Non–controlling interests	27 290	119 479	23 581
Total equity	1 488 786	223 527	1 130 483
Non–current liabilities	1 446 406	846 359	1 522 378
Finance lease obligation	625 450	670 845	622 907
Operating lease obligation	194 579	175 514	179 162
Loans payable	571 000	–	647 000
Contingent consideration	55 377	–	73 309
Current liabilities	3 491 877	4 108 613	3 243 800
Trade and other payables	2 845 702	1 620 414	2 641 215
Employee obligations	123 734	98 451	125 391
Deferred revenue	99 893	85 828	95 364
Contingent consideration	22 769	–	24 003
Finance lease obligation	3 944	2 420	2 390
Loans payable	200 424	12 624	173 659
Taxation payable	33 783	–	14 719
Bank overdraft	161 628	2 288 876	167 059
Total equity and liabilities	6 427 069	5 178 499	5 896 661
Net asset value per share (WANOS) (cents)	173.10	28.14	138.43
Net asset value per share (actual shares at period-end) (cents)	173.10	28.14	131.56

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 29 February 2016 (audited)	1 352 074	361 483	(990 991)	117 117	839 683
Total comprehensive income for the period	–	269 603	–	28 270	297 873
Dividends paid	–	(870 000)	–	(19 641)	(889 641)
Acquisition of non-controlling interests	–	(18 121)	–	(6 267)	(24 388)
Balance at 31 August 2016 (reviewed)	1 352 074	(257 035)	(990 991)	119 479	223 527
Total comprehensive income for the period	–	342 743	–	14 496	357 239
Dividends paid	–	–	–	(20 286)	(20 286)
Acquisition of non-controlling interests	–	(497 317)	–	(94 618)	(591 935)
Acquisition of subsidiary	–	–	–	4 510	4 510
Shares issued during the period	4 830 774	–	–	–	4 830 774
Capitalised share costs for listing	(42 294)	–	–	–	(42 294)
Shares repurchased during the period	–	(3 631 052)	–	–	(3 631 052)
Balance at 28 February 2017 (audited)	6 140 554	(4 042 661)	(990 991)	23 581	1 130 483

Total comprehensive income for the period	–	402 800	–	6 526	409 326
Dividends paid	–	(63 206)	–	(2 817)	(66 023)
Shares issued during the period	15 000	–	–	–	15 000
Balance at 31 August 2017 (reviewed)	6 155 554	(3 703 067)	(990 991)	27 290	1 488 786

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months to 31 Aug 2017 (Reviewed) R'000	Six months to 31 Aug 2016 (Reviewed) R'000	Year to 28 Feb 2017 (Audited) R'000
Cash flow from operating activities	187 061	(806 712)	159 160
Cash inflow from trading operations	746 355	622 538	1 276 127
Movement in working capital	(257 733)	(300 082)	218 460
Finance income received	4 660	11 636	23 977
Finance costs paid	(77 768)	(114 400)	(201 997)
Taxation paid	(162 430)	(136 763)	(247 480)
Dividends paid	(66 023)	(889 641)	(909 927)
Cash flow from investing activities	(212 667)	(79 908)	(221 539)
Additions to property, plant and equipment and intangible assets			
– To maintain operations	(41 305)	(25 435)	(73 234)
– To expand operations	(131 504)	(55 221)	(148 225)
Proceeds on disposal of property, plant and equipment and intangible assets	83	748	7 432
Acquisition of assets and liabilities in business combination, net of cash	(17 000)	–	(7 512)
Payment of contingent consideration	(22 941)	–	–
Cash flow from financing activities	(77 894)	(24 388)	1 446 517
Proceeds from issue of share capital	–	–	4 381 052
Costs capitalised to issue share capital	–	–	(42 294)
Repurchase of shares	–	–	(3 631 052)
(Repayment)/proceeds from bank loans	(76 000)	–	800 000
Finance lease repayment	(1 894)	–	(351)
Acquisition of non-controlling interests	–	(24 388)	(60 838)
Net (decrease)/increase in cash and cash equivalents	(103 500)	(911 008)	1 384 138
Cash and cash equivalents at beginning of period	127 639	(1 256 499)	(1 256 499)
Cash and cash equivalents at end of period	24 139	(2 167 507)	127 639

EARNINGS PER SHARE

	Six months to 31 Aug 2017 (Reviewed) R'000	Six months to 31 Aug 2016 (Reviewed) R'000	Year to 28 Feb 2017 (Audited) R'000
Reconciliation of profit for the year to headline earnings			
Profit attributable to equity holders of the parent	402 800	269 603	612 346
Profit on disposal of property, plant and equipment and intangible assets	(78)	(398)	423
Insurance recovery from third parties	–	–	(3 245)
Taxation	23	111	790
Headline earnings	402 745	269 316	610 314
Items deemed to relate to capital structure of the Group			
Finance lease obligation renegotiation	–	–	(80 136)
Operating lease renegotiation	–	–	(29 208)
Items related to neither Retail nor Wholesale general operations			
Fair value loss relating to non-hedging derivatives	(5)	–	35 812
Items not expected to reoccur			
Transaction costs on listing	–	–	8 074
Taxation	2	–	20 589
Adjusted headline earnings	402 742	269 316	565 445
Earnings per share (cents)			
– Basic	46.8	33.9	75.0
– Diluted	46.8	33.9	75.0
Headline earnings per share (cents)			
– Basic	46.8	33.9	74.7
– Diluted	46.8	33.9	74.7
Adjusted headline earnings per share (cents)			

