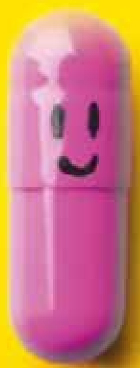
Dis-Chem

GROUP AND COMPANY AUDITED ANNUAL FINANCIAL STATEMENTS



2023

FOR THE FINANCIAL YEAR ENDED
28 FEBRUARY 2023

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the Group and company's audited annual financial statements of Dis-Chem Pharmacies Limited, comprising the statements of financial position at 28 February 2023, and the statements of comprehensive income, changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), its interpretations issued by the IFRS Interpretations Committee (IFRIC) and Financial Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the JSE Listings Requirements and the Companies Act of South Africa. The annual financial statements are therefore based upon appropriate accounting policies that present fairly the financial position, financial performance and cash flows of the Group and company, consistently applied and supported by reasonable and prudent judgements and estimates.

The directors are required by the Companies Act of South Africa, to maintain adequate accounting records and are responsible for the content and integrity of the Group and company annual financial statements and related financial information included in this report. It is their responsibility to ensure that the Group and company annual financial statements fairly present the state of affairs of the Group and company as at the end of the financial year and the results of its operations and cash flows for the period then ended.

The directors acknowledge that they are ultimately responsible for the system of internal financial controls established by the Group and company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal controls aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and company and all employees are required to maintain the highest ethical standards in ensuring the Group and company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group and company is on identifying, assessing, managing and monitoring all known forms of risk across the Group and company. While operating risk cannot be fully eliminated, the Group and company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal controls provides reasonable assurance that the financial records may be relied on for the preparation of the Group and company annual financial statements. However, any system of internal financial controls can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Group and company's cash flow forecast for the year to 28 February 2024 and beyond, and other appropriate information. The directors have also considered forecasts and budgets for a 12-month period from the approval of these financial statements. In the light of this review and the current financial position, they are satisfied that the Group and company have access to adequate resources to continue in operational existence for the foreseeable future, and have thus considered it to be a going-concern. The external auditors are responsible for independently auditing and reporting on the Group and company annual financial statements. The Group and company annual financial statements have been audited by the company's external auditors and their report is presented on pages 13 to 17 and 91 to 95.

CEO and CFO certification

The directors, whose names are stated below, hereby confirm that:

a. the annual financial statements set out on pages 4 to 149, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;

b. no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

c. internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and

d. the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

The annual financial statements set out on pages 4 to 90 and 91 to 149, were approved by the Board of Directors on 30 June 2023 and were signed on its behalf by:

Ivan Leon Saltzman	**Rui Manuel Morais**
Chief Executive Officer	*Chief Financial Officer*

The annual financial statements have been prepared under the supervision of Mr Rui Morais CA(SA), the Chief Financial Officer of the Group and company.

COMPANY SECRETARY CERTIFICATION

In terms of section 88(e) of the Companies Act of South Africa, No.71 of 2008 (the Act), as amended, I, Nikki Lumley, in my capacity as Company Secretary of Dis-Chem Pharmacies Limited, confirm that, to the best of my knowledge and belief, in respect of the year under review, Dis-Chem Pharmacies Limited has filed with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company.

Nikki Lumley
Company Secretary

Date: 30 June 2023

REPORT OF THE DIRECTORS

for the year ended 28 February 2023

Review of activities

Main business and operations

The Group and company is engaged in the retailing and wholesale of affordable healthcare products and pharmaceuticals.

The operating results and state of affairs of the Group and company are fully set out in the attached annual financial statements.

The Group is pleased with the performance of its businesses considering the constrained consumer environment. The successful integration of recent acquisitions as well as the continued focus on Return on Invested Capital (ROIC) has driven cash generated from operations ahead of strong profitability growth and positions the Group well to take advantage of it's longer term strategic initiatives. The Group's strategic early investment in generator capacity has resulted in minimal disruption to its ability to trade, although additional diesel costs have been incurred.

Additional information is also available in the integrated report on the Dis-Chem website.

Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The directors have reviewed and considered all relevant information to support their view that the Group and company is a going concern, and will continue to operate as such in the foreseeable future.

Authorised and issued share capital

During the current and prior year there has been no change to the issued or authorised share capital.

Refer to note 18 for the share capital analysis.

Dividends

In the current year, an interim dividend of 28.11861 cents per shares or R242 million was declared on 1 November 2022 and paid on 28 November 2022. A final dividend of 18.45305 cents per share or R159 million was approved by the directors on 18 May 2023.

In the prior year, an interim dividend of 19.48540 cents per shares or R168 million was declared on 2 November 2021 and paid on 29 November 2021. A final dividend of 20.20418 cents per share or R174 million was approved by the directors on 19 May 2022.

Refer to note 20 for the dividend per share analysis (note 16 in the company annual financial statements).

Events after reporting period

The directors are not aware of any additional material matter or circumstance arising since the end of the financial year up to the date of this report that would require amendment or additional disclosure in these annual financial statements, except that disclosed in note 30 (note 28 in the company annual financial statements).

REPORT OF THE DIRECTORS CONTINUED

for the year ended 28 February 2023

Special resolutions

Special resolutions passed during the current year:
Special resolution 1: Authorisation of non-executive directors' fees
Special resolution 2: Authorisation of direct or indirect financial assistance in regards to section 44 and 45 of the Companies Act.

Special resolutions passed during the prior year:
Special resolution 1: Authorisation of non-executive directors' fees
Special resolution 2: Authorisation of direct or indirect financial assistance in regards to section 44 and 45 of the Companies Act.

Borrowing limitations

In terms of the Memorandum of Incorporation of the companies within the Group, the directors may exercise all the powers of the Group to borrow money, as they consider appropriate.

Subsidiary companies/Group structure

Refer to note 4 in the annual financial statements.

Directors

Non-executive directors		
LM Nestadt (Independent)	(South African)	
MJ Bowman (Independent)	(South African)	(Resigned 14 July 2022)
A Coovadia (Independent)	(South African)	
JS Mthimunye (Independent)	(South African)	
A Sithebe (Independent)	(South African)	
KDD Kobue	(South African)	
H Masondo (Independent)	(South African)	(Appointed 14 July 2022)
Executive directors		
IL Saltzman	(South African)	
LF Saltzman	(South African)	(Resigned 14 July 2022)
RM Morais	(South African)	
SE Saltzman	(South African)	(Appointed 14 July 2022; previously alternate director to LF Saltzman)
SRN Goetsch	(South African)	(Appointed 14 July 2022)

External auditors

Mazars, with Danielle Keeve as the signing partner, was re-appointed as the external auditors at the Annual General Meeting on 29 July 2022.

Directors’ and prescribed officers' interest in shares and contracts

There are no material contracts involving directors’ interests except the items disclosed in note 27, Related party transactions. Direct and indirect shares held by the directors as at 28 February are as follows:

	2023		2022	
	Direct interest	Indirect interest	Direct interest	Indirect interest
LM Nestadt	–	500 000	–	500 000
MJ Bowman	–	–	–	–
A Coovadia	–	162 162	–	162 162
JS Mthimunye	–	81 162	–	81 162
A Sithebe	–	–	–	–
KDD Kobue	–	–	–	–
H Masondo	113	–	–	–
IL Saltzman and LF Saltzman	–	302 066 319	–	302 066 319
RM Morais(1)	–	–	–	–
SE Saltzman	–	5 435 116	–	5 434 781
SRN Goetsch	–	39 908 075	–	39 904 885
BI Epstein	–	10 125 063	–	10 125 063
KS Sterling	–	9 624 023	–	10 624 023
CJ Williams	–	14 915 147	–	14 915 147
CR Fairweather	38 529	–	38 529	–
CA Swanepoel	10 000	–	10 000	–
JD Pope	–	–	–	–
TJ Ponter	–	–	–	–

(1) *Melnique Proprietary Limited holds 3 408 556 shares (2022:5 226 738) which are held by the Morais family. RM Morais is not currently a director or controls the company.*

REPORT OF THE DIRECTORS CONTINUED

for the year ended 28 February 2023

During the current year, KS Sterling sold 152 007 shares on 12 August 2022 for R5 177 575, 145 363 shares on 11 August 2022 for R4 952 328, 250 000 shares on 16 August 2022 for R8 595 800, 350 000 shares on 17 August 2022 for R12 326 545 and 102 630 on 18 August 2022 for R3 706 934. SE Saltzman purchased 335 shares on 30 January 2023 for R9 976. SRN Goetsch exercised options on the SAR share scheme and received 3 190 shares on 3 February 2023 for R95 204.

During the prior year, SE Saltzman sold 782 689 shares on 15 February 2022 for R28 959 571 and 517 311 shares on 17 February 2022 for R18 184 930. BI Epstein sold 1 550 100 shares on 24 November 2021 for R52 719 676 and 214 900 on 25 November 2021 for R7 306 600. MJ Bowman sold 81 081 shares on 9 June 2021 for R2 505 403. SRN Goetsch sold 2 580 000 shares on 20 January 2022 for R95 295 700; 2 420 000 shares on 21 January 2022 for R88 330 000 and 1 818 182 shares on 23 June 2021 for R58 181 824. IL Saltzman and LF Saltzman sold 64 506 336 shares on 24 August 2021 for R1.96 billion and 86 468 741 shares on 24 August 2021 for R2.25 billion. RM Morais sold 2 363 636 shares on 17 June 2021 for R63 841 808.

There have been no other changes to the directors' interests between the end of the 2023 financial year and the date of approval of the annual financial statements.

Secretary
N Lumley

Registered office
23 Stag Road
Midrand
1685

AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee is constituted as a committee of the Dis-Chem Board in accordance with the company's Memorandum of Incorporation, and section 84(4)(c) of the Companies Act, 2008. The committee has a documented terms of reference under which it operates and which has been approved by the Board. This report is presented to shareholders in compliance with the requirements of the Companies Act and the King Code of Governance Principles.

Composition

The committee comprises of five directors, with suitable qualifications, all of whom are non-executive directors of the company. The following non-executive directors served on the committee during the financial year under review:

- JS Mthimunye (Chairman)
- MJ Bowman (Resigned 14 July 2022)
- A Coovadia
- A Sithebe
- KDD Kobue (non-voting member)
- H Masondo (Appointed 14 July 2022)

The executive directors, external audit, internal audit and senior management have a standing invitation to attend meetings of the committee. The committee also meets separately with the external auditors, internal auditors and senior management as required.

At each annual general meeting the Board shall present the shareholders with at least three suitable candidates from amongst the independent non-executive directors, on recommendation by the Nomination Committee, for election as committee members. The Board shall have the power at all times to appoint, remove and replace any member from the committee.

Role and responsibilities of the committee

The committee has the following specific responsibilities:

Integrated reporting

The committee oversees integrated reporting, and in particular the committee must:

- have regard to all factors and risks that may impact on the integrity of the integrated report;
- review the annual financial statements, interim reports, preliminary or provisional result announcements, summarised integrated information, any other intended release of price-sensitive information, circulars and prospectuses, trading statements and similar documents;
- comment in the annual financial statements on the financial statements, the accounting practices and the effectiveness of the internal financial controls of the company;
- consider the frequency for issuing interim results and whether the external auditors should perform assurance procedures on the interim results;
- review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;
- recommend to the Board the engagement of an external assurance provider on material sustainability issues;
- recommend the integrated report for approval by the Board; and
- consider the latest JSE proactive monitoring report.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Combined assurance

The committee ensures that a combined assurance model is applied to provide a coordinated approach to all assurance activities, and in particular the committee should:

- ensure that the combined assurance received is appropriate to address all the significant risks facing the company via suitable mitigating controls;
- provide an effective counterbalance to executive management, thereby upholding the independence of internal and external assurance providers, to enhance effectiveness; and
- monitor the relationship between the external assurance providers and the company.

Finance function and financial director

The committee:

- reviews the expertise, resources and experience of the company's finance function, and disclose the results of the review in the integrated report; and
- considers and satisfies itself as to the suitability of the expertise and experience of the chief financial officer every year and confirm this in the integrated report.

External audit

The committee is responsible for recommending the appointment of the external auditor and to oversee the external audit process and in this regard the committee:

- nominates the external auditor (a registered auditor), who in the opinion of the committee, is independent of the company, for appointment by the shareholders;
- approves the terms of engagement and remuneration for the external audit engagement;
- monitors and report on the independence of the external auditor in the annual financial statements;
- ensures that the appointment of the auditor complies with the provisions of the Act and any other legislation relating to the appointment of auditors;
- defines a policy for non-audit services and pre-approve the contracts for non-audit services to be rendered by the external auditor;
- ensures that there is a process for the committee to be informed of any issues identified and reported by the external auditor; and
- reviews the quality and effectiveness of the external audit process.

Internal audit

The committee is responsible for overseeing the internal audit function, and in particular the committee:

- is responsible for the appointment, performance assessment and/or dismissal of the head of internal audit or the outsourced service provider;
- reviews and approves the internal audit plan;
- annually reviews and approves the internal audit charter;
- receive and deal appropriately with concerns or complaints, including those on its initiative relating to the accounting practices and internal audit of the company; the content or auditing of the company's financial statements; the internal financial controls of the company or any related matter;
- review and confirm the independence of the internal audit function on an annual basis; and
- ensure that the internal audit function is subject to an independent quality review, as and when the committee determines it appropriate.

Risk management

The committee is an integral component of the risk management process and specifically the committee must oversee financial reporting risks; internal financial controls; fraud risks as it relates to financial reporting; and IT risks as it relates to financial reporting. The committee performs all the functions necessary to fulfil its risk management role including the following:

- ensuring the establishment of an independent risk function at a Group level;
- overseeing the development and annual review of a policy and plan for risk management to recommend for approval to the Board;
- monitoring implementation of the policy and plan for risk management taking place by means of risk management systems and processes;
- making recommendations to the Board concerning the levels of tolerance and appetite and monitoring that risks are managed within the levels of tolerance and appetite as approved by the Board;
- ensures that risk management assessments are performed on a continuous basis and at least once a year;
- ensures that management considers and implements appropriate risk responses;
- ensures that continuous risk monitoring by management takes place;
- expresses the committee's formal opinion to the Board on the effectiveness of the system and process of risk management;
- reviews reporting concerning risk management that is to be included in the integrated report for it being timely, comprehensive and relevant; and
- ensures that a risk register is maintained by management and provided to the Board regularly.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Financial reporting and financial control

The committee:

- evaluates the adequacy and effectiveness of the accounting policies adopted by the company in terms of IFRS, JSE Listings Requirements and other legal requirements;
- considers the adequacy and clarity of disclosures in the financial statements;
- reviews the effectiveness of financial management and the quality of internal accounting control systems and reports produced by financial management;
- concludes and reports annually to stakeholders and the Board on the effectiveness of internal financial controls;
- reviews the impact of new financial systems, tax and litigation matters on financial reporting;
- reviews the company's interim and audited annual financial statements, summarised financial information, interim and preliminary announcements, dividend announcements, and all financial information, including non-financial information in the integrated report, for distribution to shareholders and the general public, prior to submission to the Board or publication and confirm that the annual financial statements present a balanced and understandable assessment of the company's position, performance and prospects; and
- reviews the basis on which the company has been determined a going concern and make a recommendation to the Board.

Evaluation of Chief Financial Officer and finance function

The committee is satisfied as to the expertise, resources and experience of the company's finance division and the appropriateness of the experience and expertise of the Chief Financial Officer. It is satisfied that the composition of the finance function meets the Group's requirements.

Independence of external auditors

The committee appraised the independence, quality and effectiveness of the external audit function. Part of this process was to obtain confirmation from the external auditors that the firm, partner and staff responsible for the audit comply with all legal and professional requirements in regard to independence. The committee also approved the fees paid to the external auditors.

The committee confirmed its satisfaction with the independence and level of service rendered by the external auditor, Mazars, for the 2023 financial year.

Policy on non-audit services

The committee has formulated a policy to manage and approve non-audit services. Non-audit services provided by the external auditors (Mazars) in the current financial year amounted to R0.4 million (2022: Rnil million).

Execution of functions of the Audit Committee

The committee is satisfied that, in respect of the period under review, it has conducted its affairs and discharged its duties and responsibilities in accordance with its terms of reference, the Companies Act and King Code of Governance Principles.

J Mthimunye
Audit and Risk Committee Chairman
30 June 2023

INDEPENDENT AUDITOR'S REPORT

To the 28 February 2023 Shareholders of Dis-Chem Pharmacies Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Dis-Chem Pharmacies Limited and its subsidiaries (the group) set out on pages 18 to 90, which comprise the consolidated statement of financial position as at 28 February 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Dis-Chem Pharmacies Limited and its subsidiaries as at 28 February 2023, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of consolidated financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).* We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

MATTER	AUDIT RESPONSE
IMPAIRMENT ASSESSMENT OF GOODWILL – VALUATION (notes 3.2 and 13)	
Goodwill comprises 5.6% of the total assets of the group (note 13).	
As required by both the applicable accounting standards and the group's accounting policy (note 3.2), goodwill is tested for impairment by assessing the recoverable amount of the cash-generating units to which the goodwill relates. The recoverable amount is determined as the value-in-use of each cash-generating unit by estimating the expected future cash flows in each unit and determining a suitable discount rate to calculate the present value of those cash flows. There are several assumptions made in determining the projected cash flows used in the forecast models. Assumptions by their nature are a significant area of judgement. We have determined the above to be a key audit matter, due to the extensive audit effort to evaluate the assumptions and judgements applied by management with regards to projected cash flow forecasts.	Our audit approach involved critical assessment, with the assistance of our corporate finance specialists, as to whether the model used by management to calculate the value-in-use of the specified individual cash-generating units (CGUs) and the assessment of the recoverable amount comply with the requirements of IAS 36 – Impairment of Assets, and the accounting policy. We obtained the value-in-use calculations per CGU from Dis-Chem management and performed the following audit substantive procedures: • Re-calculated the carrying value of each CGU to ensure mathematical accuracy. • We have critically assessed whether the methodology of the model used by management to calculate the value-in-use of the individual CGUs complies with the requirements of IAS 36 Impairment of Assets and industry best practice. • Evaluated the identification of the cash-generating units to which the goodwill was allocated. • Reviewed the reasonability of the discount rates by assessing the assumptions made by management in relation to current market data, surveys, and prevailing borrowing rates. • Compared the future projected cash flows used in the models against past historical achieved results of the group after adjusting for current and forecasted macro-economic trends that may impact historical trends. • Compared the future projected cash flows used in the models against actual financial results of the group achieved after year-end. • Reviewed the appropriateness and reasonability of assumptions made in the projected cash flow forecasts. • Reviewed the reasonability of the perpetuity growth rate in relation to the projected long-term inflation rate for the South African economy. • Subjecting key assumptions relating to discount rates to sensitivity analysis. • Discussing with management the reasons for material deviations in recalculated recoverable amounts identified and corroborating with supporting documentation where appropriate.

MATTER	AUDIT RESPONSE

REBATES (notes 3.6, 8 and 15)

As described in Significant accounting estimates, judgements, and assumptions in notes 3.6, 8 and note 15, the Group recognises a reduction in cost of sales or separately as other income amounts receivable from suppliers with regard to rebates and advertising agreements.

The group recognises other income or a reduction in cost of sales as a result of amounts receivable from suppliers in regard to rebates and advertising agreements. The reduction in cost of sales primarily comprises of contributions received in relation to:

- Retail business promotions
- Annual volume-based rebates
- Wholesale logistic rebates
- Other general rebates

Agreements for rebates and advertising differ in targets, percentages applied and relate to different periods for each supplier, are renegotiated on a regular basis and high in volume.

The calculation of the rebates and advertising agreements related accruals are managed centrally and manually. Due to the large volume and variety of trade term agreements for which the terms vary from period to period, we consider the completeness, occurrence and accuracy of the recognised rebate and advertising allowances to warrant significant audit attention

Our audit procedures included the following:

- We documented a detailed understanding of the cost of sales and other income internal control processes as well as of the system for processing adjustments to the rebates and advertising receivables.
- We evaluated the accuracy and occurrence of the rebates and advertising receivables by performing the following procedures:
  - Selected a sample of transactions and traced them through to signed supplier trade term contracts, as well as to related invoices and proof of payment or validated deduction against supplier balances to establish the occurrence of the rebates.
  - We re-performed the calculations obtained from management in terms of the underlying data and trade term contracts to assess whether the value of the rebates and advertising agreements were accurately recorded.
  - We confirmed with reference to the trade term contracts whether the rebates and advertising allowances were accounted for in the correct financial period.
- We obtained a rebates and advertising agreements reconciliation from management and compared this to the general ledger. Relevant reconciling items were agreed to the supporting documentation.
- We performed an application control test over the automated conditional contract rebate calculations to confirm the completeness of data used by the system for the calculation and the accuracy of the calculation itself. A substantive sample over the input of contract terms was selected and agreed to the supporting contract to confirm that the contract is valid and that the terms uploaded into the system are valid and accurate.
- We tested a sample of transactions recorded after year-end to evaluate the completeness and accuracy of accrued supplier income at year-end.
- We evaluated the recoverability of the amounts due at the year-end by agreeing the amounts to subsequent settlement.
- We compared the current year rebates and advertising agreements reconciliation to the prior year and to the supplier vendor listing to assess that all suppliers were included in the current year. Missing suppliers were corroborated to supporting documents and for new suppliers we compared the data on a sample basis to the related signed trade agreements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Dis-Chem Pharmacies Limited Group and Company Audited Annual Financial Statements for the year ended 28 February 2023", which includes the Report of the Directors, the Audit and Risk Committee Report and the Company Secretary Certification as required by the Companies Act of South Africa. The other information does not include the consolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going-concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going-concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Mazars has been the auditor of Dis-Chem Pharmacies Limited and its subsidiaries for two years.

