

**Dis-Chem**  
PHARMACIES



**2022**

**Reviewed  
Annual Condensed  
Consolidated Results**

for the twelve months ended  
28 February

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# COMMENTARY

## Overview

The Group is pleased with the good performance of its businesses during the current period considering the constrained consumer environment, the challenges that were posed by the pandemic as well as the civil unrest that was experienced in July 2021.

Earnings attributable to shareholders and headline earnings increased by 27.6% over the previous corresponding period.

Earnings per share (EPS) and headline earnings per share (HEPS) are 99.2 cents per share respectively, an increase of 27.6%.

Dis-Chem was affected by the civil unrest and looting that occurred in KwaZulu-Natal and Gauteng in July. Our committed management and staff worked tirelessly, ensuring that three affected stores returned to regular trading within a month, while the final affected Dis-Chem store reopened on the 7 October. The Group was adequately insured. Dis-Chem, through its foundation and with focussed initiatives, continues to support communities in need.

Dis-Chem continues to support the national response to the COVID-19 pandemic by operating a national vaccination site network, comprising mass and in-store clinic sites. During the period under review, Dis-Chem administered 1.4 million vaccine doses contributing R513 million in revenue.

## Review of financial performance

### Revenue

During the twelve-month period from 1 March 2021 to 28 February 2022, Dis-Chem recorded Group revenue growth of 15.7% to R30.4 billion, exceeding R30 billion for the first time.

Retail revenue grew by 15.6% to R27.1 billion with comparable store revenue at 6.1%. During the twelve months to 28 February 2022, twelve Dis-Chem and three Baby City stores were opened. 48 Medicare stores were acquired, effective 1 October 2021, resulting in 254 retail pharmacy stores and 35 retail baby stores as at February 2022.

Baby City and Medicare have been fully integrated into the Group including migration onto the Group's common technology platforms. Management continues to focus on unlocking identified synergies with these acquisitions which is expected to be further seen in the Group's performance in FY23.

Wholesale revenue grew by 13.7% to R21.9 billion. Wholesale revenue to our own retail stores, still the biggest contributor, grew by 13.2%, while external revenue to independent pharmacies and The Local Choice ("TLC") franchises grew by 10.9% and 25.2% respectively over the corresponding period. Independent pharmacy growth is negatively influenced by once-off business-to-business sales included in the prior period that inflated the comparable base by R59 million. When excluding this amount, independent pharmacy sales grew by 14.8%. TLC growth is due to a combination of an increase in TLC franchise stores from 122 to 147 together with increasing support of the supply chain from existing TLC franchisees. Independent pharmacy growth is due to new customers and increased support from the current base.

### Total income

Total income grew by 18.4% to R8.8 billion, with the Group's total income margin being 28.9% compared to 28.3% in the prior comparative period.

Retail total income grew by 18.6% with the retail margin increasing from 27.5% to 28.2% over the comparable period. The Group continued to experience normalisation in its sales and transaction gross margin mix. Higher margin categories are now recovering, and the Group continues to see improvements in its back-end 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 11.4% with the wholesale margin now at 7.5%.

# COMMENTARY CONTINUED

## Other expenses

Expenses (excluding depreciation) grew by 17.3% over the corresponding period. Excluding the Medicare cost base, expenses grew by 15.2%.

Retail expenses (excluding depreciation) grew by 17.9% (excluding Medicare by 15.4%) as the Group invested in new stores and acquisitions since the corresponding period. Retail costs were influenced by the investment in pharmacists and clinic sisters to facilitate the national vaccine program.

Wholesale expenses (excluding depreciation) grew by 8.7% due to the increase in third-party sales resulting in higher delivery costs compared to the prior comparable period. Wholesale employment costs which grew by 4.5% were well managed as the Group continues to focus on efficient shift pattern staffing.

## Net finance costs

Net financing costs decreased by 4.4% from the prior comparable period. Excluding finance costs from IFRS 16, net financing costs decreased by 29.7% due to the reduction in the prime interest rate as well as lower average levels of working capital during the period due to the focus on ROIC. R125 million capital repayments have also been made on the Absa loan reducing the interest paid on the long-term loan.

## Net working capital

During the current period, the Group's inventory increased by R67 million from February 2021 due to the additional inventory held in Medicare stores of R109 million. Inventory has been well managed and inventory days have decreased to 88.6 days from 91 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 26.5 days has continued to improve from 29.6 days at 28 February 2021 as the Group continues to focus on ROIC. This has resulted in a net working capital cash inflow of R45 million in the current financial period.