– Basic	46.8	33.9	69.2
– Diluted	46.8	33.9	69.2

Reconciliation of shares in issues to weighted average number of shares in issue	As at 31 Aug 2017 (Reviewed) '000	As at 31 Aug 2016 (Reviewed) '000	As at 28 Feb 2017 (Audited) '000
Total numbers of shares in issue at beginning of the year	859 273 673	5 296 308	5 296 308
Shares issued during the period before the share split weighted for the period outstanding	–	–	62 383
Shares in issue before the share split	859 273 673	5 296 308	5 358 691
Share split	–	789 149 892	798 444 959
Shares repurchased after the share split during the period weighted for the period outstanding	–	–	(54 858 637)
Shares issued after the share split during the period weighted for the period outstanding	788 777	–	67 672 225
Total weighted number of shares in issue at the end of the period	860 062 450	794 446 200	816 617 238

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 as at 28 February 2017 were in issue for the whole period and all earlier periods presented.

The total weighted average number of shares in issue for the period equals the total weighted average diluted number of shares in issue for the period 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

Six months to 31 August 2017 (reviewed)	Retail R'000	Wholesale R'000	Intergroup R'000	Total R'000
External customers	8 783 578	822 145	–	9 605 723
Inter-segment	–	5 637 759	(5 637 759)	–
Total turnover	8 783 578	6 459 904	(5 637 759)	9 605 723
Cost of sales	(6 657 310)	(5 894 438)	5 317 172	(7 234 576)
Gross profit	2 126 268	565 466	(320 587)	2 371 147
Other income	352 034	15 339	(27 066)	340 307
Other expenses (excluding depreciation and amortisation)	(1 726 740)	(578 755)	336 676	(1 968 819)
Depreciation and amortisation	(69 295)	(22 473)	–	(91 768)
Net finance costs	(53 154)	(32 418)	–	(85 572)
Profit before tax	629 113	(52 841)	(10 977)	565 295
EBITDA	751 562	2 050	(10 977)	742 635
Capital expenditure	(108 385)	(64 424)	–	(172 809)
Total assets	5 249 653	4 057 387	(2 879 971)	6 427 069
Total liabilities	3 127 039	2 725 018	(913 774)	4 938 283
Gross profit margin	24.2%	8.8%		24.7%
EBITDA margin	8.6%	0.0%		7.7%
Operating margin	7.8%	(0.3%)		6.8%

Six months to 31 August 2016 (reviewed)	Retail R'000	Wholesale R'000	Intergroup R'000	Total R'000
External customers	7 639 945	838 355	–	8 478 300
Inter-segment	–	4 503 452	(4 503 452)	–
Total turnover	7 639 945	5 341 807	(4 503 452)	8 478 300
Cost of sales	(5 814 243)	(4 942 407)	4 290 672	(6 465 978)
Gross profit	1 825 702	399 400	(212 780)	2 012 322
Other income	282 132	5 722	(58 876)	228 978
Other expenses (excluding depreciation and amortisation)	(1 474 964)	(392 798)	240 300	(1 627 462)
Depreciation and amortisation	(61 415)	(16 126)	–	(77 541)
Net finance costs	(68 758)	(53 052)	–	(121 810)
Associate income	–	–	501	501
Profit before tax	502 697	(56 854)	(30 855)	414 988
EBITDA	632 870	12 324	(31 356)	613 838
Capital expenditure	(71 118)	(9 538)	–	(80 656)
Total assets	3 986 169	3 418 497	(2 226 167)	5 178 499
Total liabilities	3 865 167	1 975 249	(885 444)	4 954 972
Gross profit margin	23.9%	7.5%		23.7%

EBITDA margin	8.3%	0.2%		7.2%
Operating margin	7.5%	(0.1%)		6.3%

Twelve months to 28 February 2017 (audited)	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)
Associate income	–	–	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%

COMMITMENTS

	As at 31 Aug 2017 (Reviewed) R'000	As at 31 Aug 2016 (Reviewed) R'000	As at 28 Feb 2017 (Audited) R'000
Operating lease commitments			
– Within one year	396 303	252 528	340 170
– One to five years	1 551 222	925 719	1 274 970
– Over five years	1 056 864	477 134	828 567
Finance lease commitments			
– Within one year	68 079	58 984	64 040
– One to five years	304 982	287 050	301 292
– Over five years	1 268 942	4 026 025	1 303 571

FAIR VALUE HIERACHY

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:

August 2017	Level 1 (R'000)	Level 2 (R'000)	Level 3 (R'000)
Financial liabilities at fair value through profit and loss			
Contingent consideration	–	–	78 146
August 2016			
Financial liabilities at fair value through profit and loss			
Contingent consideration	–	–	–
February 2017			
Financial liabilities at fair value through profit and loss			
Derivative liability	–	15 783	–
Contingent consideration	–	–	97 312

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.