Mazars

Mazars
Registered Auditors
Partner: Danielle Keeve
Registered Auditor
Johannesburg

30 June 2023

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February 2023

	Notes	2023 R'000	2022 R'000
Revenue from contracts with customers	7	32 663 513	30 406 611
Cost of sales	15	(25 076 217)	(23 576 145)
Gross profit		7 587 296	6 830 466
Other income	8	2 586 591	1 961 443
Total income		10 173 887	8 791 909
Other expenses	8	(8 429 702)	(7 252 478)
Operating profit before interest and equity accounted earnings		1 744 185	1 539 431
Net financing costs	9	(350 236)	(313 389)
– Finance income		20 210	12 095
– Finance costs		(370 446)	(325 484)
Profit from associates and joint ventures	4	22 779	1 186
Profit before taxation		1 416 728	1 227 228
Taxation	10	(389 181)	(337 124)
Total profit for the year, net of taxation		1 027 547	890 104
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
– Exchange differences on translating foreign subsidiaries		(136)	324
Other comprehensive income for the year, net of taxation		(136)	324
Total comprehensive income for the year		1 027 411	890 428
Total profit attributable to:			
– Equity holders of the parent		1 000 224	853 446
– Non-controlling interests		27 323	36 658
Total comprehensive income attributable to:			
– Equity holders of the parent		1 000 088	853 770
– Non-controlling interests		27 323	36 658
Earnings per share (cents)	11		
– Basic		116.3	99.2
– Diluted		116.3	99.2

GROUP STATEMENT OF FINANCIAL POSITION

for the year ended 28 February 2023

	Notes	2023 R'000	2022 R'000
ASSETS			
Non-current assets		**6 067 828**	5 221 151
Property, plant and equipment (including right-of-use assets)	12	**4 429 226**	3 688 681
Intangible assets	13	**1 270 255**	1 209 646
Investment in associates and joint ventures	4	**194 403**	183 202
Deferred taxation	14	**173 944**	139 622
Current assets		**9 447 980**	8 853 964
Inventories	15	**6 356 781**	5 758 858
Trade and other receivables	16	**2 583 384**	2 159 936
Loans receivable	17	**214 062**	221 887
Taxation receivable	26.3	**6 368**	7 432
Cash and cash equivalents	26.7	**287 385**	705 851
Total assets		**15 515 808**	14 075 115
EQUITY AND LIABILITIES			
Equity and reserves		**3 900 395**	3 323 844
Share capital	18	**6 155 554**	6 155 554
Retained earnings		**2 354 837**	1 776 310
Other reserves		**(4 609 996)**	(4 608 020)
Non-controlling interest		**32 085**	61 714
Total equity		**3 932 480**	3 385 558
Non-current liabilities		**3 232 905**	3 175 367
Lease liability	21	**2 660 592**	2 682 277
Loans payable	22	**501 479**	479 170
Deferred taxation	14	**70 834**	13 920
Current liabilities		**8 350 423**	7 514 190
Trade and other payables	23	**6 103 666**	5 787 867
Lease liability	21	**567 043**	522 225
Loans payable	22	**797 475**	398 863
Employee-related obligations	24	**292 871**	257 437
Deferred revenue (contract liability)	25	**77 170**	74 445
Contingent consideration		**–**	7 984
Taxation payable	26.3	**64 644**	40 371
Bank overdraft	26.7	**447 554**	424 998
Total equity and liabilities		**15 515 808**	14 075 115

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2023

	Notes	Share capital R'000	Retained earnings R'000
Balance at 28 February 2021		6 155 554	1 368 478
Profit/total comprehensive income for the year		–	853 446
Profit for the year, net of taxation		–	853 446
Other comprehensive income for the year, net of taxation		–	–
Change in ownership interest in subsidiary and acquisitions		–	(9 870)
Treasury shares acquired	18	–	–
Share-based payment	19	–	–
Exercise of share-based payment		–	(637)
Dividends paid	20	–	(435 107)
Balance at 28 February 2022		**6 155 554**	**1 776 310**
Profit/total comprehensive income for the year		**–**	**1 000 224**
Profit for the year, net of taxation		**–**	**1 000 224**
Other comprehensive income for the year, net of taxation		**–**	**–**
Change in ownership interest in subsidiary and acquisitions		**–**	**–**
Share-based payment	19	**–**	**–**
Exercise of share-based payment		**–**	**(5 868)**
Treasury shares acquired	18	**–**	**–**
Dividends paid	20	**–**	**(415 829)**
Balance at 28 February 2023		**6 155 554**	**2 354 837**
		(Note 18)	

(1) Other reserves consist of common control reserve (2023 and 2022: R1 billion), share-based payments (2023: R37 million, 2022: R26 million), shares repurchased (2023 and 2022: R3.6 billion) and foreign currency translation reserve (2023: R0.1 million)

	Other reserves		Non-controlling interest	
	Treasury shares R'000	Other reserves (1) R'000	Non-controlling interest R'000	Total R'000
	(6 429)	(4 608 957)	43 018	2 951 664
	–	324	36 658	890 428
	–	–	36 658	890 104
	–	324	–	324
	–	–	5 499	(4 371)
	(12 170)	–	–	(12 170)
	–	20 127	–	20 127
	6 429	(7 344)	–	(1 552)
	–	–	(23 461)	(458 568)
	(12 170)	**(4 595 850)**	**61 714**	**3 385 558**
	–	(136)	27 323	1 027 411
	–	–	27 323	1 027 547
	–	(136)	–	(136)
	–	–	(6 775)	(6 775)
	–	21 450	–	21 450
	16 082	(10 845)	–	(631)
	(28 527)	–	–	(28 527)
	–	–	(50 177)	(466 006)
	(24 615)	**(4 585 381)**	**32 085**	**3 932 480**
	(Note 18)			

GROUP STATEMENT OF CASH FLOWS

for the year ended 28 February 2023

	Notes	2023 R'000	2022 R'000
Cash flow from operating activities		853 943	1 377 575
Cash inflow from trading operations	26.1	2 782 522	2 413 472
Movement in working capital	26.2	(718 371)	44 644
Leave payment		(18 687)	–
Finance income received		19 155	10 060
Finance costs paid		(363 362)	(330 959)
Taxation paid	26.3	(381 308)	(301 074)
Dividends paid	20	(466 006)	(458 568)
Cash flow from investing activities		(1 090 644)	(795 556)
Additions to property, plant and equipment and intangible assets			
– To maintain operations	12/13	(723 329)	(140 191)
– To expand operations	12/13	(366 619)	(237 074)
Proceeds on disposal of property, plant and equipment and intangible assets		22 811	8 307
Acquisition in business combination and subsidiaries, net of cash acquired	5	(43 525)	(265 746)
Loss of control in subsidiary	26.5	(1 191)	–
Acquisition of additional interest in joint venture	26.6	2 105	–
Investment in joint ventures and associates	4	–	(162 427)
Proceeds from joint ventures and associates		19 104	1 575
Cash flow from financing activities		(203 154)	(444 606)
Bank loans repaid	26.8	(925 791)	(431 567)
Receipt of bank loans	26.8	1 316 519	536 533
Lease liability repayment	26.8	(565 355)	(510 096)
Contingent consideration payment	26.8	–	(16 455)
Purchase of treasury shares	18	(28 527)	(12 170)
Change in ownership interest in subsidiary and proceeds from non-controlling interest	26.4	–	(10 851)
Net (decrease)/increase in cash and cash equivalents		(439 855)	137 413
Foreign currency implications on cash and cash equivalents		(1 167)	7 624
Cash and cash equivalents at beginning of year		280 853	135 816
Cash and cash equivalents at end of year	26.7	(160 169)	280 853

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

1. Corporate information

Dis-Chem Pharmacies Limited is incorporated in South Africa. The Group annual financial statements as at 28 February 2023 comprises the company and its subsidiaries (collectively referred to as "the Group").

2. Basis of preparation

The Group and company annual financial statements set out on pages 4 to 90 and 91 to 149 are prepared on the historical cost basis as modified by fair value adjustments, and incorporate the following principal accounting policies, which conform with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), its interpretations issued by the IFRS Interpretations Committee (IFRIC) and Financial Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the JSE Listings Requirements and the Companies Act of South Africa.

The Group and company annual financial statements are presented in South African Rands and are rounded to the nearest thousand, except where otherwise indicated. The financial statements are prepared on the going concern basis.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the annual financial statements are set out in the relevant supporting notes, unless no supporting note is presented or it impacts multiple line items. In the latter case they are presented under 3.1 below. These policies have been consistently applied to all the years presented, unless otherwise stated in note 3.7.

3.1 Basis of consolidation

The Group annual consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 28 February 2023.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee; and
- the Group's voting rights and potential voting rights.

3. Summary of significant accounting policies continued

3.1 Basis of consolidation continued

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated annual financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

3.2 Business combinations and goodwill

Business combinations, other than those under common control, are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group measures the non-controlling interests in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other expenses.

When the Group/company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument is measured at fair value with changes in fair value recognised in profit or loss.

3. Summary of significant accounting policies continued

3.2 Business combinations and goodwill continued

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the fair value of the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s/company's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

3.3 Impairment of non-financial assets

At each reporting date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows per the management accounts for the next five years are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately in profit or loss.

3. Summary of significant accounting policies continued

3.3 Impairment of non-financial assets continued

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the asset's or CGU's recoverable amount is estimated.

Where an impairment loss subsequently reverses, the carrying amount of an asset (or CGU) is increased to the revised estimate of its recoverable amount. This is done so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss. For goodwill and intangible assets that have an indefinite useful life, the recoverable amount is estimated at each reporting date. Whenever the carrying amount of an asset or its CGU exceeds its recoverable amount, an impairment loss is recognised in profit or loss. As goodwill is not capable of generating cash flows independently of other assets, in assessing the recoverable amount of goodwill, it is allocated to CGUs on a reasonable and consistent basis. The recoverable amount of the CGU (including an allocation of goodwill) is assessed with reference to the future cash flows of the CGU. Where an impairment is identified for a CGU, the impairment is applied first to the goodwill allocated to the CGU and then to other assets on a *pro rata* basis comprising the CGU, provided that each identifiable asset is not reduced to below its recoverable amount.

3.4 Common control reserve

Common control transactions are accounted for using the pooling of interest method with the difference between the carrying amount of the transferring entity and consideration recognised in a separate reserve in equity. Comparative information is restated where relevant.

3.5 Other reserves

Other reserves relates to equity that is non-operating in nature, for example repurchase of shares, common control reserve, share-based payments and foreign currency translation reserve.

3.6 Significant accounting estimates, judgements and assumptions

The presentation of the results of operations, financial position and cash flows in these annual financial statements of the Group is dependent upon and sensitive to the accounting policies, assumptions and estimates that are used as a basis for the preparation of these financial statements. Management has made certain judgements in the process of applying the Group's accounting policies. These, together with the key assumptions concerning the future, and other key sources of the estimation uncertainty at the reporting date, are discussed.

3. Summary of significant accounting policies continued

3.6 Significant accounting estimates, judgements and assumptions continued

Advertising agreements

The Group enters into cooperative advertising agreements with its suppliers. A cooperative advertising agreement provides that the manufacturer will participate in the advertising cost of the Group. Significant judgement is required to determine whether the reimbursement of advertising costs received by the Group from the manufacturer should be accounted for as other income or as a reduction against cost of sales. The Group accounts for the reimbursement as part of 'other income' when both of the following criteria are met:

- The manufacturer receives, or will receive, an identifiable advertising service in exchange for the reimbursement. In order to meet this condition, the advertising service must be sufficiently separable from the Group's purchase of the manufacturer's products such that the manufacturer could have entered into an exchange transaction with a party other than a purchaser of its products or services in order to receive that advertising service.
- The Group can reasonably estimate the fair value of the advertising services. If the amount of reimbursement paid by the manufacturer exceeds the estimated fair value of the advertisement services, that excess amount is characterised as a reduction of cost of sales when recognised in the Group's statement of comprehensive income

Loyalty benefit point scheme

The two key inputs in determining the customer loyalty point liability are the allocation of the transaction price and the redemption rate. The transaction price is allocated to the loyalty points with reference to the Rand value of the points. In terms of the redemption rate, loyalty benefit points are redeemed through additional sales to customers. Historical redemption rates of the points are used to determine the extent to which the points which are accrued by customers are likely to be redeemed and therefore the extent they are provided for. The Group experiences low levels of unredeemed loyalty points due to the ease with which customers can redeem them at point of sale. The points are derecognised upon redemption by the customers and do not have an expiry date. An expiry date of 24 months is applicable from 1 March 2023.

Ownership of Dis-Chem Oncology

The group owns 50% of the share capital of Oncology Proprietary Limited but due to the ability to appoint the majority of directors and control the operations of Oncology, the company is consolidated by the Group.

Deferred tax assets – assessed losses

Deferred tax assets are raised to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised. The assessment of future taxable profits is based on forecasted results and the application of existing tax laws. The inputs of forecasted results (such as growth rates, margins and expenditure) align with the Group's annual budgets approved by executive management. To the extent that future results differ significantly from estimates, the ability to realise the deferred tax assets could be impacted.

3. Summary of significant accounting policies continued

3.6 Significant accounting estimates, judgements and assumptions continued

Asset acquisition versus business combination

On 1 April 2022, Dis-Chem acquired 100% of the share capital of CT Distribution Centre Proprietary Limited, KZN Warehouse Proprietary Limited and Eleadora Proprietary Limited. This has been treated as an asset acquisition by applying the concentration test in IFRS 3.B7B.

3.7 New and amended standards and interpretations effective for the period ended 28 February 2023

The following new or revised standards became effective in the current period but had no impact on the financial position or performance of the Group:

- Reference to the Conceptual Framework – Amendments to IFRS 3 – no "day 2" gains or losses have arisen.
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 – no items are produced from PPE while bringing it to the relevant location.
- AIP IFRS 9 Financial Instruments – Fees in the "10 per cent" test for derecognition of financial liabilities – no fees have resulted in terms of a financial liability being substantially different from the original financial liability
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 – no onerous contracts have occurred

3.8 International Financial Reporting Standards issued; not yet effective

The Group has not applied various IFRS and IFRIC interpretations that have been issued, but which are not yet effective, and does not plan on early adoption (unless otherwise stated). These are as follows:

Standard	Scope	Effective Date
IFRS 17 Insurance Contracts	The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. This amendment is not expected to materially impact the Group or Company.	1 January 2023

3. Summary of significant accounting policies continued

3.8 International Financial Reporting Standards issued; not yet effective continued

Standard	Scope	Effective Date
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	• Classification is based on whether the right to defer settlement by at least twelve months exists at the end of the reporting period. • Classification is unaffected by expectation of settlement. • Settlement refers to transfer of cash, equity instruments, other assets or services. • Only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. The Group does not have convertible liabilities with embedded derivatives, and therefore this aspect of the amendment will not impact the Group. Liabilities arising from loan agreements subject to covenants: • Covenants to be complied with before or at the reporting date affect whether a right to defer settlement for at least twelve months exists at reporting date and may affect the classification as current/non-current. This requirement applies regardless of whether the lender tests for compliance at reporting date or at a later date. • Covenants to be complied with after the reporting date do not affect whether a right to defer settlement for at least twelve months exists at that date and does not affect the classification as current/non-current at reporting date. • Where liabilities are classified as non-current, and the entity has to comply with future covenants within twelve months additional disclosures are required: – Information about these covenants; and – the carrying amounts of the related liabilities; and	1 January 2023

3. Summary of significant accounting policies continued

3.8 International Financial Reporting Standards issued; not yet effective continued

Standard	Scope	Effective Date
	– facts and circumstances that may indicate difficulty complying with the covenants The Group has two loan liabilities that are subject to covenants, and these covenants are tested February and August each year. For further detail around these loans refer to note 28. Because the current contractual terms require covenants testing at 28 February each year, the loans' classification as current /non-current is not impacted by this amendment. The Group will be required to make additional disclosures in the notes to the annual financial statements around the covenants that will be tested at a date after the reporting date, being 31 August in current loan agreements.	
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	The amendments aim to help entities provide accounting policy disclosures that are more useful by: • Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and • Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures This amendments is not expected to materially impact the Group or Company but relevant disclosure may be updated.	1 January 2023
Definition of Accounting Estimates – Amendments to IAS 8	The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. This amendment is not expected to materially impact the Group or Company as these principles are already applied.	1 January 2023

3. Summary of significant accounting policies continued

3.8 International Financial Reporting Standards issued; not yet effective continued

Standard	Scope	Effective Date
IAS 12 Income Taxes Amendment – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The amendment narrows the scope of the exemption for recognition of taxable/deductible temporary differences that arise on certain transactions. It also clarifies that deferred tax must be recognised on initial recognition of IFRS 16 leases and similar types of transactions that give rise to the recognition of an asset and a liability. This amendment is not expected to materially impact the Group or Company as already recognised as such for IFRS 16.	1 January 2023
Practice Statement 2 Making Materiality Judgements	The amendment gives further information on disclosure of accounting policies to be disclosed where the information is material, by nature or amount. It also explains when accounting policy information is considered material and provides examples. This amendment is not expected to materially impact the Group or Company but disclosures may be updated if required.	1 January 2023
Lease Liability in a Sale and Leaseback – Amendment to IFRS 16	The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right-of-use it retains. This amendment is not expected to materially impact the Group or Company as there are no current sale and leaseback contracts.	1 January 2024

Standard	Scope	Effective Date
Supplier Finance Arrangements	The IASB developed the new requirements to provide users of financial statements with information to enable them: 1) to assess how supplier finance arrangements affect an entity's liabilities and cash flows; and 2) to understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it. This amendment will result in additional disclosure in the Group.	1 January 2024
IAS 12 Amendment: International Tax Reform – Pillar Two Model Rules	The amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The OECD published the Pillar Two model rules in December 2021 to ensure that large multinational companies would be subject to a minimum 15% tax rate. More than 135 countries and jurisdictions representing more than 90% of global GDP have agreed to the Pillar Two model rules. The amendments introduce a temporary exception to the accounting for deferred taxes arising from jurisdictions implementing the global tax rules. The amendments also include targeted disclosure requirements to help investors better understand a company's exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect. Although the exemption from providing for deferred tax is effective immediately, disclosure requirements are only mandatory for annual periods beginning on or after 1 January 2023. These amendments are not expected to impact the Group as none of the countries in which the Group operate are subject to OECD international tax reform.	1 January 2023

4. Group information

Majority shareholder

The majority shareholder of the Group is Ivlyn Proprietary Limited that holds 35.1% (2022: 35.1%) of the shares.

Information about subsidiaries

The consolidated financial statements of the Group include:

(All companies are incorporated in South Africa except for Dis-Chem Swakopmund Proprietary Limited, Dis-Chem Walvis Bay Proprietary Limited and Dis-Chem Wernhill Proprietary Limited that are incorporated in Namibia and Dis-Chem Airport Junction Proprietary Limited, Dis-Chem Gallo Shopping Centre Francistown Proprietary Limited and Dis-Chem The Fields Proprietary Limited that are incorporated in Botswana).

	% equity interest	
Name	2023	2022
Retailer of pharmaceutical and other products and services		
Dis-Chem Ballito Junction Proprietary Limited	75.0	75.0
Dis-Chem Krugersdorp Proprietary Limited	51.0	51.0
Dis-Chem Three Rivers Proprietary Limited	75.0	75.0
Dis-Chem The Galleria Amanzimtoti Proprietary Limited	85.0	85.0
Dis-Chem Glen Fair Proprietary Limited	100.0	100.0
Dis-Chem Flamwood Value Centre Proprietary Limited	66.7	66.7
Dis-Chem Festival Mall Proprietary Limited	100.0	100.0
Dis-Chem Worcester Proprietary Limited	95.0	95.0
The Local Choice Proprietary Limited	100.0	100.0
Pharma-Logistical Solutions Proprietary Limited	100.0	100.0
Dis-Chem Oncology Proprietary Limited	50.0	50.0
Dis-Chem Rynfield Terrace Pharmacy Proprietary Limited	89.3	89.3
Dis-Chem Swakopmund Proprietary Limited	100.0	100.0
Dis-Chem Walvis Bay Proprietary Limited	100.0	100.0
Dis-Chem Maponya Mall Pharmacy Proprietary Limited	90.0	90.0
Dis-Chem Jubilee Mall Pharmacy Proprietary Limited	90.0	90.0
Dis-Chem Mega City Pharmacy Proprietary Limited	70.0	70.0
Dis-Chem Goodwood Pharmacy Proprietary Limited	85.0	85.0
Dis-Chem Mams Mall Pharmacy Proprietary Limited	100.0	100.0
Dis-Chem TLC De Wiekus Proprietary Limited	70.0	70.0
Dis-Chem York Street Pharmacy Proprietary Limited	100.0	100.0
Dis-Chem Airport Junction Proprietary Limited	85.0	85.0
Dis-Chem Gallo Shopping Centre Francistown Proprietary Limited	85.0	85.0
Dis-Chem Wernhill Proprietary Limited	85.0	85.0
Dis-Chem Ferndale Mall Pharmacy Proprietary Limited	100.0	100.0
Mundel Gien Proprietary Limited (trading as Springbok Pharmacy)	65.0	65.0
Differenza Proprietary Limited (2)	-	51.0
AT Gouws Proprietary Limited	100.0	100.0

4. Group information continued

Name	% equity interest 2023	2022
The Local Choice Kungwini Proprietary Limited	100.0	100.0
The Local Choice Scott Street Proprietary Limited	100.0	100.0
Dis-Chem Castle Gate Pharmacy Proprietary Limited	51.0	51.0
Dis-Chem Thavhani Mall Proprietary Limited	65.0	65.0
Somerset Baby Hyper Proprietary Limited	100.0	100.0
Fairy Tales Boutiques Proprietary Limited	100.0	100.0
Healthforce Proprietary Limited	87.5	87.5
Dis-Chem Howick Mall Pharmacy Proprietary Limited	83.0	83.0
Pure Pharmacy Holdings Proprietary Limited	100.0	100.0
Pure Pharmacy Retail Proprietary Limited	100.0	100.0
LJ Farrel and Sons Proprietary Limited	100.0	100.0
Kok and Golach Proprietary Limited	100.0	100.0
Botha-Schneider Proprietary Limited	100.0	100.0
Dis-Chem Northlands Pharmacy Proprietary Limited	72.0	72.0
Pure MD Proprietary Limited	100.0	100.0
Dis-Chem Foundation NPC (4)	n/a	n/a
Dis-Chem Westville Junction Pharmacy Proprietary Limited	71.0	n/a
Superstrike Investment 56 Proprietary Limited	100.0	n/a
Dis-Chem The Fields Proprietary Limited*	85.0	n/a
DC Media Proprietary Limited*	100.0	n/a
Servco Distribution Proprietary Limited (1)	52.0	n/a
Wholesaler of pharmaceutical products and supporting services		
Dis-Chem Distribution Proprietary Limited	100.0	100.0
CJ Pharmaceutical Enterprises Limited	100.0	100.0
Evening Star Trading 204 Proprietary Limited (t/a Nelspruit Pharmaceutical Wholesaler)	51.3	51.3
CJ Marketing Proprietary Limited	100.0	100.0
The Pharmacy Development Academy Proprietary Limited	70.0	70.0
Bemax International Proprietary Limited	100.0	100.0
Brandwacht Marketing Proprietary Limited	100.0	100.0
Finamics Accounting Services Proprietary Limited	100.0	100.0
Eleadora Proprietary Limited (3)	100.0	n/a
CT Distribution Centre Proprietary Limited (3)	100.0	n/a
KZN Warehouse Proprietary Limited (3)	100.0	n/a

* *During the current and prior period, the company opened new stores/ entities which exist within a statutory entity or a new statutory entity. These entities were not acquired from a third party and therefore were not treated as business combinations.*

(1) *In the current year, the Group acquired an additional 2% interest in Servco resulting in an ownership of 52% and therefore the company being consolidated.*

(2) *In the current year, the Group lost control of Differenza Proprietary Limited by reducing its interest by 5.4% in the company, decreasing its ownership interest to 45.6%. It is now shown under associates and joint ventures.*

(3) *On 1 April 2022, Dis-Chem acquired 100% of the share capital of CT Distribution Centre Proprietary Limited, KZN Warehouse Proprietary Limited and Eleadora Proprietary Limited. These transactions were accounted for as asset acquisitions.*

(4) *The Foundation is included due to the majority of the directors being Dis-Chem executives.*

4. Group information continued

There were no material non-controlling interests identified within the Group in the current and prior financial period. The Group assesses the share of non-controlling interest in profit after tax to be material if the interest is higher that 10% (2022: 10%) of consolidated profit after tax.

Associates and joint ventures

The Group's investment in its associates and joint ventures is accounted for using the equity method.