## Capital expenditure

Capital expenditure on tangible and intangible assets of R377 million comprised of R237 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 R140 million relates to replacement expenditure incurred to maintain the existing retail and wholesale networks.

## Directorate

Mr. K Kobue was appointed on 23 November 2021 as a non-executive director.

## Dividend declaration

Notice is hereby given that a gross final cash dividend of 20.20418 cents per share, in respect of the period ended 28 February 2022 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 16.16334 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 June 2022
- First trading day *ex* dividend on the JSE: Wednesday, 8 June 2022
- Record date: Friday, 10 June 2022
- Payment date: Monday, 13 June 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 8 June 2022 and Friday, 10 June 2022, 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

For the period 1 March to 16 May 2022, Group revenue grew by 16.1% over the prior comparable period.

The Group expects that the consumer will continue to remain constrained. With the focus on ROIC, the resilient nature of the markets in which the Group operates, together with the brand position, the Group is continuing to adapt to the current environment, with a focus on mitigating the near-term impact whilst positioning itself for success in the future.

Following several acquisitions during the period and the recent launch of a health insurance offering, the Group's healthcare focus has evolved from only in-store clinics to a far broader offering including telemedicine, medical insurance and gap cover. In the two months since launching medical insurance, uptake has exceeded our initial expectations supporting our view of the market opportunity. Dis-Chem is well-placed to play a leading role in extending access to primary healthcare to a much wider and under-served segment of the population.

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 19 May 2022. 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 2022 (Reviewed) R'000	Year to 28 February 2021 (Audited) R'000	change %
Revenue from contracts with customers (note 2)	30 406 611	26 278 196	15.7%
Cost of sales	(23 576 145)	(20 441 719)	15.3%
<b>Gross profit</b>	<b>6 830 466</b>	5 836 477	17.0%
Other income	1 961 443	1 589 453	23.4%
<b>Total income</b>	<b>8 791 909</b>	7 425 930	18.4%
Other expenses	(7 252 478)	(6 160 258)	17.7%
<b>Operating profit before interest and equity accounted earnings</b>	<b>1 539 431</b>	1 265 672	21.6%
Net financing costs	(313 389)	(327 727)	(4.4%)
- Finance income	12 095	16 853	(28.2%)
- Finance costs	(325 484)	(344 580)	(5.5%)
Profit from associates and joint ventures	1 186	2 997	(60.0%)
<b>Profit before taxation</b>	<b>1 227 228</b>	940 942	30.4%
Taxation	(337 124)	(253 291)	33.1%
<b>Total profit for the year, net of taxation</b>	<b>890 104</b>	687 651	29.4%
<b>Other comprehensive income</b>			
Items that may be subsequently reclassified to profit or loss			
- Exchange differences on translating foreign subsidiaries	324	(322)	
<b>Other comprehensive income for the year, net of taxation</b>	<b>324</b>	(322)	
<b>Total comprehensive income for the year</b>	<b>890 428</b>	687 329	29.5%
<b>Profit attributable to:</b>			
- Equity holders of the parent	853 446	668 687	
- Non-controlling interests	36 658	18 964	
<b>Total comprehensive income attributable to:</b>			
- Equity holders of the parent	853 770	668 365	
- Non-controlling interests	36 658	18 964	
<b>Earning per share (cents)</b>			
- Basic	99.2	77.8	
- Diluted	99.2	77.8	