Reconciliation of recurring Level 3 fair value movements:

	As at 31 Aug 2017 (Reviewed) R'000	As at 31 Aug 2016 (Reviewed) R'000	As at 28 Feb 2017 (Audited) R'000
Opening balance	97 312	–	–
Acquisitions	–	–	94 027
Payments	(22 941)	–	–
Interest	5 890	–	3 285
Release*	(2 115)	–	–
Closing balance	78 146	–	97 312

*Relates to an amount, reflected in other income, that was not paid by the Company due to performance conditions not being met.

There has been no change in the range of undiscounted contingent consideration outcomes during the period.
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 period ended August 2017.

ADDITIONAL INFORMATION

	2017 (R'000)
Ordinary shares in issue (000's):	860 084 483
Closing share price at 31 August 2017	R29.50
Six-month share price (high)	R30.60
Six-month share price (low)	R21.50

NOTES TO THE REVIEWED INTERIM CONDENSED
CONSOLIDATED RESULTS

1. These interim condensed consolidated financial results for the six months ended 31 August 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS), International Accounting Standard (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act of South Africa and the JSE Listings Requirements. The interim 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 2017.

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

   The accounting policies and methods of computation used in the preparation of the interim condensed consolidated financial results are consistent in all material respects with those applied in the Group's annual financial statements as at 28 February 2017 as none of the new standards, interpretations and amendments effective as of 1 March 2017 have had a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

   The Group's assessment of the financial impact of the adoption of IFRS 15: Revenue from Contracts with Customers, IFRS 9: Financial Instruments and IFRS 16: Leases have identified the following which will impact the financial results:

   - IFRS 9: The measurement of provisions against receivables will be revised to comply with the expected credit loss method. The Group is still finalising its estimation methodology. Effective from 1 January 2018.
   - IFRS 15: The Group does not expect significant changes to current accounting practices. Accounting for contract liabilities and right of return assets for the Group's return policies could change current accounting practice. The Group currently does not expect changes to how it currently accounts for its customer loyalty programmes, breakage for voucher and similar performance obligations and third party incentives. Areas of possible impact might, however, still be identified as the implementation project is completed. Effective from 1 January 2018.
   - IFRS 16: Leases, predominately relating to stores, will be brought onto the Statement of Financial Position. The quantitative impact of this standard is expected to be material due to the number of store leases in place. Effective from 1 January 2019 but the Group is considering early adopting the standard based on the outcome of our assessment.

   The Group currently intends to adopt IFRS 15 and IFRS 16 by applying the full retrospective approach and IFRS 9 by applying the modified retrospective approach.

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 R30 million was incurred during the six-month period (2016: R28 million). This finance lease obligation amounted to R621 million at 31 August 2017 (2016: R669 million). Other property rental payments amounted to R23 million.

   Amounts owing to Josneo Proprietary Limited and Minlou Proprietary Limited at 31 August 2017 amounted to R37 million and R2 million respectively (2016 owing from: R84 million and Rnil). Amounts owing from Eleador Proprietary Limited and MSDS No.3 Proprietary Limited at 31 August 2017 amounted to R3 million and R43 million respectively (2016: R12 million and R3 million).

3. There were no impairments of assets at a group level in the current and prior comparable period.

4. During the period, 810 810 shares were issued.

5. On 1 April 2017, the group acquired certain assets and liabilities of Optipharm Proprietary Limited, a pharmaceutical courier. The provisional fair values of the identifiable assets and liabilities of the company as at the date of acquisition were:

	R'000
Assets	
Property, plant and equipment and software	17 702
Trade receivables	8 767
Other intangibles	120 891
Cash and cash equivalents	8 000
Liabilities	
Finance lease	(1 646)
Trade and other payables	(173 989)
Bank overdraft	(25 000)
Loan payable	(7 669)
Deferred tax	(33 849)
Total identifiable net assets at fair value	(86 793)
Non-controlling interest at fair value	–
Goodwill arising on acquisition	86 793
Purchase consideration transferred	–

The goodwill comprises the value of expected synergies arising from the acquisition which is not separately recognised. The provisional fair value of the identifiable assets and liabilities changed from R66 million to R87 million since disclosed in the 28 February 2017 annual financial statements.

There were no business combinations during the prior comparable period.

6. No material subsequent events have taken place since reporting date. The Group intends to issue shares/options in regards to the Group share plan in the near future.

7. These reviewed interim 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. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Group's external auditors.

   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 the issuer's registered office.

SUPPLEMENTARY INFORMATION

Directors

Independent non-executive directors

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

Executive directors

I L Saltzman (South African)
L F Saltzman (South African)
R M Morais (South African)
S E Saltzman (South African) (Alternate for L F Saltzman)

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

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Midrand 20 October 2017