(all companies are incorporated in South Africa)

	% equity interest 2023	% equity interest 2022
Associates		
Bothomed Dis-Chem Pharmacies Joint Venture Proprietary Limited	20.00	20.00
Vexall Proprietary Limited	36.23	36.23
BEESECDCP Proprietary Limited	48.00	48.00
Kaelo Holdings Proprietary Limited	25.00	25.00
Kena Health Proprietary Limited	30.00	30.00
Differenza Proprietary Limited	45.63	n/a
Tony Ferguson Weightloss SA Proprietary Limited	25.00	n/a
Joint ventures		
Geniob Group Proprietary Limited (which owns 100% of Origin Brands Proprietary Limited)	50.00	50.00
Health Window Proprietary Limited	50.00	50.00
Wi-Connect Proprietary Limited	50.00	50.00
Servco Distribution Proprietary Limited	n/a	50.00

	2023 R'000	2022 R'000
Kaelo Holdings Proprietary Limited	178 505	176 572
Other	15 898	6 630
	194 403	183 202

4. Group information continued

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. Kaelo's principal place of business is in South Africa.

	2023 R'000	2022 R'000
Summarised financial information of Kaelo Holdings:		
Non-current assets	169 960	122 101
Current assets	105 965	97 031
Non-current liabilities	68 433	39 979
Current liabilities	87 975	44 319
Revenue (since acquisition 1 November 2021)	655 934	193 922
Profit/Total comprehensive income (since acquisition 1 November 2021)	59 857	24 644
Group's share of profit for the year	14 964	6 161
Dividend received	10 000	–

The Group's share of loss/total comprehensive loss of associates (excluding Kaelo) is R9 million (2022: Rnil million) and profit of joint ventures is R17 million (2022: R5 million loss).

5. Acquisitions

Acquisitions in 2023	Principal activity	Date of acquisition
Baby Boom	Retail baby products	1 March 2022
Westville Junction	Retail pharmacy	1 December 2022

During the year the Group acquired the following companies in order to further increase store footprint:

- The acquisition of 100% of the shares of Superstike Investment 56 Proprietary Limited (trading as Baby Boom), a group of specialised baby stores, on 1 March 2022.
- The acquisition of assets and liabilities of GC Shnell (Westville Junction), an independent pharmacy, on 1 December 2022.

Acquisition related costs were expensed in the period.

5. Acquisitions continued

Assets acquired and liabilities assumed

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

	Baby Boom R'000	Westville R'000	Total R'000
ASSETS			
Property, plant and equipment (including right-of-use asset)	9 224	–	9 224
Intangible assets	120	–	120
Trade and other receivables (1)	834	–	834
Inventories	18 591	1 148	19 739
Loan receivable	3	–	3
LIABILITIES			
Trade and other payables	(62 896)	–	(62 896)
Lease liability	(7 133)	–	(7 133)
Bank overdraft	(18 853)	–	(18 853)
Employee related obligations	–	(79)	(79)
Deferred revenue	(404)	–	(404)
Total identifiable net assets at fair value	(60 514)	1 069	(59 445)
Non-controlling interest at proportionate interest	–	–	–
Goodwill arising on acquisition	83 514	603	84 117
Purchase consideration transferred	23 000	1 672	24 672

(1) The carrying amount reflects the gross contractual amounts receivable and we expected to receive the full amount at date of acquisition.

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

	Baby Boom R'000	Westville R'000	Total R'000
Net cash acquired with the subsidiary	(18 853)	–	(18 853)
Cash paid	(23 000)	(1 672)	(24 672)
Net cash flow on acquisition	(41 853)	(1 672)	(43 525)

5. Acquisitions continued

From the date of acquisition, the following revenue and profit before tax was contributed to the Group:

	Baby Boom R'000	Westville R'000	Total R'000
Revenue	65 709	8 233	73 942
Loss before tax	(9 401)	(1 503)	(10 904)

If the acquisitions had taken place at the beginning of the year, the following revenue and profit before tax would have been contributed to the Group:

	Baby Boom R'000	Westville R'000	Total R'000
Revenue	65 709	23 748	89 457
Loss before tax	(9 401)	(1 236)	(10 637)

6. Segmental information

An operating segment is defined as a component of an entity that engages in business activities from which it may earn revenues and incur expenses whose operating results are regularly reviewed by the entity's chief operating decision-maker in order to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

The Group has identified two reportable segments. The following describes the operations in each of the reportable segments:

Retail

Retail consists of the Dis-Chem stores, retailers of pharmaceutical and a variety of health and beauty products, as well as pharma-logistic services and oncology and retailers of pharmaceutical products. All retail stores have been aggregated into one segment as they have similar economic characteristics (gross margins), products and services, type of customer and distribution methods.

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

Wholesale

Wholesale consists of the CJ Wholesale and Dis-Chem Distribution businesses, wholesalers of pharmaceutical and a variety of health and beauty products. The wholesale subsidiaries have been aggregated into one segment as they have similar economic characteristics (gross margins), products and services, type of customer and distribution methods.

There are no external customers that account for more than 10% of the Group's revenue in the current and prior financial year.

Geographic information

With the exception of three stores in Namibia and three stores in Botswana, the Group operates in one principal geographical area, that being South Africa. The revenue, assets and liabilities recognised in non-South African countries are not significant and therefore do not form a separate segment.

6. Segmental information continued

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

6. Segmental information continued

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

7. Revenue from contracts with customers

Revenue from contracts with customers is predominantly derived from the sale of products through our retail stores and warehouse channels.

Sale of goods – wholesale: The Group sells a range of pharmaceutical, health and front shop products in the wholesale market. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been delivered to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. A right to return liability (included in trade and other payables) and related asset (included in trade and other receivables) are recognised for any expected returns that may take place within the Group's return policy in relation to sales made until the end of the reporting period. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). No element of financing is deemed present as the sales are made with a credit term of 30 to 60 days, which is consistent with market practice.

Sale of goods – retail: The Group operates a chain of retail stores selling pharmaceutical, health and front shop products. Revenue from the sale of goods is recognised when products are sold to the customer. Payment of the transaction price is due immediately when the customer purchases the products and takes delivery in store. It is the Group's policy to sell certain of its products to the customer with a right of return of between 10 to 30 days depending on the specific product. Legally returns on dispensary items are prohibited. Therefore, a right to return liability (included in trade and other payables) and related asset (included in trade and other receivables) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method).

Customer loyalty programme: The Group operates a loyalty scheme which allows retail customers to accumulate points that entitle them, subject to certain criteria, to use these points in the future in any store in exchange for goods or services. A contract liability for the award points is recognised at the time of the sale and revenue is recognised when the points are redeemed taking into account breakage, if any (refer to note 25).

	2023 R'000	2022 R'000
Revenue from contracts with customers	**32 663 513**	30 406 611

Retail revenue from contracts with customers can be further disaggregated between the following retail categories:

	2023 %	2022 %
Dispensary	**36**	36
Personal care and beauty	**27**	26
Healthcare and nutrition	**22**	24
Baby care	**8**	8
Other	**7**	6
	100	100

7. Revenue from contracts with customers continued

Wholesale revenue is not further disaggregated as revenue from contracts with customers is earned in a similar nature and timing.

8. Profit before taxation

Advertising and marketing income as well as data and administration fees are recognised when the service is provided to the vendor, as the customer simultaneously receives and consumes the benefit provided.

The cost of employee benefits is recognised as an expense during the period in which the employee renders the service.

Profit before taxation has been determined after taking into account the following:

	Notes	2023 R'000	2022 R'000
Other income			
Advertising and marketing income		966 166	746 698
Commission income		73 568	83 732
Franchisee income		38 251	32 364
Data and administration fees		1 229 705	949 307
Payroll-related recovery		21 282	23 552
Profit on IFRS 16 release on purchase of leased properties		72 161	–
Other expenses			
Depreciation of tangible assets	12	919 624	772 830
Amortisation of intangible assets	13	82 481	81 758
Computer expenses		385 738	285 599
Advertising expenses		521 387	394 216
Commission		159 778	156 327
Bank charges		115 853	93 534
Security		152 745	148 557
Motor vehicle expenses		118 653	93 466
Courier		268 522	178 172
Occupancy costs		463 105	409 755
– Lease payments (1)		37 562	41 905
– Other (including electricity and rates)		425 543	367 850

(1) Lease payments relate to variable lease payments of R2.1 million (2022: R3.4 million) not included in the measurement of lease liabilities (for example, turnover based rental) and R35.5 million (2022: R38.5 million) relating to short-term leases. There was no expense in the current or prior period relating to low-value assets.

8. Profit before taxation continued

	Notes	2022 R'000	2021 R'000
Employee benefits		4 685 527	4 113 130
– Salaries and wages		3 859 757	3 425 679
– Pension costs (defined contribution plan)		167 247	168 929
– Medical aid		110 457	99 330
– Leave pay		28 078	17 430
– Share-based payment (note 19)		21 450	20 127
– Bonuses		303 290	236 373
– Other (including UIF and SDL)		195 248	145 262

For details on directors' emoluments and key management personnel refer to note 27.

9. Net financing costs

Finance income

Finance income is recognised utilising the effective interest method, being the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in profit or loss.

Finance costs

All borrowing costs are recognised in profit or loss using the effective interest method as there are no qualifying assets.

	2023 R'000	2022 R'000
– Bank accounts	9 085	4 168
– Loans and debtors	10 872	7 815
– SARS	253	112
Finance income	20 210	12 095
– Bank overdraft	55 533	27 872
– Bank loan	60 609	36 603
– Lease liability	254 143	260 012
– SARS	161	367
Interest expense	370 446	324 854
– Contingent consideration	–	630
Finance costs	370 446	325 484
Net financing costs	350 236	313 389

10. Taxation

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date. Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred taxation is provided using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences except:

- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised:

- in respect of deductible temporary differences associated with investments in subsidiaries and interests in associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

10. Taxation continued

	2023 R'000	2022 R'000
South African normal tax		
Current income tax		
– Current year	411 373	322 085
– Prior year over provision	(5 017)	(2 366)
Deferred tax		
– Attributable to temporary differences	(17 175)	20 337
– Prior year over provision	–	(2 932)
	389 181	337 124
Reconciliation of tax rate	%	%
Standard tax rate	28.00	28.00
Prior year net over provision	(0.35)	(0.43)
Adjusted for permanent differences:		
Non-taxable:		
ETI and leadership	(0.65)	(0.66)
Tenant allowance	(0.14)	–
Contingent consideration	(0.16)	–
Share-based payments	(0.03)	–
Non-deductible:		
Legal fees	0.19	0.29
Unrealised foreign exchange	0.45	–
SARS interest and penalties	–	0.01
Share-based payments	–	0.01
Tax rate change	(0.23)	–
Other*	0.39	0.25
Effective tax rate	27.47	27.47

* *Other mainly includes assessed losses not raised, tax rate differences and sale of fixed assets*

With regards to IFRIC 23 Uncertain tax positions the Group determined whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies judgement in identifying uncertainties over income tax treatments. Since the Group does not operate in a complex multinational environment, it assessed and concluded that the interpretation did not have an impact on its financial statements for the years presented.

11. Earnings per share

Earnings per share

Earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the profit after tax attributable to equity holders of the parent.

Headline earnings per share

Headline earnings per share (HEPS) is determined as per the JSE Listings Requirements as set out in the HEPS circular.

The calculation of headline earnings per share is based on the weighted average number of ordinary shares.

The calculation is reconciled as follows:

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

11. Earnings per share continued

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

12. Property, plant and equipment

Property plant and equipment are stated at cost less accumulated depreciation and accumulated impairment. Property plant and equipment are depreciated on the straight-line basis at rates estimated to write each asset down to their residual value over the term of its useful life.

Initial and subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

All assets are depreciated from the date they are available-for-use, on a straight-line basis, to allocate their cost to their residual value over their estimated useful life. Depreciation ceases at the earlier of either the date the asset is classified as held for sale or the date the asset is derecognised.

The right-of-use (ROU) asset is measured based on the present value of the lease payments, initial direct costs incurred when entering in the lease less any lease incentives received. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset.

The estimated useful lives are as follows:

– Land	Not depreciated
– Buildings	20 to 30 years
– Computer hardware	1 to 9 years
– Office and other equipment	1 to 10 years
– Leasehold improvements	4 to 12 years
– Motor vehicles (owned)	1 to 10 years
– Furniture and fixtures	2 to 12 years
– Land and buildings (right-of-use)	Lease term
– Motor vehicles (right-of-use)	Lease term
– Equipment (right-of-use)	Lease term

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed at each reporting date and adjusted if appropriate. At each reporting date it is assessed whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount is estimated.

Where carrying values exceed the estimated recoverable amounts, tangible assets are written down to their recoverable amounts and the impairment is recognised in profit or loss immediately.

Please refer to note 3.3 on impairment of non-financial assets, where the recoverable amount is discussed.

An asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount. These gains or losses are included in profit or loss in the period of derecognition.

12. Property, plant and equipment continued

	OWNED						RIGHT-OF-USE			
	Land and buildings R'000	Computer hardware R'000	Office and other equip-ment* R'000	Leasehold improve-ments R'000	Furniture and fixtures# R'000	Motor vehicles R'000	Land and buildings R'000	Motor vehicles R'000	Equipment R'000	Total R'000
2023										
Cost	490 683	744 688	300 063	408 726	1 111 199	15 089	5 763 247	94 335	27 514	8 955 544
Opening balance	–	554 194	258 226	394 894	871 828	23 848	5 161 198	70 971	3 921	7 339 080
Additions	490 683	207 679	44 054	20 319	254 014	10 863	738 385	28 101	23 593	1 817 691
Disposals/ scrapping	–	(17 839)	(4 438)	(6 680)	(16 208)	(19 712)	(5 944)	(4 737)	–	(75 558)
Acquisitions (note 5)	–	–	2 091	–	–	–	7 133	–	–	9 224
Modification to lease terms	–	–	–	–	–	–	6 284	–	–	6 284
Release on purchase of leased properties	–	–	–	–	–	–	(148 193)	–	–	(148 193)
Foreign exchange	–	654	130	193	1 565	90	4 384	–	–	7 016
Accumulated depreciation	(12 497)	(365 110)	(169 644)	(231 496)	(503 541)	(1 379)	(3 183 820)	(54 386)	(4 445)	(4 526 318)
Opening balance	–	(279 291)	(135 792)	(200 405)	(380 312)	(15 984)	(2 604 593)	(33 826)	(196)	(3 650 399)
Current charge	(12 497)	(100 432)	(37 707)	(34 095)	(123 675)	(4 716)	(578 524)	(23 729)	(4 249)	(919 624)
Disposals/ scrapping	–	15 012	3 961	3 136	1 008	19 347	587	3 169	–	46 220
Foreign exchange	–	(399)	(106)	(132)	(562)	(26)	(1 290)	–	–	(2 515)
Net carrying amount	478 186	379 578	130 419	177 230	607 658	13 710	2 579 427	39 949	23 069	4 429 226

Included in additions in the current year is an amount of R430 million relating to the asset acquisition of the Delmas, Cape Town and Durban warehouses.

12. Property, plant and equipment continued

	OWNED					RIGHT-OF-USE			
	Computer hardware	Office and other equipment*	Leasehold improve-ments	Furniture and fixtures#	Motor vehicles	Land and buildings	Motor vehicles	Equipment	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2022									
Cost	554 194	258 226	394 894	871 828	23 848	5 161 198	70 971	3 921	7 339 080
Opening balance	437 241	233 341	366 338	728 311	33 266	4 766 000	82 309	–	6 646 806
Additions	129 538	27 491	21 586	149 290	3 854	254 429	16 382	3 921	606 491
Disposals and impairments	(13 978)	(5 055)	(2 712)	(10 252)	(13 429)	–	(27 720)	–	(73 146)
Acquisitions	1 453	2 462	9 355	3 553	165	145 051	–	–	162 039
Modification to lease terms	–	–	–	–	–	(3 744)	–	–	(3 744)
Foreign exchange	(60)	(13)	327	926	(8)	(538)	–	–	634
Accumulated depreciation	(279 291)	(135 792)	(200 405)	(380 312)	(15 984)	(2 604 593)	(33 826)	(196)	(3 650 399)
Opening balance	(223 305)	(104 862)	(169 595)	(287 167)	(25 722)	(2 090 821)	(29 373)	–	(2 930 845)
Current charge	(68 168)	(31 521)	(31 219)	(96 641)	(3 353)	(513 867)	(27 865)	(196)	(772 830)
Disposals	12 310	649	476	3 760	13 103	–	23 412	–	53 710
Foreign exchange	(128)	(58)	(67)	(264)	(12)	95	–	–	(434)
Net carrying amount	274 903	122 434	194 489	491 516	7 864	2 556 605	37 145	3 725	3 688 681

The civil unrest and looting in July 2021 resulted in an impairment of property, plant and equipment of R6.5 million.

* *Includes air conditioners, security equipment, medical and clinic equipment, office equipment, PABX, media equipment and machinery and equipment.*
\# *Includes salon equipment, fixtures and fittings, shop equipment, signs and furniture.*

All motor vehicles and equipment held under lease liabilities are held as security for the lease liabilities (refer to note 21).

13. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives (goodwill) are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The estimated useful lives are as follows:

– Computer software	2 to 10 years
– Brand value	10 to 30 years
– Distribution right	10 to 15 years
– Customer list	7 years
– Licences	10 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

13. Intangible assets continued

	Computer software R'000	Licences R'000	Goodwill R'000	Customer list R'000	Distribution right R'000	Brand value R'000	Total R'000
2023							
Cost	363 181	5 231	873 719	46 340	120 759	136 235	1 545 465
Opening balance	327 596	4 332	790 629	46 340	120 759	136 235	1 425 891
Additions	58 986	899	240	–	–	–	60 125
Acquisitions (note 5)	120	–	84 117	–	–	–	84 237
Scrapping	(23 535)	–	(1 267)	–	–	–	(24 802)
Foreign exchange	14	–	–	–	–	–	14
Accumulated amortisation	(181 257)	(772)	–	(33 232)	(49 727)	(10 222)	(275 210)
Opening balance	(143 814)	(299)	–	(26 552)	(40 756)	(4 824)	(216 245)
Current charge	(60 959)	(473)	–	(6 680)	(8 971)	(5 398)	(82 481)
Scrapping	23 525	–	–	–	–	–	23 525
Foreign exchange	(9)	–	–	–	–	–	(9)
Net carrying amount	181 924	4 459	873 719	13 108	71 032	126 013	1 270 255

13. Intangible assets continued

	Computer software R'000	Licences R'000	Goodwill R'000	Customer list R'000	Distribution right R'000	Brand value R'000	Total R'000
2022							
Cost	327 596	4 332	790 629	46 340	120 759	136 235	1 425 891
Opening balance	248 351	4 332	497 559	46 340	120 759	123 844	1 041 185
Additions	33 101	–	–	–	–	12 391	45 492
Acquisitions	54 959	–	293 070	–	–	–	348 029
Scrapping	(8 813)	–	–	–	–	–	(8 813)
Foreign exchange	(2)	–	–	–	–	–	(2)
Accumulated amortisation	(143 814)	(299)	–	(26 552)	(40 756)	(4 824)	(216 245)
Opening balance	(90 462)	–	–	(20 232)	(31 915)	(688)	(143 297)
Current charge	(62 162)	(299)	–	(6 320)	(8 841)	(4 136)	(81 758)
Scrapping	8 813	–	–	–	–	–	8 813
Foreign exchange	(3)	–	–	–	–	–	(3)
Net carrying amount	183 782	4 033	790 629	19 788	80 003	131 411	1 209 646

13. Intangible assets continued

	2023 R'000	2022 R'000
Goodwill		
Wholesale		
CJ Pharmaceutical Enterprises	19 327	19 327
CJ Marketing	1 087	1 087
Evening Star Trading	274	274
The Pharmacy Development Academy	565	565
Bemax	37 370	37 370
Quenets	15 206	15 206
Retail		
Platinum Park	7 670	7 670
Market Street	3 670	3 670
Heidelberg	2 750	2 750
Logistical Services	92 961	92 961
Dis-Chem York Street	21 500	21 500
Dis-Chem TLC De Wiekus	1 023	1 023
Mundel Gien	17 491	17 491
Differenza	–	1 267
Culemborg	968	968
TLC Medipark	4 201	4 201
Baby	343 957	260 443
TLC Kungwini	3 719	3 719
Scott Street	6 067	6 067
Ferngate	20 355	20 355
Dis-Chem Northlands Pharmacy	856	856
Healthforce	10 960	10 960
Dis-Chem Howick Mall Pharmacy	5 009	5 009
Pure Pharmacy Holdings	255 890	255 890
Servco	240	–
Westville Junction	603	–
	873 719	790 629

The CGUs are based on the relevant statutory entities or underlying cost centre.
The recoverable amount of the above CGUs as at the reporting date, has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 15.5% (2022: 10.6% to 11.8%) for wholesale companies, range of 13.5% to 15.9% (2022: 10.9% to 13.9%) for the retail companies. Cash flows beyond the five-year period are extrapolated using a 4% (2022: 4%) growth rate. As a result of the analysis, management did not identify an impairment in the current or prior financial period. Key assumptions are determined by management in regards to past experience.

Management has assessed the calculation and have determined that no reasonable change to a key assumption would result in the carrying amount of a CGU exceeding its recoverable amount.

14. Deferred tax

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Deferred tax assets and liabilities are only offset if there is a legally enforceable right to offset current tax and the asset or liability relates to the same taxation authority and the same taxable entity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Also refer to accounting policy under note 10.

	2023 R'000	2022 R'000
Deferred taxation		
Balance at the beginning of the year	**125 702**	124 171
Movements during the year		
– Charge to profit or loss (note 10)	**17 175**	(17 405)
– Acquisition and take on	**(39 767)**	18 936
Balance at end of the year	**103 110**	125 702
Representing:		
– Deferred tax asset	**173 944**	139 622
– Deferred tax liability	**(70 834)**	(13 920)
	103 110	125 702
The deferred tax balance is made up as follows:		
Employee-related obligations	**61 670**	55 029
Deferred revenue and S24C allowance	**18 758**	16 650
Lease liability	**173 738**	201 739
Prepayment	**(1 738)**	(4 175)
Tax losses	**104 926**	87 408
Inventory	**(384)**	241
Property, plant and equipment	**(177 194)**	(127 403)
Intangible assets	**(85 236)**	(109 367)
Share-based payment	**1 946**	2 228
Other*	**6 624**	3 352
	103 110	125 702

* *Other mainly relates to right of return asset and liability, provision for bad debt and tax rate differences*

It was announced that the corporate income tax rate will be reduced from 28% to 27% with effect from years of assessment ending on or after 31 March 2023. This rate change will only have an impact on the Group's current income tax rate for the year of assessment ending February 2024. Thus the rate for current income tax purposes will remain at 28% for the reporting period February 2023.

14. Deferred tax continued

In terms of paragraphs 46 and 47 of IAS 12, both current and deferred tax assets and liabilities are to be measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. All deferred tax assets and liabilities, which will realise during and after the financial period February 2023 have been raised at 27%. In the prior year, the tax rate differential impact of deferred tax assets and liabilities, which will realise after February 2023 at 27% was considered immaterial for the Group.

As at 28 February 2023, deferred tax assets raised for the Group's estimated tax losses were R104 million (2022: R87 million). The tax losses are available to be offset against future taxable income. For tax years ending on or after 31 March 2023, companies with assessed losses will be entitled to set off a maximum of 80% of the their assessed losses (subject to a R1 million minimum) against taxable income in a specific year. The directors consider that sufficient future taxable income will be generated by the relevant companies to utilise the deferred tax asset recognised.