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 28 February 2022 (Reviewed) R'000	As at 28 February 2021 (Audited) R'000
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>5 221 151</b>	4 767 580
Property, plant and equipment (including right-of-use asset)	<b>3 688 681</b>	3 715 961
Intangible assets	<b>1 209 646</b>	897 888
Investment in associates and joint ventures	<b>183 202</b>	13 180
Deferred taxation	<b>139 622</b>	140 551
<b>Current assets</b>	<b>8 853 964</b>	8 420 008
Inventories	<b>5 758 858</b>	5 691 382
Trade and other receivables	<b>2 159 936</b>	1 905 031
Loans receivable	<b>221 887</b>	274 916
Taxation receivable	<b>7 432</b>	8 947
Cash and cash equivalents	<b>705 851</b>	539 732
<b>Total assets</b>	<b>14 075 115</b>	13 187 588
<b>EQUITY AND LIABILITIES</b>		
<b>Equity and reserves</b>	<b>3 323 844</b>	2 908 646
Share capital	<b>6 155 554</b>	6 155 554
Retained earnings	<b>1 776 310</b>	1 368 478
Other reserves	<b>(4 608 020)</b>	(4 615 386)
<b>Non-controlling interest</b>	<b>61 714</b>	43 018
<b>Total equity</b>	<b>3 385 558</b>	2 951 664
<b>Non-current liabilities</b>	<b>3 175 367</b>	3 446 642
Lease liability	<b>2 682 277</b>	2 823 052
Loans payable	<b>479 170</b>	607 210
Deferred taxation	<b>13 920</b>	16 380
<b>Current liabilities</b>	<b>7 514 190</b>	6 789 282
Trade and other payables	<b>5 787 867</b>	5 389 310
Lease liability	<b>522 225</b>	482 605
Loans payable	<b>398 863</b>	159 010
Employee-related obligations	<b>257 437</b>	224 310
Deferred revenue (contract liability)	<b>74 445</b>	93 176
Contingent consideration	<b>7 984</b>	15 913
Taxation payable	<b>40 371</b>	21 042
Bank overdraft	<b>424 998</b>	403 916
<b>Total equity and liabilities</b>	<b>14 075 115</b>	13 187 588

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Retained earnings 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 29 February 2020</b>	6 155 554	717 816	(13 152)	(4 606 839)	60 814	2 314 193
Total comprehensive income for the year	-	668 687	-	(322)	18 964	687 329
Profit for the year, net of taxation	-	668 687	-	-	18 964	687 651
Other comprehensive income for the year, net of taxation	-	-	-	(322)	-	(322)
Change in ownership interest in subsidiary and acquisitions	-	(19 504)	-	-	2 744	(16 760)
Share-based payment expense	-	-	-	6 406	-	6 406
Exercise of share-based payment	-	1 479	6 723	(8 202)	-	-
Dividends paid	-	-	-	-	(39 504)	(39 504)
<b>Balance at 28 February 2021</b>	6 155 554	1 368 478	(6 429)	(4 608 957)	43 018	2 951 664
Total comprehensive income for the year	-	<b>853 446</b>	-	<b>324</b>	<b>36 658</b>	<b>890 428</b>
Profit for the year, net of taxation	-	<b>853 446</b>	-	-	<b>36 658</b>	<b>890 104</b>
Other comprehensive income for the year, net of taxation	-	-	-	<b>324</b>	-	<b>324</b>
Change in ownership interest in subsidiary and acquisitions	-	<b>(9 870)</b>	-	-	<b>5 499</b>	<b>(4 371)</b>
Share-based payment expense	-	-	-	<b>20 127</b>	-	<b>20 127</b>
Exercise of share-based payment	-	<b>(637)</b>	<b>6 429</b>	<b>(7 344)</b>	-	<b>(1 552)</b>
Treasury shares acquired	-	-	<b>(12 170)</b>	-	-	<b>(12 170)</b>
Dividends paid	-	<b>(435 107)</b>	-	-	<b>(23 461)</b>	<b>(458 568)</b>
<b>Balance at 28 February 2022 (reviewed)</b>	<b>6 155 554</b>	<b>1 776 310</b>	<b>(12 170)</b>	<b>(4 595 850)</b>	<b>61 714</b>	<b>3 385 558</b>

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

	As at 28 February 2022 (Reviewed) CENTS	As at 28 February 2021 (Audited) CENTS
<b>Dividend per share</b>		
- Interim paid	<b>19.5</b>	-
- Final declared	<b>20.2</b>	31.1



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year to 28 February 2022 (Reviewed) R'000	Year to 28 February 2021 (Audited) R'000
<b>Cash flow from operating activities</b>	<b>1 377 575</b>	1 124 070
Cash inflow from trading operations	<b>2 413 472</b>	2 058 895
Movement in working capital	<b>44 644</b>	(335 180)
Finance income received	<b>10 060</b>	10 582
Finance costs paid	<b>(330 959)</b>	(335 280)
Taxation paid	<b>(301 074)</b>	(235 443)
Dividends paid	<b>(458 568)</b>	(39 504)
<b>Cash flow from investing activities</b>	<b>(795 556)</b>	(779 747)
Additions to property, plant and equipment and intangible assets		
- To maintain operations	<b>(140 191)</b>	(90 213)
- To expand operations	<b>(237 074)</b>	(310 974)
Proceeds on disposal of property, plant and equipment and intangible assets	<b>8 307</b>	12 242
Acquisition in business combination and subsidiaries, net of cash acquired (Investment in)/ proceeds from associates and joint ventures	<b>(265 746)</b>	(394 322)
	<b>(160 852)</b>	3 520
<b>Cash flow from financing activities</b>	<b>(444 606)</b>	(498 126)
Bank loans repaid	<b>(431 567)</b>	(159 187)
Receipt of bank loans	<b>536 533</b>	102 852
Lease liability repayment	<b>(510 096)</b>	(393 441)
Contingent consideration repayment	<b>(16 455)</b>	(31 590)
Purchase of treasury shares	<b>(12 170)</b>	-
Change in ownership interest in subsidiary	<b>(10 851)</b>	(16 760)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>137 413</b>	(153 803)
<b>Foreign currency effect on cash and cash equivalents</b>	<b>7 624</b>	(10 658)
<b>Cash and cash equivalents at beginning of year</b>	<b>135 816</b>	300 277
<b>Cash and cash equivalents at end of year</b>	<b>280 853</b>	135 816

# EARNINGS PER SHARE

	Year to 28 February 2022 (Reviewed) R'000	Year to 28 February 2021 (Audited) R'000
<b>Reconciliation of profit for the year to headline earnings</b>		
Profit attributable to equity holders of the parent	853 446	668 687
Net loss on disposal of property, plant and equipment and intangible assets	364	143
Impairment of property, plant and equipment and intangible assets	6 457	-
Compensation from third parties for items of property, plant and equipment and intangible assets	(6 681)	-
Taxation	(176)	(40)
<b>Headline earnings</b>	<b>853 410</b>	<b>668 790</b>
<b>Earnings per share (cents)</b>		
- Basic	99.2	77.8
- Diluted	99.2	77.8
<b>Headline earnings per share (cents)</b>		
- Basic	99.2	77.8
- Diluted	99.2	77.8
<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	(255 587)	(531 856)
Total number of shares outstanding at the beginning of the period	859 828 896	859 552 627
Treasury shares exercised and issued under the share scheme	149 151	207 391
Treasury shares acquired	(37 151)	-
Total weighted number of shares in issue at the end of the period	859 940 896	859 760 018
Share options	472 395	-
<b>Total diluted weighted number of shares in issue at the end of the period</b>	<b>860 413 291</b>	<b>859 760 018</b>

# SEGMENTAL INFORMATION

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

Twelve-months to 28 February 2022 (reviewed)	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>	<b>27 108 334</b>	<b>21 911 018</b>	<b>(18 612 741)</b>	<b>30 406 611</b>
Cost of sales	(21 297 796)	(20 430 751)	18 152 402	(23 576 145)
<b>Gross profit</b>	<b>5 810 538</b>	<b>1 480 267</b>	<b>(460 339)</b>	<b>6 830 466</b>
Other income	1 830 941	159 076	(28 574)	1 961 443
<b>Total income</b>	<b>7 641 479</b>	<b>1 639 343</b>	<b>(488 913)</b>	<b>8 791 909</b>
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>	<b>1 417 423</b>	<b>115 186</b>	<b>6 822</b>	<b>1 539 431</b>
Net finance costs	(297 099)	(16 290)	-	(313 389)
Share of profit from associates and joint ventures	1 186	-	-	1 186
<b>Profit before taxation</b>	<b>1 121 510</b>	<b>98 896</b>	<b>6 822</b>	<b>1 227 228</b>
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>2 159 667</b>	<b>228 715</b>	<b>6 822</b>	<b>2 395 204</b>
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%

# SEGMENTAL INFORMATION CONTINUED

Twelve-months to 28 February 2021 (audited)	Retail R'000	Wholesale R'000	Intergroup/ consolidation R'000	Total R'000
External customers	23 446 200	2 831 996	-	26 278 196
Inter-segment	-	16 443 986	(16 443 986)	-
<b>Total revenue from contracts with customers</b>	23 446 200	19 275 982	(16 443 986)	26 278 196
Cost of sales	(18 508 185)	(17 947 863)	16 014 329	(20 441 719)
<b>Gross profit</b>	4 938 015	1 328 119	(429 657)	5 836 477
Other income	1 502 517	143 403	(56 467)	1 589 453
<b>Total income</b>	6 440 532	1 471 522	(486 124)	7 425 930
Other expenses (excluding depreciation and amortisation)	(4 648 982)	(1 297 393)	491 068	(5 455 307)
Depreciation and amortisation	(595 331)	(109 620)	-	(704 951)
<b>Operating profit before interest and equity accounted earnings</b>	1 196 219	64 509	4 944	1 265 672
Net finance costs	(265 562)	(62 165)	-	(327 727)
Share of profit from associates and joint ventures	2 997	-	-	2 997
<b>Profit before taxation</b>	933 654	2 344	4 944	940 942
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	1 794 547	174 129	4 944	1 973 620
Capital expenditure	(362 459)	(38 728)	-	(401 187)
Total assets	9 516 805	6 784 665	(3 113 912)	13 187 588
Total liabilities	6 262 369	5 464 361	(1 490 806)	10 235 924
Total income margin	27.5%	7.6%		28.3%
EBITDA margin	7.7%	0.9%		7.5%
Operating margin	5.1%	0.3%		4.8%