As at 28 February 2023, the rand value of assessed losses amounted to R441 million (2022: R410 million) of which R51 million (2022: R97 million) has not been recognised.

15. Inventories

Inventories comprise merchandise for resale and are valued at the lower of cost determined on a weighted average moving cost basis and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. The cost of merchandise sold includes normal shrinkage, wastage, inventory losses, trade discounts, rebates and other similar items. Obsolete and slow moving inventories are identified and written down to their net realisable value. The carrying amount of inventory is recognised as an expense in the period in which the related revenue is recognised.

The Group enters into various rebate agreements with its vendors in regards to the purchasing of inventory. These rebates are recorded as a reduction to the cost of the related inventory to the extent that the inventories have been sold, to the extent the inventory is unsold the rebates reduce the inventory balance. Certain of these agreements are based on the achievement of specific volumes of purchases over a specified period, including escalating rebates as certain pre-defined hurdles are met. The Group accrues these growth rebates at the point when it is probable that the hurdles will be met.

	2023 R'000	2022 R'000
Finished goods	**6 356 781**	5 758 858
Cost of inventories recognised as cost of sales	**25 076 217**	23 576 145

Provision for obsolete inventory amounts to R2.4 million (2022: R7 million).

Write off's during the year amounted to R27 million (2022: R55 million). There were no reversals of write off's in the current or prior year. The civil unrest and looting in July 2021 resulted in an impairment of inventory of R28 million which was covered by insurance.

16. Trade and other receivables

Trade receivables are amounts due from medical aids and wholesale customers for merchandise sold or services rendered in the ordinary course of business and are accounted for as financial assets at amortised cost in accordance with the accounting policy disclosed in note 28. Prepayments and other receivables are stated at their nominal values.

Expenses and assets are recognised net of VAT, except:

- when the VAT incurred on a purchase of assets or services is not recoverable from SARS, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- receivables and payables which are stated inclusive of VAT. The net amount of sales tax recoverable from, or payable to, SARS is included as part of receivables or payables in the statement of financial position.

	2023 R'000	2022 R'000
Trade receivables	1 221 144	889 373
Allowance for expected credit loss	(11 634)	(14 827)
Net trade receivables	1 209 510	874 546
Other receivables	1 055 124	1 010 290
Accrued income	120 857	101 522
Prepayments	189 180	124 104
Related parties (note 27)	124	41 167
Right of return asset	8 589	8 307
	2 583 384	2 159 936
Allowance for expected credit loss		
Opening balance	(14 827)	(8 283)
Allowance utilised	8 580	14 533
Allowance raised	(5 387)	(21 077)
Closing balance	(11 634)	(14 827)

Trade receivables are non-interest-bearing and are generally on terms of seven to 60 days.

Other receivables and accrued income are non-interest-bearing and generally on terms of 30 to 60 days. Other receivables and accrued income consist of rebates, advertising and logistic fee receivables as well as other sundry receivables. Prepayments consists mainly of bonus advances and prepayment of IT licences.

16. Trade and other receivables continued

As at 28 February, the age analysis of trade receivables is as follows:

			Days past due				
	Total R'000	Current R'000	<30 days R'000	30 to 60 days R'000	60 to 90 days R'000	90 to 120 days R'000	>120 days R'000
2023							
Expected credit loss rate	**1.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**25.5%**
Estimated gross carrying amount at default	**1 221 144**	**649 465**	**333 251**	**122 218**	**38 294**	**32 375**	**45 541**
Expected credit loss	**11 634**	**–**	**–**	**–**	**–**	**–**	**11 634**
2022							
Expected credit loss rate	1.7%	0.0%	0.0%	0.0%	16.0%	6.0%	32.0%
Estimated gross carrying amount at default	889 373	647 677	123 722	58 257	18 943	4 887	35 887
Expected credit loss	14 827	–	–	–	3 034	294	11 499

Trade receivables over 120 days in the current and prior year are mainly on payment plans and have been meeting the payment requirements and therefore not 100% provided for at year-end.

Refer to note 28 on credit risk management of trade and other receivables.

Trade and other receivables relating to CJ Pharmaceutical Enterprises Limited amounting to R400 million (2022: R400 million) were pledged as security for the revolving overdraft facilities with Standard Bank. Under the pledge the bank can claim debtors' receipts if CJ defaults on the bank overdraft. There are no other special terms relating to the pledge.

17. Loans receivable

Loans are accounted for as financial assets in accordance with the accounting policy disclosed in note 28.

	2023 R'000	2022 R'000
NCI shareholders loans	9 494	10 031
Related parties (note 27)	98 834	92 514
Other loans	105 734	119 342
	214 062	221 887

Other loans mainly relate to loans given to ASU, USN, Stem Cell and Gamma Knife which are companies within the pharmaceutical and health industry as well as Uphawu and The Tailor that are in the cut and trim industry. These loans have no fixed terms of repayment.

The USN loan earns interest at prime less 0.5% and no security is held in regards to this loan. The ASU, Stem Cell, Gamma Knife, Uphawu and The Tailor loans are unsecured and interest free.

Refer to note 28 on credit risk management of loans receivable.

18. Share capital

Ordinary share capital represents the no par value of ordinary shares issued.

	2023 R'000	2022 R'000
Authorised		
1 500 000 000 (2022: 1 500 000 000) ordinary no par value shares		
Issued and fully paid		
860 084 483 (2022: 860 084 483) ordinary no par value shares	6 155 554	6 155 554
Reconciliation of shares issued		
Opening and closing balance	6 155 554	6 155 554

Treasury shares

Treasury shares are held for the forfeitable share plan and measured at the cost value of the shares.

	2023 R'000	2022 R'000
Opening balance	12 170	6 429
Treasury shares acquired	28 527	12 170
Treasury shares issued under share scheme	(16 082)	(6 429)
Closing balance	24 615	12 170

18. Share capital continued

339 001 treasury shares were bought in January 2022 for R12 million at an average price of R35.90 per share.

71 500 treasury shares were bought in March 2022 for R2.4 million at an average price of R34.26 per share.

43 682 treasury shares were bought in June 2022 for R1.5 million at an average price of R33.50 per share.

815 000 treasury shares were bought in December 2022 for R24.6 million at an average price of R30.20

At 28 February 2023, the Group held 815 000 treasury shares (2022: 339 001).

19. Other reserves

Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given below.

The cost is recognised in other expenses as part of employee benefits, together with a corresponding increase in equity (other reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (refer to note 11).

Forfeitable Share Plan (FSP) – bonus shares

Under the FSP fully-paid shares (bonus shares) of Dis-Chem Pharmacies Limited are granted to regional managers. As the grants are in Dis-Chem's own shares they are treated as equity-settled share-based payments.

The shares are registered in employees' names on the grant date and held in a brokerage account on behalf of the employees until vesting, as long as they are still employed by the Company. Employees receive dividends and voting rights on these shares during the vesting period. Exercise of the shares takes place on the vesting date.

The fair value of the shares is the fair market value on the grant date due to the fact that the employees have full rights to all the dividends declared before the end of the vesting period.

19. Other reserves continued

Share Appreciation Rights (SAR)

Under the SAR plan employees share in the growth in the share price between the award price and exercise price, and receive shares to the value of that appreciation.

Vesting of the share options is dependent on the Group's achievement of forward-looking performance conditions, being growth in headline earnings per share and continued employment. The share options can be exercised up to three years after the vesting period.

The fair value of share options granted is estimated at the date of grant by using a Binomial Tree approach, taking into account the terms and conditions on which the share options were granted. The model takes into account dividend yield, share price volatility and risk-free rate.

The exercise price of the share options is equal to the market price of the underlying shares on the date of the grant.

Options/shares not yet exercised by 28 February 2023

FSP

Offer date	Expiry date	Number of shares Feb 2022	Number of shares forfeited	Number of shares granted	Number of shares exercised	Number of shares Feb 2023
1 March 2021	30 June 2022	454 183	–	–	454 183	–
1 March 2021	30 June 2023	783 091	–	–	–	**783 091**
1 September 2021	30 June 2024	500 724	–	3 984	–	504 708
30 August 2022	30 June 2025	–	–	**960 327**	–	**960 327**

SAR

Offer date	Expiry date	Number of options Feb 2022	Number of options forfeited	Number of options granted	Number of options exercised	Number of options 2023
1 June 2018	31 May 2023	266 578	–	–	93 860	172 718
1 February 2019	31 July 2024	472 689	–	–	173 192	299 497

19. Other reserves continued

Options/shares not yet exercised by 28 February 2022

FSP

Offer date	Expiry date	Number of shares Feb 2021	Number of shares forfeited	Number of shares granted	Number of shares exercised	Number of shares Feb 2022
1 February 2019	31 July 2021	255 588	–	–	255 588	–
1 March 2021	30 June 2022	–	–	454 183	–	454 183
1 March 2021	30 June 2023	–	–	783 091	–	783 091
1 September 2021	30 June 2024	–	–	500 724	–	500 724

SAR

Offer date	Expiry date	Number of options Feb 2021	Number of options forfeited	Number of options granted	Number of options exercised	Number of options Feb 2022
1 June 2018	31 May 2023	505 624	–	–	239 046	266 578
1 February 2019	31 July 2024	622 762	–	–	150 073	472 689

The expense recognised for employee services during the year is shown in the following table:

	2023 R'000	2022 R'000
Expense arising from FSP	21 450	18 845
Expense arising from SAR	–	1 282
	21 450	20 127

There were no modifications to the grants in 2023 or 2022.

20. Dividends to shareholders

	2023 R'000	2022 R'000
June 2022	173 985	–
November 2022	241 844	–
June 2021	–	267 516
November 2021	–	167 591
	415 829	435 107
Minority interest dividend	50 177	23 461
	466 006	458 568

Dividends per share	Cents	Cents
Interim paid	28.1	19.5
Final declared/paid (1)	18.5	20.2

(1) Declared subsequent to year-end on 18 May 2023 (2022: 19 May 2022).

21. Lease liability

At inception, the Group assesses whether a contract is or contains a lease. The Group recognises a right-of-use (ROU) asset and lease liability at the commencement date of the lease.

The lease liability is measured at the present value of the lease payments net of cash lease incentives that are not paid at the reporting date. Lease payments are apportioned between the finance charges and reduction of the lease liability using the incremental borrowing rate to achieve a constant rate of interest on the remaining balance of the liability. Lease payments for buildings exclude service fees and other costs.

	2023 R'000	2022 R'000
Minimum payments due		
– Within one year	787 093	742 885
– Within five years	2 174 465	2 208 383
– Over five years	1 555 195	1 511 242
	4 516 753	4 462 510
Less: future finance charges	(1 289 118)	(1 258 008)
Present value of minimum payments	3 227 635	3 204 502
Present value of minimum payment due:		
– Within one year	567 042	522 225
– Within five years	1 641 935	1 653 235
– Over five years	1 018 658	1 029 042
	3 227 635	3 204 502
Non-current liabilities	2 660 592	2 682 277
Current liabilities	567 043	522 225
	3 227 635	3 204 502

The lease liability relates to land and buildings, motor vehicles and equipment. The capitalised lease liability relating to motor vehicles are secured by the motor vehicles (refer to note 12). There are no leases with residual value guarantees.

Many of the store leases across the Group contain extension options. In many cases these terms are not reflected in measuring the lease liabilities until management is reasonably certain they will be exercised. The Group considers all relevant facts and circumstances that create an economic incentive to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.

Future cash flow in the 2023 financial year relating to variable lease payments is expected to be approximately R3.9 million (2022: R3.6 million).

22. Loans payable

Loans payable are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 28.

	2023 R'000	2022 R'000
Non-current loans		
Absa Bank	–	436 975
Standard Bank	454 545	–
Investec Bank	46 934	42 195
	501 479	479 170
Current loans		
Absa Bank	400 000	125 000
Investec Bank	27 545	15 221
Supply Chain Finance	328 493	247 397
NCI shareholders loans	22 029	11 161
Related parties (note 27)	19 408	84
	797 475	398 863

The Absa loan consists of two parts:

- The first part of the term loan is for R500 million repayable over four years in quarterly payments at a three-month JIBAR plus 1.35% until 31 March 2023.
- The second part of the term loan is for R400 million repayable at the end of four years (31 March 2023) at a three-month JIBAR plus 1.45%. This payment was extended to 31 July 2023.

The Standard Bank loan is a bullet facility with a maturity date of five years (31 May 2027) and earns interest at the three-month JIBAR plus 1.44%. The loan is secured by the underlying properties.

The Investec loan consists of three separate loans:

- R40 million is repayable over two and a half years (2022: three and a half years) at a three-month JIBAR rate.
- R24 million is a bullet facility with a maturity date of five years (31 August 2027) and earns interest at Investec prime rate less 0.25%. This loan is secured by the underlying property.
- R12 million is a bullet facility with a maturity date of five years (31 August 2027) and earns interest at Investec prime rate less 0.25%. This loan is secured by the underlying property.

The import supply chain finance programme allows Dis-Chem to make payments to foreign suppliers through a funding institution using a cloud-based system. Dis-Chem then receives extended terms of up to 150 days in which to make payment to said financial institution. Dis-Chem is charged an interest rate in line with SONIA or a similar reference rate. Also refer to note 3.8

It is anticipated that JIBAR cessation rate will be announced in 2024 to cease in approximately 2026. ZARONIA data is currently published, but it is ineligible for use. As a result, the JIBAR contracts have not been renegotiated yet.

22. Loans payable continued

Related party and NCI shareholders loans are considered to be short-term in nature as they are payable on demand and do not earn interest. These loans are unsecured.

23. Trade and other payables

Trade payables, sundry creditors and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 28.

Expenses and assets are recognised net of VAT, except:

- when the VAT incurred on a purchase of assets or services is not recoverable from SARS, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- receivables and payables which are stated inclusive of VAT. The net amount of sales tax recoverable from, or payable to, SARS is included as part of receivables or payables in the statement of financial position.

	2023 R'000	2022 R'000
Trade payables	**5 419 084**	5 377 294
Other payables	**471 110**	222 234
Related parties (note 27)	**46 976**	36 720
VAT	**155 372**	140 874
Right of return liability	**11 124**	10 745
	6 103 666	5 787 867

Trade and other payables are non-interest-bearing and are generally on terms of seven to 90 days.

Other payables consist of payables relating to payroll as well as general accruals.

Trade payables includes R950 million (2022: R641 million) due to suppliers that have signed up to a supply chain financing programme, under which the suppliers can elect on an invoice-by-invoice basis to receive a discounted early payment from the partner bank rather than being paid in line with the agreed payment terms. If the option is taken the Group's liability is assigned to be due to the partner bank rather than the supplier. The value and terms of the liability payable by the Group remains unchanged. The Group assesses the arrangement against indicators to assess if debts which vendors have sold to the funder under the supplier financing scheme continues to meet the definition of trade payables or should be classified as borrowings. At 28 February, the payables met the criteria of trade payables as the value and terms of the liability payable has not changed and the Group has not given any security or incurred any additional costs.

Refer to note 28 on liquidity risk management.

24. Employee-related obligations

Short-term employee obligations are measured at the undiscounted amount required to settle the present obligation at the reporting date. Included in short-term employee obligations are bonus and leave pay.

The expected cost of short-term employee benefits are recognised in the form of paid absences as follows:

- in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences; and
- in the case of non-accumulating paid absences, when the absences occur.

The expected cost of bonus payments are recognised when, and only when:

- there is a present legal or constructive obligation to make such payments as a result of past events; and
- a reliable estimate of the obligation can be made.

A present obligation exists when, and only when, there is no realistic alternative but to make the payments.

When an employee has rendered service to the Group during a period, the Group shall recognise the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense), after deducting any contribution already paid. The expense is recognised in profit or loss.

	2023 R'000	2022 R'000
Leave pay	219 772	192 934
Bonus	73 099	64 503
	292 871	257 437

The bonus is dependent on the Group performance as well as individual ratings.

25. Deferred revenue

Deferred revenue liability is recognised for expected loyalty benefit points and gift vouchers redeemed by customers for purchases made by participating customers for the loyalty points and gift vouchers purchased for cash during the last three years, based on past experience of the level of redemptions. It is expected that a majority of these will be redeemed in the next financial year and all will have been redeemed within two years of the reporting date. Assumptions used to calculate the liability are based on current redemption rates at existing stores which are between 90% and 100% (2022: 90% and 100%).

Loyalty benefit point scheme

The Group operates a loyalty scheme which allows retail customers to accumulate points that entitle them, subject to certain criteria, to use these points in the future in any store in exchange for goods or services. The transaction price is allocated to the loyalty points with reference to the Rand value of the points and is deferred as a liability and recognised as revenue on redemption of the points by customers. The Group experiences low levels of unredeemed loyalty points due to the ease with which customers can redeem them at point of sale.

Gift vouchers

The fair value of gift vouchers which includes the expected redemption rate attributed to the vouchers, is deferred as a liability and recognised as revenue on redemption of the gift vouchers by customers.

	2023 R'000	2022 R'000
Loyalty benefit points scheme	41 259	55 691
Gift vouchers	23 401	18 754
Other contracts	12 510	–
	77 170	74 445
Loyalty points		
Opening balance	55 691	71 306
Points issued	229 564	182 479
Revenue recognised*	(243 996)	(198 094)
Closing balance	41 259	55 691
Gift vouchers		
Opening balance	18 754	21 870
Vouchers issued	134 083	144 809
Revenue recognised*	(129 436)	(147 925)
Closing balance	23 401	18 754
Other contracts		
Opening balance	–	–
Contract issued	30 462	–
Revenue recognised	(17 952)	–
Closing balance	12 510	–

* *Approximately 100% (2022: 100%) of the opening balance has been recognised as revenue in the current year.*

26. Notes to the statement of cash flows

Cash and cash equivalents are accounted for as financial assets at amortised cost and bank overdrafts are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 28.

Cash and cash equivalents comprise cash on hand and deposits held on call, all of which are available-for-use by the Group.

	2023 R'000	2022 R'000
26.1 Cash generated by operations		
Profit before tax	1 416 728	1 227 228
Adjustments for:		
– Depreciation and amortisation	1 002 105	854 588
– Finance costs	370 446	325 484
– Finance income	(20 210)	(12 095)
– Increase in employee obligations	54 335	16 191
– Increase/ (Decrease) in deferred revenue	2 321	(18 731)
– (Decrease)/ Increase in net returns provision	(95)	425
– Loss on sale and impairment of tangible and intangible assets	880	6 821
– Increase in allowance for expected credit loss	4 790	6 544
– Contingent consideration fair value adjustment	(7 984)	(88)
– Share scheme expense	20 820	18 575
– Unrealised foreign exchange loss	22 544	(8 792)
– Loss/ (Gain) on lease liability	9 745	(1 492)
– Profit on IFRS 16 release on purchase of leased properties	(72 161)	–
– Loss on change in ownership	1 037	–
– Profit from associates and joint ventures	(22 779)	(1 186)
	2 782 522	2 413 472
26.2 Movement in working capital		
Movement in loans receivable	(407)	56 265
Movement in loans payable	10 987	(7 220)
Movement in inventories	(578 183)	66 427
Movement in trade and other receivables	(374 607)	(186 765)
Movement in trade and other payables	223 839	115 937
	(718 371)	44 644
26.3 Taxation paid		
Net amount payable at beginning of the year	(32 939)	(12 095)
Amount charged excluding deferred tax	(406 356)	(319 719)
Amount on acquisition of entities	(289)	(2 199)
Net amount payable at end of the year	58 276	32 939
	(381 308)	(301 074)

26. Notes to the statement of cash flows continued

	2023 R'000	2022 R'000
26.4 Change in ownership interest in subsidiary		
Change in ownership interest in subsidiary – Amount paid for Rynfield	–	(10 851)
	–	(10 851)
26.5 Disposal of part of subsidiary, losing control		
On 1 September 2022 a portion of the interest in Differenza was disposed of, resulting in it becoming a 45.63% held associate. The consolidated carrying amount of assets and liabilities disposed of were as follows:		
Loan receivable	1 304	–
Deferred tax	45	–
Tax	81	–
Bank	1 191	–
Other receivables	87	–
Trade and other payables	(337)	–
Employee benefits	(293)	–
Net assets disposed of	2 078	–
Non-controlling interest	(1 018)	–
Goodwill disposed of	1 267	–
Fair value of retained investment	(1 530)	–
Total loss on disposal	(797)	–
Total consideration received	–	–
Less cash and cash equivalents of subsidiary	(1 191)	–
Net cash outflow	(1 191)	–

26. Notes to the statement of cash flows continued

	2023 R'000	2022 R'000
26.6 Acquisition of additional interest in joint venture		
On 1 March 2022 an additional portion of the interest in Servco was obtained, resulting in it becoming a 52% held subsidiary.		
The fair value of assets acquired and liabilities assumed were as follows:		
Bank	2 105	–
Deferred tax	4 664	–
Other receivables	591	–
Loans payable	(19 206)	–
Trade and other payables	(148)	–
Net assets acquired	(11 994)	–
Non-controlling interest	5 757	–
Fair value of investments previously accounted for as associate	5 997	–
Goodwill	240	–
Total consideration settled in cash	–	–
Plus cash and cash equivalents of subsidiary	2 105	–
Net cash inflow	2 105	–
Cash and cash equivalents comprise the following:		
26.7 Cash and cash equivalents		
Cash on hand and balances with banks	287 385	705 851
Bank overdrafts	(447 554)	(424 998)
	(160 169)	280 853

Cash at bank earns interest at floating rates based on daily bank deposit rates.

26. Notes to the statement of cash flows continued

26.8 Changes in financing activities

			Non-cash changes					
	2022	Cash flows	Net new leases	Acquisitions	Release/ fair value changes	Modification	Present value interest unwinding	2023
Long-term loans	866 789	390 728	–	–	–	–	–	**1 257 517**
Contingent consideration	7 984	–	–	–	(7 984)	–	–	**–**
Lease liability (1)	3 204 502	(565 355)	782 933	7 133	(220 353)	18 775	–	**3 227 635**

			Non-cash changes					
	2021	Cash flows	New leases/ transaction	Acquisitions	Release/ fair value changes	Modification	Present value interest unwinding	2022
Long-term loans	752 505	104 966	–	9 318	–	–	–	866 789
Contingent consideration	15 913	(16 455)	7 984	–	(88)	–	630	7 984
Lease liability (1)	3 305 657	(510 096)	273 059	145 051	–	(9 169)	–	3 204 502

(1) The interest repaid on the lease liability is R254 million (2022: R260 million) and is reflected in finance costs under operating activities.

27. Related party transactions

Related party transactions and balances constitute the transfer of resources, services or obligations between the Group and a party related to the Group. For the purposes of defining related party transactions with key management, key management has been defined as directors and includes close members of their families and entities controlled or jointly controlled by these individuals.

The majority shareholder of the Group is Ivlyn Proprietary Limited that holds 35.1% (2022: 35.1%) of the shares.

Directors' direct and indirect holdings of shares in the company is disclosed in the Directors Report.