# FAIR VALUE HIERARCHY

The information below analyses financial assets and liabilities that are carried at fair value:

February 2022	Level 1 R'000	Level 2 R'000	Level 3 R'000
Financial liabilities at fair value through profit and loss			
- Contingent consideration	-	-	7 984

## February 2021

Financial liabilities at fair value through profit and loss			
- Contingent consideration	-	-	15 913

The contingent consideration relating to the acquisition of non-controlling shareholders was settled in the current period.

A new contingent consideration was raised in the current period with the acquisition of 25% of Kaelo Holdings on 1 November 2021. The contingent consideration is based on performance targets being made in June 2022.

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.

	As at 28 February 2022 R'000	As at 28 February 2021 R'000
Reconciliation of recurring Level 3 fair value movements:		
Opening balance	<b>15 913</b>	45 121
Payments	<b>(16 455)</b>	(31 590)
Interest	<b>630</b>	2 838
Additional contingent consideration	<b>7 984</b>	-
Fair value adjustment <sup>(1)</sup>	<b>(88)</b>	(456)
Closing balance	<b>7 984</b>	15 913

(1) Amount reflected in other income in Statement of Comprehensive Income

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 February 2022 and 2021.

# ADDITIONAL INFORMATION

		28 February 2022	28 February 2021
Ordinary shares in issue		<b>860 084 483</b>	860 084 483
Closing share price	(R/share)	<b>R 34.62</b>	R 22.40
Twelve-month share price (high)	(R/share)	<b>R 38.20</b>	R 26.50
Twelve-month share price (low)	(R/share)	<b>R 21.81</b>	R 16.55
Net asset value per share (WANOS)	(cents/share)	<b>393.70</b>	343.31
Net asset value per share (actual shares at year-end)	(cents/share)	<b>393.63</b>	343.18

# NOTES TO THE REVIEWED CONDENSED CONSOLIDATED RESULTS

1. These reviewed condensed consolidated financial results for the twelve months ended 28 February 2022 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 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 2022.

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 2021.

None of the new standards, interpretations and amendments effective as of 1 March 2021 have had a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements, although additional disclosures will be required in the annual financial statements with regards to the IBOR reform amendments.

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

	As at 28 February 2022 %	As at 28 February 2021 %
Dispensary	36	37
Personal care and beauty	26	28
Healthcare and nutrition	24	20
Baby care	8	6
Other	6	9
	<b>100</b>	100

3. Dis-Chem enters into certain transactions with related parties including the rental of certain stores and warehouses. The finance lease obligation relating to these leases amounted to R0.9 billion at 28 February 2022 (2021: R1 billion).

Amounts owing from Mathimba Proprietary Limited at 28 February 2022 amounted to R24 million (2021: R24 million).

Amounts owing from Dis-Chem Bothamed, Dis-Chem Namibia, Dis-Chem Swakopmund, Dis-Chem Dunes, BEESECDP, Servco, Geniob and Origin Brands at 28 February 2022 amounted to R68 million (2021: R104 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 2021.

4. The civil unrest and looting in July resulted in an impairment of inventory and property, plant and equipment of R34.5 million (2021: Rnil).
5. No shares were issued during the current and prior periods.

During the period, 255 587 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 R5.8 million and treasury shares reduced by R6.4 million, representing the value at which they were purchased in the past. The difference of R0.6 million was recognised in retained income.

6. During the current year, the group acquired the following businesses in order to further increase store footprint and investment in a strategic asset through which it can advance its ambitions to be at the forefront of innovation in the delivery of care:

- The acquisition of assets and liabilities of Ferngate, an independent pharmacy, on 1 July 2021.
- The acquisition of assets and liabilities of Northlands, an independent pharmacy, on 1 May 2021.
- The acquisition of 87.5% of Healthforce, which offers clinic management software that, amongst other system capabilities, sets up clinic nurses as the low-cost entry point into the healthcare system, on 1 March 2021.
- The acquisition of assets and liabilities of Howick, an independent pharmacy, on 1 December 2021.
- The acquisition of 100% of Pure Pharmacy, a group of independent pharmacies, on 1 October 2021.

# NOTES TO THE REVIEWED CONDENSED CONSOLIDATED RESULTS CONTINUED

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

	Ferngate	Northlands	Healthforce	Howick	Pure Pharmacy	Total
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Assets</b>						
Property, plant and equipment	29	-	709	10	161 291	162 039
Other intangibles	-	-	52 619	-	2 340	54 959
Trade and other receivables	63	651	1 693	327	70 134	72 868
Inventories	3 010	505	-	1 686	128 702	133 903
Bank	6 290	-	1 035	370	48 529	56 224
Loan receivable	-	-	1 201	-	-	1 201
Deferred tax	-	-	-	-	26 538	26 538
<b>Liabilities</b>						
Trade and other payables	(5 776)	-	(2 277)	(3 802)	(274 638)	(286 493)
Lease liability	-	-	-	-	(145 051)	(145 051)
Employee benefits	(57)	-	(968)	-	(15 911)	(16 936)
Deferred tax	-	-	(7 601)	-	-	(7 601)
Taxation	-	-	-	-	(2 199)	(2 199)
Loan payable	-	-	(4 172)	-	(9 900)	(14 072)
<b>Total identifiable net assets at fair value</b>	<b>3 559</b>	<b>1 156</b>	<b>42 239</b>	<b>(1 409)</b>	<b>(10 165)</b>	<b>35 380</b>
Non-controlling interest at proportionate interest	-	-	(5 280)	-	-	(5 280)
Goodwill arising on acquisition	20 355	856	10 960	5 009	255 890	293 070
<b>Purchase consideration transferred</b>	<b>23 914</b>	<b>2 012</b>	<b>47 919</b>	<b>3 600</b>	<b>245 725</b>	<b>323 170</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, R546 million in revenue and R29 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, R1.3 billion in revenue and R68 million loss before tax would have been contributed to the Group from the above acquisitions.

During the current year, the Group bought back 29.33% of Dis-Chem Rynfield.

On 1 November 2021, Dis-Chem acquire 25% of the issued share capital and shareholder claims of Kaelo Holdings ("Kaelo"). Kaelo houses a complementary portfolio of health assets, including benefit-rich gap and primary health insurance products, occupational health clinics, and is the owner of the AskNelson psychological wellbeing platform. Dis-Chem will pay a total purchase consideration of up to R195 million, subject to company performance hurdles in the FY22 period. At year end R160 million had already been paid. Due to the initial expenses incurred to roll out the health insurance offering in the 2023 financial period an initial loss was included in profit from associates.

## 7. Events after reporting period

On 1 March 2022, Dis-Chem acquired 100% of the issued share capital of Superstrike Proprietary Limited (trading as Baby Boom) for R23 million.

The provisional fair values of the identifiable assets and liabilities of the company as at the date of acquisition of the transaction has not been disclosed due to the initial accounting and finalisation not yet being complete.

As disclosed in the SENS on 25 January 2022, Dis-Chem acquired 100% of the share capital of CT Distribution Centre Proprietary Limited, KZN Warehouse Proprietary Limited and Eleadora Proprietary Limited for R217 million. This is a related party transaction due to the companies acquired being wholly-owned by directors, previous directors and prescribed officers of Dis-Chem, who are also shareholders of Dis-Chem.

This transaction became effective on 1 April 2022, once approval was received by the Competition Commission and the Competition Tribunal.

To date the Group has not seen a significant impact to its operations from the war in Ukraine.



8. 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

### Non-executive directors

LM Nestadt	(South African)	
MJ Bowman	(South African)	
A Coovadia	(South African)	
JS Mthimunye	(South African)	
M Gani	(South African)	(Resigned 9 September 2020)
A Sithebe	(South African)	
K Kobue	(South African)	(Appointed 23 November 2021)

### Executive directors

IL Saltzman	(South African)	
LF Saltzman	(South African)	
RM Morais	(South African)	
SE Saltzman	(South African)	(Alternate for L F Saltzman)

### 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)