27. Related party transactions continued

2023

Related party transactions with a company that is controlled/jointly controlled by a person that has significant influence over the Dis-Chem Group:

Related party	Loan receivable R'000	Loan payable R'000	Lease liability R'000	Accounts receivable R'000	Accounts payable R'000	Interest income/ (expense) R'000	Sales R'000	Purchases R'000	Services received R'000
Columbia Falls Property 7 (Pty) Ltd (1)	–	–	561 461	–	–	(53 287)	–	–	–
CT Distribution Centre (Pty) Ltd (1)	–	–	–	–	–	(927)	–	–	–
Eleador (Pty) Ltd (1)	–	–	–	–	–	(125)	–	–	–
KZN Distribution Centre (Pty) Ltd (1)	–	–	–	–	–	(479)	–	–	–
Mathimba (Pty) Ltd (1)	23 425	–	5 678	–	–	879/ (495)	–	–	–
Dis-Chem Bothomed (Pty) Ltd (2)	–	–	–	124	–	–	–	–	–
Origin Brands (Pty) Ltd (2)	–	–	–	–	–	295	–	26 050	–
Geniob (Pty) Ltd (2)	5 856	–	–	–	28 538	936	–	310 368	–
Vexell (Pty) Ltd (2)	–	–	–	–	9 145	–	–	3 589	83 215
Health Window (Pty) Ltd (2)	–	–	–	–	4 310	–	–	–	43 857
Bene (Pty) Ltd (3)	–	–	–	–	4 326	–	–	29 988	–
BEESECDCP (Pty) Ltd (2)	47 100	–	–	–	39	–	–	–	–
Tony Ferguson (Pty) Ltd (2)	22 453	–	–	–	618	2 233	–	–	1 964
Kaelo Diversified (Pty) Ltd (2)	–	19 408	–	–	–	–	–	–	–
Various property companies (1)	–	–	220 435	–	–	(16 577)	–	–	–
	98 834	19 408	787 574	124	46 976	(67 547)	–	369 995	129 036

(1) *Relates to retail and warehouse space that is owned/partially owned by the directors.*
(2) *Relates to associates and joint ventures of the Group as disclosed in note 4.*
(3) *Relates to a company that is owned by the directors.*

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

27. Related party transactions continued

2022

Related party transactions with a company that is controlled/jointly controlled by a person that has significant influence over Dis-Chem Group:

Related party	Loan receivable R'000	Loan payable R'000	Lease liability R'000	Accounts receivable R'000	Accounts payable R'000	Interest income/ (expense) R'000	Sales R'000	Purchases R'000	Services received R'000
Columbia Falls Property 7 (Pty) Ltd (1)	–	–	558 632	–	–	(54 681)	–	–	–
CT Distribution Centre (Pty) Ltd (1)	–	–	120 603	–	–	(11 732)	–	–	–
Eleador (Pty) Ltd (1)	–	–	–	–	–	(281)	–	–	–
KZN Distribution Centre (Pty) Ltd (1)	–	–	72 673	–	–	(6 123)	–	–	–
Mathimba (Pty) Ltd (1)	24 425	–	7 244	–	–	879/ (688)	–	–	–
Dis-Chem Bothomed (Pty) Ltd (2)	7	–	–	–	3 088	–	–	–	–
Dis-Chem Namibia (Pty) Ltd	340	–	–	39 492	–	–	94 201	–	–
Wernhill Pharmacy (Pty) Ltd	2 765	–	–	677	–	–	3 204	–	–
Origin Brands (Pty) Ltd (2)	12 721	–	–	–	–	819	–	28 724	–
Geniob (Pty) Ltd (2)	17 888	–	–	–	26 388	5 722	–	290 012	–
Vexell (Pty) Ltd (2)	–	84	–	–	3 904	–	–	23 808	49 154
Health Window (Pty) Ltd (2)	768	–	–	998	–	–	–	–	22 473
Bene (Pty) Ltd	–	–	–	–	3 340	–	–	23 204	–
ServeCo (Pty) Ltd (2)	10 200	–	–	–	–	–	–	–	–
BEESECDCP (Pty) Ltd (2)	23 400	–	–	–	–	–	–	–	–
Global Toys CC	–	–	–	–	–	–	2 238	–	–
Various property companies (1)	–	–	137 112	–	–	(12 927)	–	–	–
	92 514	84	896 264	41 167	36 720	(79 012)	99 643	365 748	71 627

(1) *Relates to retail and warehouse space that is owned/partially owned by the directors.*
(2) *Relates to associates and joint ventures of the Group as disclosed in note 4.*

For further information in regards to loans receivable, guarantees and loans payable refer to note 28 and 22. Related party receivable and payables are generally settled within 60 days.

27. Related party transactions continued

	2023 R'000	2022 R'000
Compensation of key management		
Short-term employee benefits	126 823	88 348
Post-employment benefits	1 182	747
Non-executive directors' fees	6 327	5 841
	134 332	94 936

Executive and non-executive emoluments to directors

2023	Services as director R'000	Salary and allowances R'000	Bonuses(1) R'000	Retirement and related benefits R'000	Other benefits R'000	Share scheme vesting R'000	Total R'000
Non-executive directors							
LM Nestadt	3 165	–	–	–	–	–	3 165
MJ Bowman	257	–	–	–	–	–	257
A Coovadia	598	–	–	–	–	–	598
JS Mthimunye	802	–	–	–	–	–	802
A Sithebe	598	–	–	–	–	–	598
KDD Kobue	484	–	–	–	–	–	484
H Masondo	423	–	–	–	–	–	423
	6 327	–	–	–	–	–	6 327
Executive directors							
IL Saltzman	–	14 324	4 297	72	477	–	19 170
RM Morais	–	11 633	5 816	72	601	–	18 122
SRN Goetsch	–	5 986	1 347	72	227	–	7 632
SE Saltzman	–	5 770	1 298	72	521	–	7 661
	–	37 713	12 758	288	1 826	–	52 585
Prescribed officers							
LF Saltzman	–	11 739	3 522	72	248	–	15 581
BI Epstein	–	5 988	1 347	72	270	–	7 677
KS Sterling	–	5 986	1 347	72	210	–	7 615
CJ Williams	–	5 986	1 796	72	247	–	8 101
CR Fairweather	–	4 084	19 052	72	620	–	23 828
CA Swanepoel	–	3 602	653	108	112	–	4 475
JD Pope	–	2 403	516	120	79	316	3 434
TJ Ponter	–	3 225	690	306	326	162	4 709
	–	43 013	28 923	894	2 112	478	75 420

27. Related party transactions continued

2022	Services as director R'000	Salary and allowances R'000	Bonuses(1) R'000	Retirement and related benefits R'000	Other benefits R'000	Share scheme vesting R'000	Total R'000
Non-executive directors							
LM Nestadt	3 165	–	–	–	–	–	3 165
MJ Bowman	669	–	–	–	–	–	669
A Coovadia	589	–	–	–	–	–	589
JS Mthimunye	713	–	–	–	–	–	713
A Sithebe	556	–	–	–	–	–	556
KDD Kobue	149	–	–	–	–	–	149
	5 841	–	–	–	–	–	5 841
Executive directors							
IL Saltzman	–	13 707	3 972	72	457	–	18 208
LF Saltzman	–	11 234	3 223	72	253	–	14 782
RM Morais	–	10 533	2 995	72	536	–	14 136
SE Saltzman (alternate)	–	5 521	1 242	72	510	–	7 345
	–	40 995	11 432	288	1 756	–	54 471
Prescribed officers							
SRN Goetsch	–	5 728	1 225	72	222	–	7 247
BI Epstein	–	5 730	1 231	72	253	–	7 286
KS Sterling	–	5 728	1 221	72	204	–	7 225
CJ Williams	–	5 728	1 255	72	223	–	7 278
CR Fairweather	–	2 855	2 442	171	120	–	5 588
	–	25 769	7 374	459	1 022	–	34 624

(1) *Bonuses relate to amounts physically paid in the period.*

27. Related party transactions continued

Executive and non-executive emoluments to directors continued

Options granted to directors and prescribed officers on the share appreciation rights scheme at 28 February 2023:

	SRN Goetsch	BI Epstein	KS Sterling	CJ Williams	TJ Ponter	Total options
Offer date: 1 June 2018						
Opening balance	58 936	58 999	58 921	41 459	16 439	234 754
Forfeited	–	–	–	–	–	–
Exercised	(58 936)	–	–	–	–	(58 936)
Closing balance	–	58 999	58 921	41 459	16 439	175 818
Offer date: 1 February 2019						
Opening balance	65 741	65 893	65 596	49 048	16 439	262 717
Forfeited	–	–	–	–	–	–
Exercised	–	–	–	–	–	–
Closing balance	65 741	65 893	65 596	49 048	16 439	262 717

SRN Goetsch exercised 58 936 options in the current year and received 3 190 shares at R29.84

Shares granted to directors and prescribed officers and executive directors on the forfeitable share plan scheme at 28 February 2023:

	IL Saltzman	LF Saltzman	SE Saltzman	SRN Goetsch	BI Epstein	KS Sterling	CJ Williams	J Pope	Total shares
Offer date: 30 August 2022									
Opening balance	–	–	–	–	–	–	–	–	–
Awarded	123 041	100 840	37 171	38 565	38 579	38 564	51 420	14 667	442 847
Forfeited	–	–	–	–	–	–	–	–	–
Exercised	–	–	–	–	–	–	–	–	–
Closing balance	123 041	100 840	37 171	38 565	38 579	38 564	51 420	14 667	442 847

TJ Ponter also has 17 037 and 25 064 shares in regard to offer date 1 March 2021 and 1 September 2021 respectively on the forfeitable share plan scheme.

JD Pope also has 19 974 and 14 057 shares in regard to offer date 1 March 2021 and 1 September 2021 respectively on the forfeitable share plan scheme.

27. Related party transactions continued

Options granted to directors and prescribed officers on the share appreciation rights scheme at 28 February 2022:

	S Goetsch	B Epstein	K Sterling	C Williams	Total options
Offer date: 1 June 2018					
Opening balance	58 936	58 999	58 921	41 459	218 315
Forfeited	–	–	–	–	–
Exercised	–	–	–	–	–
Closing balance	58 936	58 999	58 921	41 459	218 315
Offer date: 1 February 2019					
Opening balance	65 741	65 893	65 596	49 048	246 278
Forfeited	–	–	–	–	–
Exercised	–	–	–	–	–
Closing balance	65 741	65 893	65 596	49 048	246 278

The employment contracts of executive directors differ from that of other employees in that they do not accrue leave and have a longer notice period.

28. Financial risk management objectives and policies

Financial assets

Financial assets recognised on the statement of financial position include cash and cash equivalents, trade and other receivables and loans receivable. These financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

Initial recognition

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

28. Financial risk management objectives and policies continued

Subsequent measurement

Financial assets are subsequently classified as financial assets at amortised cost.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss.

For trade receivables the Group applies a simplified approach using a provision matrix in calculating ECLs. An allowance for expected credit losses is made over the lifetime of a financial asset when the Group considers it to be in default (such as default or delinquency in payments, the probability of insolvency or significant financial difficulties of the debtor or group of debtors) that all of the amounts due under the original terms of the invoice/agreement will not be collected. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For other receivables and loan receivables the Group applies the general approach in calculating ECLs. At each reporting date, the Group recognises a loss allowance based on either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition.

28. Financial risk management objectives and policies continued

Financial liabilities

Financial liabilities recognised on the statement of financial position include bank overdraft, trade and other payables, loans payable and contingent consideration. These financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, financial liabilities at amortised cost or payables, as appropriate.

Initial recognition

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss:
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost:
After initial recognition, interest-bearing financial liabilities at amortised cost are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

28. Financial risk management objectives and policies continued

Fair value measurement

In addition to the financial instruments carried at fair value (FVTPL), the fair values of financial instruments measured at amortised cost are disclosed should it be determined that the carrying value of these instruments does not reasonably approximate their fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The valuation techniques that are used to measure fair value are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the annual consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the annual consolidated financial statements at fair value, or for which the fair value is disclosed, on a recurring basis, it is determined whether transfers have occurred between the levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

28. Financial risk management objectives and policies continued

The main risks arising from the Group's financial instruments are interest rate risk, currency risk liquidity risk, and credit risk. The board reviews and agrees policies for managing each of these risks, which are summarised below:

2023	Financial instrument R'000	Fair value through profit or loss R'000	Financial liability at amortised cost R'000	Financial asset at amortised cost R'000	Non-financial instruments, leases and investments in group companies R'000
Assets					
Property, plant and equipment	–	–	–	–	4 429 226
Intangible assets	–	–	–	–	1 270 255
Investment in associates and joint ventures	–	–	–	–	194 403
Deferred taxation	–	–	–	–	173 944
Inventories	–	–	–	–	6 356 781
Trade and other receivables	2 385 615	–	–	2 385 615	197 769
Loans receivable	214 062	–	–	214 062	–
Taxation receivable	–	–	–	–	6 368
Cash and cash equivalents	287 385	–	–	287 385	–
Liabilities					
Lease liability	–	–	–	–	3 227 635
Loans payable	1 298 954	–	1 298 954	–	–
Deferred taxation	–	–	–	–	70 834
Trade and other payables	5 937 170	–	5 937 170	–	166 496
Employee-related obligations	–	–	–	–	292 871
Deferred revenue	–	–	–	–	77 170
Taxation payable	–	–	–	–	64 644
Bank overdraft	447 554	–	447 554	–	–

28. Financial risk management objectives and policies continued

2022	Financial instrument R'000	Fair value through profit or loss R'000	Financial liability at amortised cost R'000	Financial asset at amortised cost R'000	Non-financial instruments, leases and investments in group companies R'000
Assets					
Property, plant and equipment	–	–	–	–	3 688 681
Intangible assets	–	–	–	–	1 209 646
Investment in associates and joint ventures	–	–	–	–	183 202
Deferred taxation	–	–	–	–	139 622
Inventories	–	–	–	–	5 758 858
Trade and other receivables	2 027 525	–	–	2 027 525	132 411
Loans receivable	221 887	–	–	221 887	–
Taxation receivable	–	–	–	–	7 432
Cash and cash equivalents	705 851	–	–	705 851	–
Liabilities					
Lease liability	–	–	–	–	3 204 502
Contingent consideration	7 984	7 984	–	–	–
Loans payable	878 033	–	878 033	–	–
Deferred taxation	–	–	–	–	13 920
Trade and other payables	5 636 248	–	5 636 248	–	151 619
Employee-related obligations	–	–	–	–	257 437
Deferred revenue	–	–	–	–	74 445
Taxation payable	–	–	–	–	40 371
Bank overdraft	424 998	–	424 998	–	–

Credit risk

The carrying amount of financial assets represents the maximum credit exposure which relates to trade and other receivables, loans receivables and positive cash and cash equivalents.

Trade and other receivables

The Group is exposed to credit risk in relation to trade and other receivables from its retail and wholesale business.

28. Financial risk management objectives and policies continued

	2023 R'000	2022 R'000
The maximum exposure to credit risk for trade receivables is as follows:		
Retail	**415 196**	379 627
Wholesale	**794 314**	494 919
The maximum exposure to credit risk for other receivables and accrued income is as follows:		
Retail	**921 011**	675 804
Wholesale	**254 970**	436 008

In relation to the retail business, trade receivables primarily relate to amounts recoverable from medical aids. These receivables are deemed to be low credit risk as medical schemes pay mainly within 14 days and amounts are neither past due nor impaired.

The majority of other receivables in retail and wholesale relate to rebates and advertising receivables from suppliers and are deemed to be low credit risk as the net position with the supplier is a creditor. Other receivables are currently measured in Stage 1 based on 12-month ECL's.

In wholesale, customers are primarily independent pharmacies and other pharmaceutical companies. The risk is managed through formal procedures for granting of credit to trade debtors. Credit quality of underlying wholesale customers is assessed before credit is granted and re-assessed on a regular basis. The Group determines the allowance for expected credit loss by means of applying a percentage that reflects the best estimate of expected credit losses at the reporting date determined with reference to past history to the relevant age buckets of the trade debtors adjusted for forward-looking information (i.e. current and future pharmaceutical market and legislation as it relates to Single Exit Price (SEP) pricing). The process for managing wholesale credit risk is to allow 10 days after payment is due, for customers to pay. If payment is not subsequently made after following up with the customer, the customer's account will be suspended until payment is received or a payment plan is implemented.

Cash and cash equivalents

With respect to the credit risk arising from cash resources, the Group's exposure to credit risk arises from the default of the counterparty with the maximum exposure equal to the carrying amount of these resources.

The Group manages and monitors daily funding requirements and has limited foreign currency exposure. Surplus funds are invested with banking institutions of a high credit standing.

Loans

The Group is exposed to credit risk in relation to loans with related and other parties. The risk is managed through formal procedures for granting of the loans and the recoverability thereof is assessed annually.

28. Financial risk management objectives and policies continued

NCI shareholders loans

NCI shareholder loans are full recourse loans that are receivable from individuals that have non-controlling interests in subsidiary companies of the Group. The dividends they receive from the subsidiary companies must, in accordance with the loan agreement, be used to repay the loans and therefore based on the expected profitability and dividend policy there is no expectation that the loans will not be recovered. The majority of these loans are unsecured and non-interest bearing.

Related party loans

Related party loans consist of loans to Mathimba Proprietary Limited, as well as associates/joint ventures to the Group (Geniob, Origin Brands, BEESECDP and Tony Ferguson). No security is held for these loans and they are repayable on demand.

These entities are in a forecasted profitable position and have sufficient assets in order to repay the loans and therefore deemed to be a low credit risk. The Mathimba loan earns interest at the Group's current money market rate, the Geniob loan (and Origin Brands in the prior year) at prime less 0.5% and Tony Ferguson loan at prime less 2%.

Other loans

Other loans have no fixed terms of repayment and mainly relate to loans given to companies within the pharmaceutical, health and cut and trim industries and are repayable on demand. The companies are in a profitable position and have sufficient liquid assets in order to repay the loans and therefore deemed to be a low credit risk.

For loans receivables the Group applies the general approach in calculating expected credit losses. The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system:

	12-month Stage 1	Lifetime Stage 2	Credit impaired Stage 3
2023			
Opening gross carrying amount of loans	221 887	–	–
New loans receivable	57 140	–	–
Loans repaid	(72 447)	–	–
Interest	7 482	–	–
Adjusted to stage 2	(5 983)	5 983	–
	208 079	5 983	–
2022			
Opening gross carrying amount of loans	274 916	–	–
New loans receivable	54 866	–	–
Loans repaid	(115 710)	–	–
Interest	7 815	–	–
	221 887	–	–

28. Financial risk management objectives and policies continued

Currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the supply chain finance programme and import vendors. As part of the process of managing the Group's currency risk, foreign exchange contracts may be taken out if deemed necessary.

As at 28 February 2023 the Group had foreign balances of USD15.3 million (R280 million), EUR2.3 million (R44.6 million) and GBP0.2 million (R5.4 million).

If the exchange rate, with all other variables held constant, increased or decreased by 200 average basis points at year-end, the impact of the Group's profit before tax would be approximately R36 million (2022: the impact would be immaterial).

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Absa loan with a floating interest rate linked to JIBAR as well as interest incurred on overdraft facilities (note 9).

As part of the process of managing the Group's interest rate risk, interest rate characteristics of new borrowings and refinancing of existing borrowings are positioned according to anticipated movements in interest rates. Funds on call earn interest at prevailing market call rates. Interest payable on bank borrowings fluctuates in accordance with prime bank lending rates while the Absa, Standard Bank and Investec loans fluctuate with the JIBAR rate and the Supply Chain Financing with the SONIA or similar reference rate. The South African Reserve Bank confirmed that JIBAR would cease at some future point and that South Africa would transition to alternative reference rates. The new system will be a variety of alternative risk-free and near-risk-free rates, mostly administered by central banks.

If the interest rate, with all other variables held constant, increased or decreased by 200 average basis points (2022: 200) at year-end, the impact of the Group's profit before tax would be approximately R30.1 million (2022: R24.2 million). The sensitivity analysis for both periods presented was based on the average balance of the funds during the period on the bank borrowings, Absa loan, Standard Bank loan, Supply Chain Finance, Investec loan and other loans.

Liquidity risk

Dis-Chem has working capital facilities with ABSA, Standard Bank and Nedbank of R2.39 billion; SCF facility of R1 billion, EUR5.4 million, USD17.7 million and GBP0.7 million; and credit card and fleet card facilities of R3.9 million. Dis-Chem has derivative FEC facilities of R100 million, a forward exchange settlement limit fo R100 million and a commercial asset finance credit line of R50.4 million with ABSA. Dis-Chem also has bank loans of R1.3 billion (2022: R867 million), NCI shareholders and related party loans of R41 million (2022: R11 million).

Dis-Chem Pharmacies has entered into a guarantee and indemnity agreement in favour of The Standard Bank of South Africa Limited in terms of any obligation or indebtedness arising of Vexall Proprietary Limited to them but limited to R20 million (2022: R20 million).

28. Financial risk management objectives and policies continued

The debt covenants for the ABSA and Standard Bank loans are based on interest cover ratio (EBITDA/finance charges) and net leverage (ratio of total net debt to EBITDA). Dis-Chem has sufficient head room in both these ratios and does not expect these ratios to be met in the next 12 months.

The table below summarises the maturity profile of the Group's financial liabilities at year-end, based on contractual and undiscounted payments.

	On demand R'000	Less than 12 months R'000	Greater than 12 months R'000	Total R'000
2023				
Trade and other payables	–	5 937 170	–	5 937 170
Loans payable excluding bank loans	41 437	–	–	41 437
Bank overdraft	–	447 554	–	447 554
Financial guarantee contract	20 000	–	–	20 000
Bank loans	–	815 404	609 373	1 424 777
Lease liability (note 21)	–	787 093	3 729 660	4 516 753
Undiscounted payments	61 437	7 987 221	4 339 033	12 387 691
Less: Future finance charges	–	(290 724)	(1 164 816)	(1 455 540)
	61 437	7 696 497	3 174 217	10 932 151
2022				
Trade and other payables	–	5 636 248	–	5 636 248
Loans payable excluding bank loans	11 245	–	–	11 245
Bank overdraft	–	424 998	–	424 998
Contingent consideration	–	8 242	–	8 242
Financial guarantee contract	20 000	–	–	20 000
Bank loans	–	440 839	478 293	919 132
Lease liability (note 21)	–	742 885	3 719 625	4 462 510
Undiscounted payments	31 245	7 253 212	4 197 918	11 482 375
Less: Future finance charges	–	(261 132)	(1 049 478)	(1 310 610)
	31 245	6 992 080	3 148 440	10 171 765

29. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. This was met in the current and prior year.

The Group considers share capital and retained income as capital. The board of directors considers capital requirements from time to time and makes adjustments accordingly.

No changes were made in the objectives, policies and processes for managing capital during the years ended 28 February 2023 and 28 February 2022.

30. Events after the reporting period

The Group has entered into an agreement to acquire a 63,000m² distribution centre in Gauteng, for a purchase consideration of R502 million. With the acquisition of this property, the Group will increase its warehouse space by 75%. The rapid growth of the Group has necessitated the need for additional warehouse capacity to service increased demand from both our own retail stores and the independent market. The property will be debt financed.

On 15 May 2023, it was announced that Ivan Saltzman will step down as Chief Executive Officer ("CEO") at the end of June 2023. Rui Morais, who is currently the Group's Chief Financial Officer ("CFO"), will assume the role of CEO effective from 1 July 2023. Julia Pope, current executive head of finance, will succeed Morais as CFO.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Dis-Chem Pharmacies Limited

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Dis-Chem Pharmacies Limited set out on pages 96 to 147, which comprise the separate statement of financial position as at 28 February 2023, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Dis-Chem Pharmacies Limited and its subsidiaries as at 28 February 2023, and its separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of separate financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

MATTER	AUDIT RESPONSE
IMPAIRMENT ASSESSMENT OF GOODWILL – VALUATION (notes 3.2 and 9)	
Goodwill comprises 1.0% of the total assets of the company (note 9). As required by both the applicable accounting standards and the company's accounting policy (note 3.2), goodwill is tested for impairment by assessing the recoverable amount of the cash-generating units to which the goodwill relates. The recoverable amount is determined as the value-in-use of each cash-generating unit by estimating the expected future cash flows in each unit and determining a suitable discount rate to calculate the present value of those cash flows. There are several assumptions made in determining the projected cash flows used in the forecast models. Assumptions by their nature are a significant area of judgement. We have determined the above to be a key audit matter, due to the extensive audit effort to evaluate the assumptions and judgements applied by management with regard to projected cash flow forecasts.	Our audit approach involved critical assessment, with the assistance of our corporate finance specialists, as to whether the model used by management to calculate the value-in-use of the specified individual cash-generating units (CGUs) and the assessment of the recoverable amount comply with the requirements of IAS 36 – Impairment of Assets, and the accounting policy. We obtained the value-in-use calculations per CGUs from Dis-Chem management and performed the following audit substantive procedures: • Re-calculated the carrying value of each CGU to ensure mathematical accuracy. • We have critically assessed whether the methodology of the model used by management to calculate the value-in-use of the individual CGUs complies with the requirements of IAS 36 Impairment of Assets and industry best practice. • Evaluated the identification of the cash-generating units to which the goodwill was allocated. • Reviewed the reasonability of the discount rates by assessing the assumptions made by management in relation to current market data, surveys, and prevailing borrowing rates. • Compared the future projected cash flows used in the models against past historical achieved results of the company after adjusting for current and forecasted macroeconomic trends that may impact historical trends. • Compared the future projected cash flows used in the models against actual financial results of the company achieved after year-end. • Reviewed the appropriateness and reasonability of assumptions made in the projected cash flow forecasts. • Reviewed the reasonability of the perpetuity growth rate in relation to the projected long-term inflation rate for the South African economy. • Subjecting key assumptions relating to discount rates to sensitivity analysis. • Discussing with management the reasons for material deviations in re-calculated recoverable amounts identified and corroborating with supporting documentation where appropriate.

MATTER	AUDIT RESPONSE
REBATES (notes 3.6, 5 and 12)	

As described in Significant accounting estimates, judgements, and assumptions in notes 3.6, 5 and note 12, the company recognises a reduction in cost of sales or separately as other income amounts receivable from suppliers with regards to rebates and advertising agreements.
 	
The company recognises other income or a reduction in cost of sales as a result of amounts receivable from suppliers in regard to rebates and advertising agreements. The reduction in cost of sales primarily comprises of contributions received in relation to:
• Retail business promotions
• Annual volume-based rebates
• Wholesale logistic rebates
• Other general rebates
 	
Agreements for rebates and advertising differ in targets, percentages applied and relate to different periods for each supplier, are renegotiated on a regular basis and high in volume.
 	
The calculation of the rebates and advertising agreements related accruals are managed centrally and manually. Due to the large volume and variety of trade term agreements for which the terms vary from period to period, we consider the completeness, occurrence and accuracy of the recognised rebate and advertising allowances to warrant significant audit attention.
	Our audit procedures included the following:
	• We documented a detailed understanding of the cost of sales and other income internal control processes as well as of the system for processing adjustments to the rebates and advertising receivables.
	• We evaluated the accuracy and occurrence of the rebates and advertising receivables by performing the following procedures:
	  • Selected a sample of transactions and traced them through to signed supplier trade term contracts, as well as to related invoices and proof of payment or validated deduction against supplier balances to establish the occurrence of the rebates.
	  • We re-performed the calculations obtained from management in terms of the underlying data and trade term contracts to assess whether the value of the rebates and advertising agreements were accurately recorded.
	  • We confirmed with reference to the trade term contracts whether the rebates and advertising allowances were accounted for in the correct financial period.
	• We obtained a rebates and advertising agreements reconciliation from management and compared this to the general ledger. Relevant reconciling items were agreed to the supporting documentation.
	• We performed an application control test over the automated conditional contract rebate calculations to confirm the completeness of data used by the system for the calculation and the accuracy of the calculation itself. A substantive sample over the input of contract terms was selected and agreed to the supporting contract to confirm that the contract is valid and that the terms uploaded into the system are valid and accurate.
	• We tested a sample of transactions recorded after year-end to evaluate the completeness and accuracy of accrued supplier income at year-end.
	• We evaluated the recoverability of the amounts due at the year-end by agreeing the amounts to subsequent settlement.
	• We compared the current year rebates and advertising agreements reconciliation to the prior year and to the supplier vendor listing to assess that all suppliers were included in the current year. Missing suppliers were corroborated to supporting documents and for new suppliers we compared the data on a sample basis to the related signed trade agreements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Dis-Chem Pharmacies Limited Group and Company Audited Annual Financial Statements for the year ended 28 February 2023", which includes the Report of the Directors, the Audit and Risk Committee Report and the Company Secretary Certification as required by the Companies Act of South Africa. The other information does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT CONTINUED

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Mazars has been the auditor of Dis-Chem Pharmacies Limited and its subsidiaries for 2 years.

Mazars

Mazars
Registered Auditors

Partner: Danielle Keeve
Registered Auditor
Johannesburg

Date: 30 June 2023

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February 2023

	Notes	2023 R'000	Restated * 2022 R'000
Revenue from contracts with customers	4	**21 867 087**	21 326 532
Cost of sales	12	**(17 056 486)**	(16 813 495)
Gross profit		**4 810 601**	4 513 037
Other income	5	**2 168 614**	1 809 619
Total income		**6 979 215**	6 322 656
Other expenses	5	**(5 720 545)**	(5 103 141)
Operating profit before interest		**1 258 670**	1 219 515
Net financing costs	6	**(348 862)**	(277 827)
– Finance income		**10 013**	8 233
– Finance costs		**(358 875)**	(286 060)
Profit before taxation		**909 808**	941 688
Taxation	7	**(197 973)**	(246 184)
Total profit/comprehensive income for the year		**711 835**	695 504

* *Restated due to common control transactions - refer to note 27*

COMPANY STATEMENT OF FINANCIAL POSITION

for the year ended 28 February 2023

	Notes	2023 R'000	Restated * 2022 R'000	Restated * 1 March 2021 R'000
ASSETS				
Non-current assets		**5 237 016**	4 977 185	4 717 793
Property, plant and equipment (including right-of-use asset)	8	**2 400 524**	2 152 534	2 206 440
Intangible assets	9	**198 357**	226 442	268 036
Deferred taxation	10	**78 356**	56 430	63 846
Investments	11	**2 559 779**	2 541 779	2 179 471
Current assets		**4 194 164**	4 397 143	3 830 205
Inventories	12	**2 314 248**	2 128 105	2 063 540
Trade and other receivables	13	**1 456 283**	1 197 197	1 018 563
Loans receivable	14	**314 130**	516 966	417 917
Cash and cash equivalents	23.4	**109 503**	554 875	330 185
Total assets		**9 431 180**	9 374 328	8 547 998
EQUITY AND LIABILITIES				
Equity and reserves		**3 427 164**	3 138 866	2 872 064
Share capital	15	**6 155 554**	6 155 554	6 155 554
Other reserves		**(3 881 490)**	(3 879 650)	(3 886 692)
Retained earnings		**1 153 100**	862 962	603 202
Non-current liabilities		**1 596 896**	1 934 633	2 196 615
Lease liability	18	**1 576 785**	1 462 988	1 589 405
Loans payable	19	**20 111**	471 645	607 210
Current liabilities		**4 407 120**	4 300 829	3 479 319
Trade and other payables	20	**2 080 897**	2 645 577	1 741 095
Lease liability	18	**394 312**	326 185	308 269
Loans payable	19	**1 161 864**	719 252	807 572
Employee-related obligations	21	**238 705**	206 687	181 213
Deferred revenue (contract liability)	22	**69 136**	70 426	97 463
Contingent consideration		**–**	7 984	15 913
Taxation payable	23.3	**14 558**	27 788	16 373
Bank overdraft	23.4	**447 648**	296 930	311 421
Total equity and liabilities		**9 431 180**	9 374 328	8 547 998

* *Restated due to common control transactions - refer to note 27*

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2023

				Other reserves		
	Notes	Share capital R'000	Retained earnings R'000	Treasury shares R'000	Other reserves[1] R'000	Total R'000
Balance as at 28 February 2021		6 155 554	511 729	(6 429)	(3 880 263)	2 780 591
Restated due to common control transaction	27	–	91 473	–	–	91 473
Balance at 1 March 2021 (restated)*		6 155 554	603 202	(6 429)	(3 880 263)	2 872 064
Total profit/comprehensive income for the year		–	695 504	–	–	695 504
Treasury shares acquired	15	–	–	(12 170)	–	(12 170)
Share-based payment	17	–	–	–	20 127	20 127
Exercise of share-based payment	17	–	(637)	6 429	(7 344)	(1 552)
Dividends paid	16	–	(435 107)	–	–	(435 107)
Balance at 28 February 2022 (restated)*		**6 155 554**	**862 962**	**(12 170)**	**(3 867 480)**	**3 138 866**
Total profit/comprehensive income for the year		**–**	**711 835**	**–**	**–**	**711 835**
Exercise of share-based payment	17	**–**	**(5 868)**	**16 082**	**(10 845)**	**(631)**
Share-based payment	17	**–**	**–**	**–**	**21 450**	**21 450**
Treasury shares acquired	15	**–**	**–**	**(28 527)**	**–**	**(28 527)**
Dividends paid	16	**–**	**(415 829)**	**–**	**–**	**(415 829)**
Balance at 28 February 2023		**6 155 554**	**1 153 100**	**(24 615)**	**(3 856 875)**	**3 427 164**
		(note 15)		(note 15)		

(1) Other reserves consist of common control reserve (2023 and 2023: R268 million), share-based payments (2023: R37 million, 2022: R26 million) and shares repurchased (2023 and 2022: R3.6 billion)

** Restated due to common control transactions – refer to note 27*

COMPANY STATEMENT OF CASH FLOWS

for the year ended 28 February 2023

	Notes	2023 R'000	Restated * 2022 R'000
Cash flow from operating activities		**295 215**	1 316 334
Cash inflow from trading operations	23.1	**1 830 083**	1 730 695
Movement in working capital	23.2	**(643 101)**	487 060
Leave payment		**(14 639)**	–
Finance income received		**8 958**	6 198
Finance costs paid		**(358 473)**	(291 535)
Taxation paid	23.3	**(233 129)**	(227 353)
Dividends paid	16	**(415 829)**	(435 107)
Dividends received	5	**121 345**	46 376
Cash flow from investing activities		**(315 073)**	(589 760)
Additions to property, plant and equipment and intangible assets			
– To maintain operations	8/9	**(113 890)**	(76 060)
– To expand operations	8/9	**(190 005)**	(167 470)
Proceeds on disposal of property, plant and equipment and intangible assets		**6 822**	8 094
Increase in investments	11	**(18 000)**	(354 324)
Cash flow from financing activities		**(576 232)**	(487 393)
Bank loans repaid	23.5	**(172 260)**	(144 053)
Receipt of bank loans	23.5	**–**	3 414
Contingent consideration payment	23.5	**–**	(16 455)
Purchase of treasury shares	15	**(28 527)**	(12 170)
Lease liability repayment	23.5	**(375 445)**	(318 129)
Net (decrease)/increase in cash and cash equivalents		**(596 090)**	239 181
Cash and cash equivalents at beginning of year		**257 945**	18 764
Cash and cash equivalents at end of year	23.4	**(338 145)**	257 945

* *Restated due to common control transactions – refer to note 27*

4. Revenue from contracts with customers

Revenue from contracts with customers is predominantly derived from the sale of products through our retail stores.

Sale of goods – retail: The Company operates a chain of retail stores selling pharmaceutical, health and front shop products. Revenue from the sale of goods is recognised when products are sold to the customer. Payment of the transaction price is due immediately when the customer purchases the products and takes delivery in store. It is the Company's policy to sell certain of its products to the customer with a right of return of between 10 to 30 days depending on the specific product. Legally returns on dispensary products cannot be made. Therefore, a right to return liability (included in trade and other payables) and related asset (included in trade and other receivables) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method).

Customer loyalty programme: The Company operates a loyalty scheme which allows retail customers to accumulate points that entitle them, subject to certain criteria, to use these points in the future in any store in exchange for goods or services. A contract liability for the award points is recognised at the time of the sale and revenue is recognised when the points are redeemed taking into account breakage, if any (refer note 22).

	2023 R'000	2022 R'000
Revenue from contracts with customers	**21 867 087**	21 326 532

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

	2023 %	2022 %
Dispensary	**36**	36
Personal care and beauty	**27**	26
Healthcare and nutrition	**22**	24
Baby care	**8**	8
Other	**7**	6
	100	100

5. Profit before taxation

Advertising and marketing income as well as data and administration fees are recognised when the service is provided to the vendor.

The cost of employee benefits is recognised as an expense during the period in which the employee renders the related service.

Profit before taxation has been determined after taking into account the following:

	Notes	2023 R'000	2022 R'000
Other income			
Advertising and marketing income		**851 796**	709 251
Commission income		**65 987**	75 491
Dividend income		**121 345**	46 376
Franchisee income		**46 733**	46 135
Data and administration fees		**945 263**	820 321
Payroll-related recovery		**15 818**	19 559
Other expenses			
Depreciation of tangible assets	8	**581 248**	487 108
Amortisation of intangible assets	9	**49 777**	53 183
Computer expenses		**315 414**	243 973
Advertising expenses		**440 709**	345 095
Commission		**128 522**	129 435
Bank charges		**89 496**	74 392
Donations		**20 850**	17 152
Security		**105 347**	95 015
Occupancy costs		**280 013**	290 968
– Lease payments (1)		**23 859**	54 763
– Other (including electricity and rates)		**256 154**	236 205

(1) Lease payments relate to short-term leases. There is no expense in the current or prior period relating to low-value assets.

		2023 R'000	2022 R'000
Employee benefits		**3 320 330**	2 978 239
– Salaries and wages		**2 703 129**	2 462 539
– Pension costs (defined contribution plan)		**125 640**	111 663
– Medical aid		**87 352**	80 310
– Leave pay		**25 001**	18 247
– Share-based payment (note 17)		**21 450**	20 127
– Bonus		**245 054**	193 043
– Other (including UIF and SDL)		**112 704**	92 310

For details on directors' emoluments and key management personnel refer to note 24.

6. Net financing costs

Finance income

Finance income is recognised utilising the effective interest method, being the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in profit or loss.

Finance costs

All borrowing costs are recognised in profit or loss using the effective interest method as there are no qualifying assets.

	2023 R'000	2022 R'000
– Bank accounts	3 403	1 551
– Loans	6 610	6 682
Finance income	10 013	8 233
– Bank overdraft	39 325	23 521
– Bank loan	33 822	36 603
– Related parties	134 608	82 422
– SARS	23	276
– Lease liability	151 097	142 531
– Other	–	77
Interest expense	358 875	285 430
– Contingent consideration	–	630
Finance costs	358 875	286 060
Net financing costs	348 862	277 827

7. Taxation

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and laws used to compute the amount are those that are enacted, or substantially enacted at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred taxation is provided using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised.

	2023 R'000	2022 R'000
South African normal tax		
Current income tax		
– Current year	**224 916**	241 172
– Prior year over provision	**(5 017)**	(2 404)
Deferred tax		
– Attributable to temporary differences	**(21 926)**	7 416
	197 973	246 184

7. Taxation continued

	2023 %	2022 %
Reconciliation of tax rate		
Standard tax rate	**28.00**	28.00
Prior year net under provision	**(0.55)**	(0.26)
Adjusted for permanent differences:		
Non-taxable:		
ETI and leadership	**(0.89)**	(0.76)
Dividends income	**(3.73)**	(1.38)
Non-deductible:		
Legal fees	**0.20**	0.35
SARS interest and penalties	**–**	0.01
Tax rate change	**(0.34)**	–
Other*	**(0.93)**	0.18
Effective tax rate	**21.76**	26.14

* *Other mainly includes share based payment, sale of fixed assets and contingent consideration*

With regards to IFRIC 23 Uncertain tax positions, the Company determined whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company applies judgement in identifying uncertainties over income tax treatments. Since the Company does not operate in a complex multinational environment, it assessed and concluded that there are no disclosable uncertain tax positions in the years presented.

8. Property, plant and equipment

Property plant and equipment are stated at cost less accumulated depreciation and accumulated impairment. Property plant and equipment are depreciated on the straight-line basis at rates estimated to write each asset down to their residual value over the term of its useful life.

Initial and subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

The right-of-use (ROU) asset is initially measured based on the present value of the lease payments, initial direct costs incurred when entering in the lease less any lease incentives received. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset.

Depreciation ceases at the earlier of either the date the asset is classified as held for sale or the date the asset is derecognised.

The estimated useful lives are as follows:

– Computer hardware	1 to 9 years
– Office and other equipment	1 to 10 years
– Leasehold improvements	4 to 12 years
– Motor vehicles	1 to 5 years
– Furniture and fixtures	2 to 12 years
– Buildings (right-of-use)	Lease term
– Motor vehicles (right-of-use)	Lease term

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed at each reporting date and adjusted if appropriate. At each reporting date it is assessed whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount is estimated.

Where carrying values exceed the estimated recoverable amounts, tangible assets are written down to their recoverable amounts and the impairment is recognised in profit or loss immediately.

An asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount.

These gains or losses are included in profit or loss in the period of derecognition.

8. Property, plant and equipment continued

	OWNED					RIGHT-OF-USE		
	Computer hardware R'000	Office and other equipment* R'000	Leasehold improvements R'000	Furniture and fixtures# R'000	Motor vehicles R'000	Buildings R'000	Motor vehicles R'000	Total R'000
2023								
Cost	545 218	143 022	320 310	736 218	8 243	3 899 813	30 915	5 683 739
Opening balance	418 872	124 657	313 840	635 322	7 906	3 347 757	29 105	4 877 459
Additions	138 126	20 789	7 880	108 576	6 832	552 056	1 810	836 069
Modifications	–	–	–	–	–	–	–	–
Disposals/ scrappings	(11 780)	(2 424)	(1 410)	(7 680)	(6 495)	–	–	(29 789)
Accumulated depreciation	(263 205)	(87 371)	(192 806)	(356 262)	(1 392)	(2 358 103)	(24 076)	(3 283 215)
Opening balance	(201 293)	(69 196)	(167 256)	(282 188)	(6 289)	(1 980 266)	(18 437)	(2 724 925)
Current charge	(72 805)	(18 461)	(25 700)	(79 249)	(1 557)	(377 837)	(5 639)	(581 248)
Disposals/ scrappings	10 893	286	150	5 175	6 454	–	–	22 958
Net carrying amount	282 013	55 651	127 504	379 956	6 851	1 541 710	6 839	2 400 524

8. Property, plant and equipment continued

	OWNED					RIGHT-OF-USE		
	Computer hardware R'000	Office and other equipment* R'000	Leasehold improvements R'000	Furniture and fixtures# R'000	Motor vehicles R'000	Land and buildings R'000	Motor vehicles R'000	Total R'000
2022								
Cost	418 872	124 657	313 840	635 322	7 906	3 347 757	29 105	4 877 459
Opening balance	324 250	110 846	302 501	553 419	16 621	3 134 915	26 422	4 468 974
Additions	108 302	14 130	13 536	94 351	1 621	216 783	2 683	451 406
Modifications	–	–	–	–	–	(3 941)	–	(3 941)
Disposals/ scrappings	(13 680)	(319)	(2 197)	(12 448)	(10 336)	–	–	(38 980)
Accumulated depreciation	(201 293)	(69 196)	(167 256)	(282 188)	(6 289)	(1 980 266)	(18 437)	(2 724 925)
Opening balance	(164 317)	(53 802)	(142 977)	(216 085)	(14 585)	(1 660 432)	(10 336)	(2 262 534)
Current charge	(49 209)	(15 492)	(24 682)	(67 796)	(1 994)	(319 834)	(8 101)	(487 108)
Disposals/ scrappings	12 233	98	403	1 693	10 290	–	–	24 717
Net carrying amount	217 579	55 461	146 584	353 134	1 617	1 367 491	10 668	2 152 534

* *Includes air conditioners, security equipment, medical and clinic equipment, office equipment, PABX, media equipment and machinery and equipment.*
\# *Includes salon equipment, fixtures and fittings, shop equipment, signs and furniture.*

The civil unrest and looting in July resulted in an impairment of property, plant and equipment of R6.5 million.

All motor vehicles held under lease liability are held as security for the lease liability (refer to note 18).

9. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives (goodwill) are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The estimated useful lives are as follows:

– Computer software: 2 to 10 years
– Licences: 10 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

9. Intangible assets continued

	Computer software R'000	Licences R'000	Customer List R'000	Goodwill R'000	Total R'000
2023					
Cost	**242 111**	**5 081**	**28 136**	**97 032**	**372 360**
Opening balance	238 994	4 631	28 136	97 032	368 793
Additions	21 242	450	–	–	21 692
Scrappings	(18 125)	–	–	–	(18 125)
Accumulated depreciation	**(150 305)**	**(921)**	**(22 777)**	**–**	**(174 003)**
Opening balance	(123 146)	(448)	(18 757)	–	(142 351)
Current charge	(45 284)	(473)	(4 020)	–	(49 777)
Scrappings	18 125	–	–	–	18 125
Net carrying amount	**91 806**	**4 160**	**5 359**	**97 032**	**198 357**
2022					
Cost	238 994	4 631	28 136	97 032	368 793
Opening balance	236 520	4 331	28 136	97 032	366 019
Additions	11 289	300	–	–	11 589
Scrappings	(8 815)	–	–	–	(8 815)
Accumulated depreciation	(123 146)	(448)	(18 757)	–	(142 351)
Opening balance	(83 245)	–	(14 738)	–	(97 983)
Current charge	(48 716)	(448)	(4 019)	–	(53 183)
Scrappings	8 815	–	–	–	8 815
Net carrying amount	115 848	4 183	9 379	97 032	226 442

Carrying amount of goodwill allocated to each CGU:

	2023 R'000	2022 R'000
Dis-Chem Platinum Park	**7 670**	7 670
Pharma-logistical Services	**83 295**	83 295
Scott Street	**6 067**	6 067
	97 032	97 032

The CGU is based on the relevant cost centre. The recoverable amount of the above CGUs as at the reporting date, has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 15.9% (2022: 13.5%). Cash flows beyond the five-year period are extrapolated using a 4% (2022: 4%) growth rate. As a result of the analysis, management did not identify an impairment in the current or prior financial period. Key assumptions are determined by management in regards to past experience.

Management has assessed the calculation and have determined that no reasonable change to a key assumption would result in the carrying amount of a CGU exceeding its recoverable amount.

10. Deferred tax

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Deferred tax assets and liabilities are only offset if there is a legally enforceable right to offset current tax and the asset or liability relates to the same taxation authority and the same taxable entity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Tax relating to items recognised directly in equity are also recognised directly in equity and not in the statement of comprehensive income.

Also refer to accounting policy under note 7.

	2023 R'000	2022 R'000
Deferred taxation asset		
Balance at the beginning of the year	**56 430**	63 846
Movements during the year		
– Charge to profit or loss (note 7)	**21 926**	(7 416)
Balance at end of the year	**78 356**	56 430
The deferred tax asset balance is made up as follows:		
Employee-related obligations	**48 815**	44 835
Lease liability	**117 380**	116 302
Deferred revenue	**13 322**	15 745
Property, plant and equipment	**(103 623)**	(127 198)
Share scheme	**1 911**	2 228
Other*	**551**	4 518
	78 356	56 430

* *Other mainly relates to right of return asset and liability*

It was announced that the corporate income tax rate will be reduced from 28% to 27% with effect from years of assessment ending on or after 31 March 2023. This rate change will only have an impact on the Group's current income tax rate for the year of assessment ending February 2024. Thus the rate for current income tax purposes will remain at 28% for the reporting period February 2023.

In terms of paragraphs 46 and 47 of IAS 12, both current and deferred tax assets and liabilities are to be measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. All deferred tax assets and liabilities, which will realise during and after the financial period February 2023 has been raised at 27%. In the prior year, the tax rate differential impact of deferred tax assets and liabilities, which will realise after February 2023 at 27% was considered immaterial for the Company.

11. Investments

The company holds the investment in subsidiaries, associates and joint ventures at cost.

	2023 R'000	2022 R'000
Investment in associates and joint ventures		
(Proprietary Limited unless stated otherwise)		
Health Window	16 000	16 000
Differenza (1)	1 530	–
Kaelo Holdings	170 411	170 411
	187 941	186 411

Refer to Group financial statements note 4 in regards to additional disclosure.

	2023 R'000	2022 R'000
Investment in subsidiaries		
(Proprietary Limited unless stated otherwise)		
CJ Pharmaceutical Enterprises Limited	411 612	411 612
CJ Marketing	5 104	5 104
Dis-Chem Distribution	1 152 972	1 152 972
Evening Star Trading	4 216	4 216
Bemax	69 350	69 350
Dis-Chem York Street Pharmacy	26 778	26 778
Dis-Chem TLC De Wiekus	1 500	1 500
Dis-Chem Ballito Junction	11 540	11 540
Dis-Chem The Galleria Amanzimtoti	2 542	2 542
Mundel Gien (trading as Springbok)	32 500	32 500
Culemborg	1 000	1 000
Differenza (1)	–	1 530
AT Gouws	9 500	9 500
Baby City	422 425	422 425
Dis-Chem Castle Gate Pharmacy	11 683	11 683
Dis-Chem Howick Mall Pharmacy	2 400	2 400
Pure Pharmacy Holdings	177 865	177 865
Dis-Chem Rynfield Terrace Pharmacy	10 851	10 851
Baby Boom	18 000	–
	2 371 838	2 355 368

All other subsidiaries measured at cost in the financial statements are below R1,000 and therefore not shown above.

Total investment in subsidiaries, associates and joint ventures	2 559 779	2 541 779

(1) *In the current year, the Company lost control of Differenza Proprietary Limited by reducing its interest by 5.4% in the company, decreasing its ownership interest to 45.6%. It is now shown under associates and joint ventures.*

12. Inventories

Inventories comprise merchandise for resale and are valued at the lower of cost determined on a weighted average moving cost basis and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. The cost of merchandise sold includes normal shrinkage, wastage, inventory losses, trade discounts, rebates and other similar items. Obsolete and slow moving inventories are identified and written down to their net realisable value. The carrying amount of inventory is recognised as an expense in the period in which the related revenue is recognised.

The Company enters into various rebate agreements with its vendors in regards to the purchasing of inventory. These rebates are recorded as a reduction to the cost of the related inventory to the extent that the inventories have been sold, to the extent the inventory is unsold the rebates reduce the inventory balance. Certain of these agreements are based on the achievement of specific volumes of purchases over a specified period, including escalating rebates as certain pre-defined hurdles are met. The Company accrues these growth rebates at the point when it is probable that the hurdles will be met.

	2023 R'000	2022 R'000
Finished goods	**2 314 248**	2 128 105
Cost of inventories recognised as cost of sales	**17 056 486**	16 813 495

Provision for obsolete inventory amounts to Rnil million (2022: R3 million).

Inventory write off's during the year amounted to R13 million (2022: R18 million). The civil unrest and looting in July 2021 resulted in an impairment of inventory of R28 million which was fully insured.

13. Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services rendered in the ordinary course of business and are accounted for as financial assets at amortised cost in accordance with the accounting policy disclosed in note 25. Prepayments and other receivables are stated at their nominal values.

Expenses and assets are recognised net of VAT, except:

- when the VAT incurred on a purchase of assets or services is not recoverable from SARS, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- receivables and payables which are stated inclusive of VAT. The net amount of sales tax recoverable from, or payable to, SARS is included as part of receivables or payables in the statement of financial position.

	2023 R'000	2022 R'000
Trade receivables	**253 304**	246 695
Allowance for expected credit loss	**–**	–
Net trade receivables	**253 304**	246 695
Other receivables	**722 041**	521 747
Accrued income	**100 599**	81 475
Related parties (note 24)	**218 235**	238 422
Prepayments	**155 345**	101 920
Right of return asset	**6 759**	6 938
	1 456 283	1 197 197

Trade receivables are non-interest-bearing and are generally on terms of seven to 60 days.

Other receivables and accrued income are non-interest-bearing and generally on terms of 30 to 60 days. Other receivables consist of rebates and advertising receivables as well as other sundry receivables. Prepayments consist of bonus advances and prepayment of IT licences.

As at 28 February 2023 and 2022, the age analysis of trade receivables was less than 30 days.

Refer to note 25 on credit risk management of trade and other receivables.

14. Loans receivable

Loans are accounted for as financial assets in accordance with the accounting policy disclosed in note 25.

	2023 R'000	2022 R'000
Related parties (note 24)	**250 565**	462 121
Other loans	**63 565**	54 845
	314 130	516 966

Related party loans are payable on demand, unsecured and majority earn interest at the Group's current money market rate.

Other loans mainly relate to the loans given to USN, a company within the health industry, as well as Uphawu and The Tailor, companies in the cut and trim industry. These loans have no fixed terms of repayment and are unsecured. The USN loan earns interest at prime less 0.5%.

The expected credit loss, including forward-looking factors, has been calculated at an immaterial amount.

15. Share capital

Ordinary share capital represents the par value of ordinary shares issued.

	2023 R'000	2022 R'000
Authorised		
1 500 000 000 (2022:1 500 000 000) ordinary no par value shares		
Issued and fully paid		
860 084 483 (2022: 860 084 483) ordinary no par value shares	**6 155 554**	6 155 554
Reconciliation of shares issued		
Opening and closing balance	**6 155 554**	6 155 554

Treasury shares

Treasury shares are held for the forfeitable plan share scheme.

Opening balance	**12 170**	6 429
Treasury shares acquired	**28 527**	12 170
Treasury shares issued for share scheme	**(16 082)**	(6 429)
Closing balance	**24 615**	12 170

339 001 treasury shares were bought in January 2022 for R12 million at an average price of R35.90 per share.

71 500 treasury shares were bought in March 2022 for R2.4 million at an average price of R34.26 per share.

43 682 treasury shares were bought in June 2022 for R1.5 million at an average price of R33.50 per share.

815 000 treasury shares were bought in December 2022 for R24.6 million at an average price of R30.20

At 28 February 2023, the Group held 815 000 treasury shares (2022: 339 001).

16. Dividends to shareholders

	2023 R'000	2022 R'000
June 2022/ 2021	**173 985**	267 516
November 2022/ 2021	**241 844**	167 591
	415 829	435 107

	2023 Cents	2022 Cents
Dividends per share		
Interim paid	**28.1**	19.5
Final declared/paid [(1)]	**18.5**	20.2

(1) Declared subsequent to year-end on 18 May 2023 (2022: 19 May 2022).

17. Other reserves

Share-based payments

Employees (including senior executives) of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given below.

The cost is recognised in other expenses as part of employee benefits, together with a corresponding increase in equity (other reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

17. Other reserves continued

Forfeitable Share Plan (FSP) – bonus shares

Under the FSP fully-paid shares (bonus shares) of Dis-Chem Pharmacies Limited are granted to regional managers. As the grants are in Dis-Chem's own shares they are treated as equity-settled share-based payments.

The shares are registered in employees' names on the grant date and held in a brokerage account on behalf of the employees until vesting, as long as they are still employed by the Company.

Employees receive dividends and voting rights on these shares during the vesting period. Exercise of the shares takes place on the vesting date.

The fair value of the shares is the fair market value on the grant date due to the fact that the employees have full rights to all the dividends declared before the end of the vesting period.

Share Appreciation Rights (SAR)

Under the SAR plan employees share in the growth in the share price between the award price and exercise price, and receive shares to the value of that appreciation.

Vesting of the share options is dependent on the Group's achievement of forward-looking performance conditions, being growth in headline earnings per share and continued employment. The share options can be exercised up to three years after the vesting period.

The fair value of share options granted is estimated at the date of grant by using a Binomial Tree approach, taking into account the terms and conditions on which the share options were granted. The model takes into account dividend yield, share price volatility and risk-free rate.

The exercise price of the share options is equal to the market price of the underlying shares on the date of the grant.

Options/shares not yet exercised by 28 February 2023

FSP

Offer date	Expiry date	Number of shares Feb 2022	Number of shares forfeited	Number of shares granted	Number of shares exercised	Number of shares Feb 2023
1 March 2021	30 June 2022	454 183	–	–	454 183	–
1 March 2021	30 June 2023	783 091	–	–	–	783 091
1 September 2021	30 June 2024	500 724	–	3 984	–	504 708
30 August 2022	30 June 2025	–	–	960 327	–	960 327

SAR

Offer date	Expiry date	Number of options Feb 2022	Number of options forfeited	Number of shares granted	Number of options exercised	Number of options Feb 2023
1 June 2018	31 May 2023	266 578	–	–	93 860	172 718
1 February 2019	31 July 2024	472 689	–	–	173 192	299 497

17. Other reserves continued

Options/shares not yet exercised by 28 February 2022

FSP

Offer date	Expiry date	Number of shares Feb 2021	Number of shares forfeited	Number of shares granted	Number of shares exercised	Number of shares Feb 2022
1 February 2019	31 July 2021	255 588	–	–	255 588	–
1 March 2021	30 June 2022	–	–	454 183	–	454 183
1 March 2021	30 June 2023	–	–	783 091	–	783 091
1 September 2021	30 June 2024	–	–	500 724	–	500 724

SAR

Offer date	Expiry date	Number of options Feb 2021	Number of options forfeited	Number of options granted	Number of options exercised	Number of options Feb 2022
1 June 2018	31 May 2023	505 624	–	–	239 046	266 578
1 February 2019	31 July 2024	622 762	–	–	150 073	472 689

The expense recognised for employee services during the year is shown in the following table:

	2023 R'000	2022 R'000
Expense arising from FSP	**21 450**	18 845
Expense arising from SAR	**–**	1 282
	21 450	20 127

There were no modifications to the grants in 2023 or 2022.

18. Lease liability

At inception, the company assesses whether a contract is or contains a lease. The company recognises a right-of-use (ROU) asset and lease liability at the commencement date of the lease.

The lease liability is initially measured at the present value of the lease payments net of cash lease incentives that are not paid at the reporting date. Lease payments are apportioned between the finance charges and reduction of the lease liability using the incremental borrowing rate implicit in the lease to achieve a constant rate of interest on the remaining balance of the liability. Lease payments for buildings exclude service fees and other costs.

	2023 R'000	2022 R'000
Minimum payments due		
– Within one year	520 566	447 266
– Within five years	1 400 036	1 294 463
– Over five years	473 097	466 122
	2 393 699	2 207 851
Less: future finance charges	(422 602)	(418 678)
Present value of minimum payments	1 971 097	1 789 173
Present value of minimum payment due:		
– Within one year	394 312	326 184
– Within five years	1 145 530	1 041 576
– Over five years	431 255	421 413
	1 971 097	1 789 173
Non-current liabilities	1 576 785	1 462 988
Current liabilities	394 312	326 185
	1 971 097	1 789 173

The lease liability relates to land and buildings and motor vehicles. The capitalised lease liability relating to motor vehicles are secured by the motor vehicles (refer to note 8). There are no leases with residual value guarantees.

Many of the store leases contain extension options. In many cases these terms are not reflected in measuring the lease liabilities until management is reasonably certain they will be exercised. The Company considers all relevant facts and circumstances that create an economic incentive to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.

19. Loans payable

Loans payable are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 25.

	2023 R'000	2022 R'000
Non-current loans		
Absa Bank	–	429 450
Investec Bank	20 111	42 195
	20 111	471 645
Current loans		
Related parties (note 24)	742 369	578 975
Absa Bank	400 000	125 000
Investec Bank	19 495	15 221
Other	–	56
	1 161 864	719 252

The Absa loan consists of two parts:

- The first part of the term loan is for R500 million repayable over four years in quarterly payments at a three-month JIBAR plus 1.35% until 31 March 2023.
- The second part of the term loan is for R400 million repayable at the end of four years (31 March 2023) at an interest rate of three-month JIBAR plus 1.45%. This payment was extended to 31 July 2023.

The Investec loan is repayable over two and a half years (2022: three and a half years) at a three-month JIBAR rate.

Related party loans are considered to be short-term in nature as they are payable on demand and majority earn interest at the Group's current money market rate. These loans are unsecured.

It is anticipated that JIBAR cessation rate wil be announced in 2024 to cease in approximately 2026. ZARONIA data is currently published, but it is ineligible for use. As a result, the JIBAR contracts have not been renegotiated yet.

20. Trade and other payables

Trade payables, other payables and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 25.

Expenses and assets are recognised net of VAT, except:

- when the VAT incurred on a purchase of assets or services is not recoverable from SARS, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- receivables and payables which are stated inclusive of VAT. The net amount of sales tax recoverable from, or payable to, SARS is included as part of receivables or payables in the statement of financial position.

	2023 R'000	2022 R'000
Trade payables	**703 739**	970 430
Related parties (note 24)	**1 066 961**	1 467 828
Other payables	**228 838**	143 027
VAT	**72 557**	55 293
Right of return liability	**8 802**	8 999
	2 080 897	2 645 577

Trade and other payables are non-interest-bearing and are generally on terms of seven to 90 days.

Other payables consist of payables relating to payroll as well as general accruals.

Refer to note 25 on liquidity risk management.

21. Employee-related obligations

Short-term employee obligations are measured at the undiscounted amount required to settle the present obligation at the reporting date. Included in short-term employee obligations are bonus and leave pay.

The expected cost of short-term employee benefits are recognised in the form of paid absences as follows:

- In the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences.
- In the case of non-accumulating paid absences, when the absences occur.

The expected cost of bonus payments are recognised when, and only when:

- there is a present legal or constructive obligation to make such payments as a result of past events; and
- a reliable estimate of the obligation can be made.

A present obligation exists when, and only when, there is no realistic alternative but to make the payments.

When an employee has rendered service to the company during a period, the company shall recognise the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense), after deducting any contribution already paid. The expense is recognised in profit or loss.

	2023 R'000	2022 R'000
Leave pay	**169 644**	146 168
Bonus	**69 061**	60 519
	238 705	206 687

The bonus is dependent on the company performance as well as individual ratings.

22. Deferred revenue

Deferred revenue liability is recognised for expected loyalty benefit points and gift vouchers redeemed by customers for purchases made by participating customers for the loyalty points and gift vouchers purchased for cash during the last three years, based on past experience of the level of redemptions. It is expected that a majority of these will be redeemed in the next financial year and all will have been redeemed within two years of the reporting date. Assumptions used to calculate the liability are based on current redemption rates at existing stores which are between 90% and 100% (2022: 90% and 100%).

Loyalty benefit point scheme

The company operates a loyalty scheme which allows retail customers to accumulate points that entitle them, subject to certain criteria, to use these points in the future in any store in exchange for goods or services. The transaction price is allocated to the loyalty points with reference to the Rand value of the points and is deferred as a liability and recognised as revenue on redemption of the points by customers. The company experiences low levels of unredeemed loyalty points due to the ease with which customers can redeem them at point of sale.

Gift vouchers

The fair value of gift vouchers which includes the expected redemption rate attributed to the vouchers, is deferred as a liability and recognised as revenue on redemption of the gift vouchers by customers.

	2023 R'000	2022 R'000
Loyalty benefit points scheme	49 340	56 425
Gift vouchers	19 796	14 001
	69 136	70 426
Loyalty points		
Opening balance	56 425	84 115
Points issued	202 840	143 782
Revenue recognised*	(209 925)	(171 472)
Closing balance	49 340	56 425
Gift vouchers		
Opening balance	14 001	13 348
Vouchers issued	97 807	109 005
Revenue recognised*	(92 012)	(108 352)
Closing balance	19 796	14 001

* *Approximately 100% of the opening balance has been recognised as revenue in the current and prior year.*

23. Notes to the statement of cash flows

Cash and cash equivalents are accounted for as financial assets at loans and receivables and bank overdrafts are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 25.

Cash and cash equivalents comprise cash on hand and deposits held on call, all of which are available-for-use by the company.

		2023 R'000	2022 R'000
23.1	**Cash generated by operations**		
	Profit before tax	909 808	941 688
	Adjustments for:		
	– Depreciation and amortisation	631 025	540 291
	– Finance costs	358 875	286 060
	– Finance income	(10 013)	(8 233)
	– Increase in employee obligations	46 657	25 474
	– Decrease in deferred revenue	(1 290)	(27 037)
	– Increase in net returns provision	18	67
	– Dividend income	(121 345)	(46 376)
	– Loss on sale and scrapping of tangible and intangible assets	9	6 169
	– Contingent consideration	(7 984)	(88)
	– Gain/(loss) on lease liability	3 503	(5 895)
	– Share scheme expense	20 820	18 575
		1 830 083	1 730 695
23.2	**Movement in working capital**		
	Movement in loans receivable	203 891	(97 014)
	Movement in loans payable	163 338	(83 246)
	Movement in inventories	(186 143)	(64 565)
	Movement in trade and other receivables	(258 907)	(178 724)
	Movement in trade and other payables	(565 280)	910 609
		(643 101)	487 060
23.3	**Taxation paid**		
	Net amount payable at beginning of the year	(27 788)	(16 373)
	Amount charged excluding deferred tax	(219 899)	(238 768)
	Net amount payable at end of the year	14 558	27 788
		(233 129)	(227 353)

23. Notes to the statement of cash flows continued

	2023 R'000	2022 R'000
Cash and cash equivalents comprise the following:		
23.4 Cash and cash equivalents		
Cash on hand and balances with banks	**109 503**	554 875
Bank overdrafts	**(447 648)**	(296 930)
	(338 145)	257 945

Cash at bank earns interest at floating rates based on daily bank deposit rates.

23.5 Changes in financing activities

			Non-cash changes				
	2022	Cash flows	New leases/ transaction	Release/ fair value changes	Modification	Present value interest unwinding	2023
Bank loans	611 866	(172 260)	–	–		–	**439 606**
Contingent consideration	7 984	–	–	(7 984)		–	**–**
Lease liability[1]	1 789 173	(375 445)	553 866	–	3 503	–	**1 971 097**
	2021						2022
Bank loans	752 505	(140 639)	–	–		–	611 866
Contingent consideration	15 913	(16 455)	7 984	(88)		630	7 984
Lease liability[1]	1 897 674	(318 129)	219 466	–	(9 838)	–	1 789 173

(1) *The interest repaid on the lease liability is R151 million (2022: R143 million) and is reflected in finance costs under operating activities.*

24. Related party transactions

Related party transactions constitute the transfer of resources, services or obligations between the company and a party related to the company. For the purposes of defining related party transactions with key management, key management has been defined as directors and includes close members of their families and entities controlled or jointly controlled by these individuals.

Outstanding balances as at 28 February 2023 and 28 February 2022 are unsecured and settlement occurs in cash.

The ultimate controlling party of the company is Ivlyn Proprietary Limited that holds 35.1% (2022: 35.1%) of the shares in Dis-Chem Pharmacies Limited.

Directors' direct and indirect holdings of shares in the company is disclosed in the Directors Report.

24. Related party transactions continued

2023

Related party transactions with a company that is controlled/jointly controlled by a person that has significant influence over Dis-Chem:

Related party	Sales/ (Purchases) R'000	Loan receivable R'000	Loan payable R'000	Trade and other receivable R'000	Trade and other payable R'000	Lease liability R'000	Interest expense R'000	Services received R'000
Dis-Chem Distribution	3 576/ (13 436 532)	778	–	–	(868 166)	–	–	–
Dis-Chem Ballito	2 057/ (1 131)	–	(99 870)	6 173	–	–	(23 961)	–
Dis-Chem Flamwood	1 017/ (686)	–	(37 001)	7 909	–	–	(12 597)	–
Dis-Chem Krugersdorp	1 258/ (4 377)	–	(29 477)	3 006	–	–	(2 336)	–
Dis-Chem Glen Fair	1 131/ (952)	–	(3 916)	8 378	–	–	–	–
Dis-Chem Rynfield	436/ (561)	–	(16 160)	7 132	–	–	(5 327)	–
Dis-Chem Three Rivers	1 592/ (449)	–	(23 630)	6 432	–	–	(9 145)	–
Dis-Chem Amanzimtoti	1 818/ (3 148)	–	(74 017)	5 063	–	–	(16 675)	–
Dis-Chem Oncology	1 240 /(582)	18 443	–	3 852	–	–	–	–
Dis-Chem Festival Mall	2 435/ (641)	–	(4 295)	4 926	–	–	(3 834)	–
Dis-Chem Worcester	351/ (592)	–	(15 181)	2 648	–	–	(12 466)	–
Dis-Chem Maponya Mall	244 /(363)	–	(6 082)	1 996	–	–	(8 760)	–
Dis-Chem Jubilee Mall	468/ (399)	1 897	–	1 841	–	–	(6 522)	–
Pharma-Logistical Services	–	–	(112 771)	9 539	–	–	–	–
Dis-Chem Mega City	126/ (257)	–	(9 120)	2 833	–	–	(6 018)	–
Dis-Chem Goodwood	1282/ (702)	–	(477)	2 084	–	–	(8 319)	–
Dis-Chem Mams Mall	1445/ (747)	–	(3 651)	–	(1 140)	–	–	–
The Local Choice	456/ (499)	–	(4 354)	5 062	–	–	–	–
TLC De Wiekus	442/ (292)	–	(6 209)	7 246	–	–	(3 166)	–
Dis-Chem York Street	846/ (546)	–	(8 314)	1 250	–	–	–	–
Dis-Chem Northlands	374/ (443)	–	(3 988)	1 190	–	–	(1 259)	–

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 28 February 2023

Related party	Sales/ (Purchases) R'000	Loan receivable R'000	Loan payable R'000	Trade and other receivable R'000	Trade and other payable R'000	Lease liability R'000	Interest expense R'000	Services received R'000
Dis-Chem Airport Junction	–	–	–	1 497	–	–	–	–
Dis-Chem Gallo	–	10 516	–	567	–	–	–	–
The Fields	–	8 000	–	1 203	–	–	–	–
CJ Enterprises	(2 275 262)	984	–	–	(158 143)	–	–	–
Bemax International	(18)	11 521	–	–	(38 085)	–	–	–
Dis-Chem Ferndale	1 025/ (979)	–	(25 468)	5 816	–	–	–	–
Springbok	1 159/ (3 130)	–	(97)	4 596	–	–	(994)	–
Dis-Chem Erasmuskloof	1 229/ (1 073)	–	(65 179)	17 055	–	–	(9 130)	–
Dis-Chem Thavhani	236/ (286)	–	(3 097)	2 561	–	–	(1 935)	–
Dis-Chem Howick	299/ (229)	–	(2 270)	961	–	–	(299)	–
Baby City	5 013/ (11 381)	–	(31 900)	31 724	–	–	–	–
Geniob	–	5 856	–	4 988	–	–	–	–
TLC Medi-Park	120/ (142)	–	(4 544)	3 506	–	–	–	–
TLC Kungwini	–	19	–	–	–	–	–	–
Dis-Chem Westville	1 128/ (75)	–	(2 758)	8 868	–	–	–	–
KZN Warehouse	–	–	(28 855)	–	–	–	(855)	–
Eleadora	–	–	(5 458)	–	–	–	(158)	–
Cape Town Warehouse	–	–	(31 852)	–	–	–	(852)	–
Pure Pharmacy Holdings	–	–	(26 185)	396	–	–	–	–
Pure Pharmacy Retail	12 489/ (15 004)	–	(30 559)	45 937	–	–	–	–
Dis-Chem K&G	–	–	(18 500)	–	–	–	–	–
Vexall	–	–	–	–	–	–	–	(83 215)
Health Window	–	–	–	–	–	–	–	(43 857)
Healthforce	–	127 191	–	–	–	–	–	–
Servco	–	19 408	–	–	–	–	–	–
Dis-Chem Media	–	–	(7 134)	–	(809)	–	–	–
Tony Ferguson	–	22 452	–	–	(579)	–	–	–
BEESECDCP	–	23 500	–	–	(39)	–	–	–
Various property companies [1]	–	–	–	–	–	(203 069)	(14 578)	–

(1) Relates to retail space that is owned/partially owned by the directors.

24. Related party transactions continued

2022

Related party transactions with a company that is controlled/jointly controlled by a person that has significant influence over Dis-Chem:

Related party	Sales/ (Purchases) R'000	Loan receivable R'000	Loan payable R'000	Trade and other receivable R'000	Trade and other payable R'000	Lease liability R'000	Interest income/ (expense) R'000	Services received R'000
Dis-Chem Distribution	(12 886 803)	–	–	–	(1 446 602)	–	–	–
Dis-Chem Ballito	2 750/ (1 130)	4 076	(72 514)	6 953	–	–	(14 378)	–
Dis-Chem Flamwood	984/ (1 601)	–	(42 879)	6 613	–	–	(6 494)	–
Dis-Chem Krugersdorp	1 899/ (5 389)	–	(20 258)	–	(33)	–	(6 623)	–
Dis-Chem Glen Fair	1 029/ (1 367)	–	(4 108)	9 231	–	–	–	–
Dis-Chem Rynfield	331/ (438)	4 149	(22 696)	6 582	–	–	(3 646)	–
Dis-Chem Three Rivers	1 848/ (996)	–	(24 706)	6 992	–	–	(4 555)	–
Dis-Chem Amanzimtoti	2 489/ (3 854)	5 755	(66 820)	3 637	–	–	(12 633)	–
Dis-Chem Oncology	1 384/ (285)	–	–	4 697	–	–	–	–
Dis-Chem Festival Mall	3 280/ (1 594)	10 132	(12 072)	4 147	–	–	(3 295)	–
Dis-Chem Worcester	626/ (716)	–	(17 082)	2 611	–	–	(5 841)	–
Dis-Chem Park Station	–	18	–	–	–	–	–	–
Dis-Chem Maponya Mall	365/ (498)	11 550	(17 343)	2 145	–	–	(4 590)	–
Dis-Chem Jubilee Mall	568/ (443)	26 649	(19 114)	3 397	–	–	(3 714)	–
Pharma-Logistical Services	–	–	–	–	(16 144)	–	–	–
Dis-Chem Mega City	252/ (480)	–	(2 514)	3 776	–	–	(3 292)	–
Dis-Chem Goodwood	788/ (951)	8 573	(11 518)	1 602	–	–	(3 955)	–
Dis-Chem Mams Mall	1 642/ (738)	–	(9 284)	2 991	–	–	–	–
The Local Choice	930/ (487)	21 510	(7 944)	7 042	–	–	–	–
TLC De Wiekus	459/ (633)	5 145	(10 418)	6 767	–	–	(2 255)	–
Dis-Chem Namibia	–	340	–	1 988	–	–	–	–
Dis-Chem Swakopmund	–	5 126	–	–	(84)	–	–	–
Walvis Bay Pharmacy	–	–	–	–	(129)	–	–	–

Related party	Sales/ (Purchases) R'000	Loan receivable R'000	Loan payable R'000	Trade and other receivable R'000	Trade and other payable R'000	Lease liability R'000	Interest income/ (expense) R'000	Services received R'000
Dis-Chem Wernhill	–	4 352	–	–	(1 624)	–	–	–
Dis-Chem York Street	860/ (843)	–	(2 023)	2 157	–	–	–	–
Dis-Chem Northlands	497/ (303)	–	(1 765)	936	–	–	(1 259)	–
Dis-Chem Airport Junction	–	3 367	–	2 211	–	–	–	–
Dis-Chem Gallo	–	10 516	–	1 085	–	–	–	–
CJ Enterprises	(2 015 539)	–	–	–	–	–	–	–
Bemax International	–	49 492	–	14 790	–	–	–	–
Dis-Chem Ferndale	1 242/ (1 405)	–	(19 336)	7 005	–	–	(1 112)	–
Springbok	1 159/ (317)	–	(10 804)	8 487	–	–	(496)	–
Dis-Chem Erasmuskloof	2 351/ (995)	–	(59 420)	17 636	–	–	(4 517)	–
Dis-Chem Thavhani	555/ (445)	8 485	(20 965)	2 968	–	–	(1 026)	–
Dis-Chem Howick	–	1 195	–	509	–	–	–	–
Baby City	951/ (2 125)	55 783	(61 930)	39 728	–	–	–	–
Geniob	–	17 888	–	1 969	–	–	–	–
TLC Medi-Park	(234)	–	(1 821)	3 110	–	–	–	–
TLC Kungwini	–	19	–	–	–	–	–	–
Origin Brands	–	12 721	–	–	–	–	–	–
Pure Pharmacy Holdings	–	67 865	(39 557)	102	–	–	–	–
Pure Pharmacy Retail	(1 744)	–	–	54 558	–	–	–	–
Vexall	3 421/ (23 808)	–	(84)	–	–	–	–	(49 154)
Health Window	–	–	–	–	–	–	–	(22 473)
Healthforce	–	93 815	–	–	–	–	–	–
Servco	–	10 200	–	–	–	–	–	–
Bothomed	–	–	–	–	(3 212)	–	–	–
BEESECDCP	–	23 400	–	–	–	–	–	–
Various property companies [(1)]	–	–	–	–	–	(116 220)	(11 167)	–

(1) Relates to retail space that is owned/partially owned by the directors.

For further information in regards to loans receivable/payable refer to note 14 and 19 respectively. Related party receivables and

24. Related party transactions continued

payables are generally settled within 60 days.

The company received dividends of R96 million (2022: R71 million) from its subsidiaries during the period.

	2023 R'000	2022 R'000
Compensation of key management		
Short-term employee benefits	126 823	88 348
Post-employment benefits	1 182	747
Non-executive directors' fees	6 327	5 841
	134 332	94 936

Executive and non-executive emoluments to directors

2023	Services as director R'000	Salary and allowances R'000	Bonuses[1] R'000	Retirement and related benefits R'000	Other benefits R'000	Share scheme vesting R'000	Total R'000
Non-executive directors							
LM Nestadt	3 165	–	–	–	–	–	3 165
MJ Bowman	257	–	–	–	–	–	257
A Coovadia	598	–	–	–	–	–	598
JS Mthimunye	802	–	–	–	–	–	802
A Sithebe	598	–	–	–	–	–	598
KDD Kobue	484	–	–	–	–	–	484
H Masondo	423	–	–	–	–	–	423
	6 327	–	–	–	–	–	6 327
Executive directors							
LF Saltzman	–	14 324	4 297	72	477	–	19 170
RM Morais	–	11 633	5 816	72	601	–	18 122
SRN Goetsch	–	5 986	1 347	72	227	–	7 632
SE Saltzman	–	5 770	1 298	72	521	–	7 661
	–	37 713	12 758	288	1 826	–	52 585
Prescribed officers							
LF Saltzman	–	11 739	3 522	72	248	–	15 581
BI Epstein	–	5 988	1 347	72	270	–	7 677
KS Sterling	–	5 986	1 347	72	210	–	7 615
CJ Williams	–	5 986	1 796	72	247	–	8 101
CR Fairweather	–	4 084	19 052	72	620	–	23 828
CA Swanepoel	–	3 602	653	108	112	–	4 475
JD Pope	–	2 403	516	120	79	316	3 434
TJ Ponter	–	3 225	690	306	326	162	4 709
	–	43 013	28 923	894	2 112	478	75 420

24. Related party transactions continued

2022	Services as director R'000	Salary and allowances R'000	Bonuses[1] R'000	Retirement and related benefits R'000	Other benefits R'000	Total R'000
Non-executive directors						
LM Nestadt	3 165	–	–	–	–	3 165
MJ Bowman	669	–	–	–	–	669
A Coovadia	589	–	–	–	–	589
JS Mthimunye	713	–	–	–	–	713
A Sithebe	556	–	–	–	–	556
KDD Kobue	149	–	–	–	–	149
	5 841	–	–	–	–	5 841
Executive directors						
IL Saltzman	–	13 707	3 972	72	457	18 208
LF Saltzman	–	11 234	3 223	72	253	14 782
RM Morais	–	10 533	2 995	72	536	14 136
SE Saltzman (alternate)	–	5 521	1 242	72	510	7 345
	–	40 995	11 432	288	1 756	54 471
Prescribed officers						
SRN Goetsch	–	5 728	1 225	72	222	7 247
BI Epstein	–	5 730	1 231	72	253	7 286
KS Sterling	–	5 728	1 221	72	204	7 225
CJ Williams	–	5 728	1 255	72	223	7 278
CR Fairweather	–	2 855	2 442	171	120	5 588
	–	25 769	7 374	459	1 022	34 624

(1) Bonuses relate to amounts actually paid in the period.

24. Related party transactions continued

Options granted to directors and prescribed officers on the share appreciation rights scheme at 28 February 2023:

	SRN Goetsch	BI Epstein	KS Sterling	CJ Williams	TJ Ponter	Total options
Offer date: 1 June 2018						
Opening balance	58 936	58 999	58 921	41 459	16 439	234 754
Forfeited	–	–	–	–	–	–
Exercised	(58 936)	–	–	–	–	(58 936)
Closing balance	–	58 999	58 921	41 459	16 439	175 818
Offer date: 1 February 2019						
Opening balance	65 741	65 893	65 596	49 048	16 439	262 717
Forfeited	–	–	–	–	–	–
Exercised	–	–	–	–	–	–
Closing balance	65 741	65 893	65 596	49 048	16 439	262 717

SRN Goetsch exercised 58 936 options in the current year and received 3 190 shares at R29.84.

Shares granted to directors and prescribed officers on the forfeitable share plan scheme at 28 February 2023:

	I Saltzman	L Saltzman	S Saltzman	S Goetsch	B Epstein	K Sterling	C Williams	JD Pope	Total shares
Offer date: 30 August 2022									
Opening balance	–	–	–	–	–	–	–	–	–
Awarded	123 041	100 840	37 171	38 565	38 579	38 564	51 420	14 667	442 847
Forfeited	–	–	–	–	–	–	–	–	–
Exercised	–	–	–	–	–	–	–	–	–
Closing balance	123 041	100 840	37 171	38 565	38 579	38 564	51 420	14 667	442 847

TJ Ponter also has 17 037 and 25 064 shares in regards to offer date 1 March 2021 and 1 September 2021 respectively on the forfeitable share plan scheme.

24. Related party transactions continued

JD Pope also has 19 974 and 14 057 shares in regard to offer date 1 March 2021 and 1 September 2021 respectively on the forfeitable share plan scheme.

Options granted to directors and prescribed officers on the share appreciation rights scheme at 28 February 2022:

	S Goetsch	B Epstein	K Sterling	C Williams	Total options
Offer date: 1 June 2019					
Opening balance	58 936	58 999	58 921	41 459	218 315
Forfeited	–	–	–	–	–
Exercised	–	–	–	–	–
Closing balance	58 936	58 999	58 921	41 459	218 315
Offer date: 1 February 2020					
Opening balance	65 741	65 893	65 596	49 048	246 278
Forfeited	–	–	–	–	–
Exercised	–	–	–	–	–
Closing balance	65 741	65 893	65 596	49 048	246 278

The employment contracts of executive directors differ from those of other employees in that they do not accrue leave and have a longer notice period.

25. Financial risk management objectives and policies

Financial assets

Financial assets recognised on the statement of financial position include cash and cash equivalents, trade and other receivables and loans receivable. These financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

Initial recognition
The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement
Financial assets are subsequently classified as financial assets at amortised cost.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment.

Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the

25. Financial risk management objectives and policies continued

Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment
The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss.

For trade receivables the Company applies a simplified approach using a provision matrix in calculating ECLs. An allowance for expected credit losses is made over the lifetime of a financial asset when the Company considers it to be in default (such as default or delinquency in payments, the probability of insolvency or significant financial difficulties of the debtor or group of debtors) that all of the amounts due under the original terms of the invoice/agreement will not be collected. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For other receivables and loan receivables the Company applies the general approach in calculating ECLs. At each reporting date, the Company recognises a loss allowance based on either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition.

Financial liabilities

Financial liabilities recognised on the statement of financial position include bank overdraft, trade and other payables, loans payable and contingent consideration. These financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, financial liabilities at amortised cost or payables, as appropriate.

Initial recognition
All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost and payables, net of directly attributable transaction costs.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss:
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

25. Financial risk management objectives and policies continued

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost:
After initial recognition, interest-bearing financial liabilities at amortised cost are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Fair value measurement

In addition to the financial instruments carried at fair value, the fair values of financial instruments measured at amortised cost are disclosed should it be determined that the carrying value of these instruments does not reasonably approximate their fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

25. Financial risk management objectives and policies continued

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The valuation techniques that are used to measure fair value are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the annual financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the annual financial statements at fair value, or for which the fair value is disclosed, on a recurring basis, it is determined whether transfers have occurred between the levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The main risks arising from the company's financial instruments are interest rate risk, liquidity risk and credit risk.

25. Financial risk management objectives and policies continued

The board reviews and agrees policies for managing each of these risks, which are summarised below:

2023	Financial instrument R'000	Fair value through profit or loss R'000	Financial liability at amortised cost R'000	Financial asset at amortised cost R'000	Non-financial instruments, leases and investments R'000
Assets					
Property, plant and equipment	–	–	–	–	2 400 524
Intangible assets	–	–	–	–	198 357
Deferred taxation	–	–	–	–	78 356
Investments	–	–	–	–	2 559 779
Inventories	–	–	–	–	2 314 248
Trade and other receivables	1 294 179	–	–	1 294 179	162 104
Loans receivable	314 130	–	–	314 130	–
Cash and cash equivalents	109 503	–	–	109 503	–
Liabilities					
Lease liability	–	–	–	–	1 971 097
Contingent consideration	–	–	–	–	–
Loans payable	1 181 975	–	1 181 975	–	–
Trade and other payables	1 999 538	–	1 999 538	–	81 359
Employee-related obligations	–	–	–	–	238 705
Deferred revenue	–	–	–	–	69 136
Taxation payable	–	–	–	–	14 558
Bank overdraft	447 648	–	447 648	–	–

25. Financial risk management objectives and policies continued

2022	Financial instrument R'000	Fair value through profit or loss R'000	Financial liability at amortised cost R'000	Financial asset at amortised cost R'000	Non-financial instruments, leases and investments R'000
Assets					
Property, plant and equipment	–	–	–	–	2 152 534
Intangible assets	–	–	–	–	226 442
Deferred taxation	–	–	–	–	56 430
Investments	–	–	–	–	2 541 779
Inventories	–	–	–	–	2 128 105
Trade and other receivables	1 088 339	–	–	1 088 339	108 858
Loans receivable	516 966	–	–	516 966	–
Cash and cash equivalents	554 875	–	–	554 875	–
Liabilities					
Lease liability	–	–	–	–	1 789 173
Contingent consideration	7 984	7 984	–	–	–
Loans payable	1 190 897	–	1 190 897	–	–
Trade and other payables	2 581 285	–	2 581 285	–	64 292
Employee-related obligations	–	–	–	–	206 687
Deferred revenue	–	–	–	–	70 426
Taxation payable	–	–	–	–	27 788
Bank overdraft	296 930	–	296 930	–	–

Credit risk

The carrying amount of financial assets represents the maximum credit exposure which relates to trade and other receivables, loans receivables and positive cash and cash equivalents.

Trade and other receivables
The company is exposed to credit risk in relation to trade and other receivables from its retail operations.

	2023 R'000	2022 R'000
The maximum exposure to credit risk for trade receivables (excluding intercompany) is as follows:	**253 304**	246 695
The maximum exposure to credit risk for other receivables and accrued income is as follows:	**822 640**	603 222

25. Financial risk management objectives and policies continued

Trade receivables primarily relate to amounts recoverable from medical aids. These receivables are deemed to be low credit risk as medical schemes pay mainly within 14 days and amounts are neither past due nor impaired. The majority of other receivables relates to rebates and advertising receivable from suppliers and are deemed to be low credit risk as the net position with the supplier is a creditor. Other receivables are currently measured in Stage 1 based on 12-month ECL's.

Cash and cash equivalents

With respect to the credit risk arising from cash resources, the company's exposure to credit risk arises from the default of the counterparty with the maximum exposure equal to the carrying amount of these resources.

The company manages and monitors daily funding requirements and has limited foreign currency exposure. Surplus funds are invested with banking institutions of a high credit standing.

Loans

The company is exposed to credit risk in relation to loans with related and other parties. The risk is managed through formal procedures for granting of these loans. The recoverability of these loans are assessed annually.

The majority of the loans receivable are companies within the Dis-Chem Group and based on budgets prepared and current profitability will be able to repay the loans and therefore deemed to be a low credit risk.

Other loans mainly relate to the loans given to USN, a company in the health industry, as well as Uphawu and The Tailor, companies in the cut and trim industry, which is expected to be repaid within the next 12 months.

For loan receivables the Company applies the general approach in calculating expected credit losses. The table below shows the credit quality and the maximum exposure to credit risk based on the company's internal credit rating system:

	12 month Stage 1	Lifetime Stage 2	Credit impaired Stage 3
2023			
Opening gross carrying amount of loans	516 966	–	–
New loans receivable	123 861	–	–
Loans repaid	(333 307)	–	–
Interest	6 610	–	–
	314 130	–	–

25. Financial risk management objectives and policies continued

	12 month Stage 1	Lifetime Stage 2	Credit impaired Stage 3
2022			
Opening gross carrying amount of loans	417 917	–	–
New loans receivable	308 164	–	–
Loans repaid	(215 797)	–	–
Interest	6 682	–	–
	516 966	–	–

Interest rate risk

The company's exposure to the risk of changes in market interest rates relates primarily to the Absa loan with a floating interest rate linked to JIBAR as well as interest incurred on overdraft facilities (note 6).

As part of the process of managing the company's interest rate risk, interest rate characteristics of new borrowings and refinancing of existing borrowings are positioned according to anticipated movements in interest rates. Funds on call earn interest at prevailing market call rates. Interest payable on bank borrowings fluctuates in accordance with prime bank lending rates while the Absa and Investec loans fluctuate with the JIBAR rate.

If the interest rate, with all other variables held constant, increased or decreased by 200 average basis points at year-end (2022: 200), the impact of the company's profit before tax would be approximately R31 million (2022: R31 million). The sensitivity analysis presented was based on the average balance of the funds during the period on the bank borrowings, Absa loan and Investec loan.

Liquidity risk

Dis-Chem has working capital facilities with ABSA, Standard Bank and Nedbank of R2.39 billion and SCF facility of R1 billion, EUR5.4 million, USD17.7 million and GBP0.7 million. Dis-Chem also has bank loans of R440 million (2022: R612 million) and related party loans of R794 million (2022: R596 million).

Dis-Chem Pharmacies have given security/guarantees to ABSA, Standard Bank and Nedbank in regard to certain companies within the Dis-Chem Group and landlords. Securities/guarantees to ABSA for R2.2 billion in regard to Dis-Chem Distribution; to Standard Bank for R935 million in regard to Superstrike (R20 million), Bemax International (R75 million), Dis-Chem Distribution (R440 million) and CJ Pharmaceutical (R400 million); and to Nedbank for R2 million in regard to landlords. These facilities have not been used at year end.

25. Financial risk management objectives and policies continued

Dis-Chem Pharmacies has entered into a guarantee and indemnity agreement in favour of The Standard Bank of South Africa Limited in terms of any obligation or indebtedness arising of Vexall Proprietary Limited to them but limited to R20 million (2022: R20 million).

The debt convenants for the ABSA loan is based on interest cover ratio (EBITDA/finance charges) and net leverage (ratio of total net debt to EBITDA). Dis-Chem has sufficeint head room in both these ratios and does not expect these ratios to be met in the next 12 months.

The table below summarises the maturity profile of the company's financial liabilities at year-end, based on contractual and undiscounted payments:

	On demand R'000	Less than 12 months R'000	Greater than 12 months R'000	Total R'000
2023				
Trade and other payables	–	1 999 538	–	1 999 538
Loans payable excluding bank loans	742 369	–	–	742 369
Bank overdraft	–	447 648	–	447 648
Financial guarantee contract	20 000	–	–	20 000
Bank loans	–	428 839	26 929	455 768
Lease liability (note 18)	–	520 566	1 873 133	2 393 699
Undiscounted payments	762 369	3 396 591	1 900 062	6 059 022
Less: Future finance charges	–	(139 570)	(299 194)	(438 764)
	762 369	3 257 021	1 600 868	5 620 258
2022				
Trade and other payables	–	2 581 285	–	2 581 285
Loans payable excluding bank loans	579 031	–	–	579 031
Bank overdraft	–	296 930	–	296 930
Contingent consideration	–	8 242	–	8 242
Financial guarantee contract	20 000	–	–	20 000
Bank loans	–	182 305	478 293	660 598
Lease liability (note 18)	–	447 266	1 760 585	2 207 851
Undiscounted payments	599 031	3 516 028	2 238 878	6 353 937
Less: Future finance charges	–	(157 588)	(310 080)	(467 668)
	599 031	3 358 440	1 928 798	5 886 269

26. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. These were met in the current and prior year.

The Company considers share capital and retained income as capital. The board of directors considers capital requirements from time to time and makes adjustments accordingly.

No changes were made in the objectives, policies and processes for managing capital during the years ended 28 February 2023 and 28 February 2022.

27. Restatement due to common control accounting policy

During the current year, the Company acquired certain assets and liabilities of Pharma-Logistical Solutions Proprietary Limited and TLC Scott Street Proprietary Limited. Due to our common control accounting policy, this necessitates the restatement of prior year amounts to reflect the combination as if it had occurred from the beginning of the earliest period presented, regardless of the actual date of the combination. The Company believes this provides reliable and more relevant information to users as it enhances the comparability of results from period to period. Any adjustments required due to transactions between the entities in the past has been taken to equity.

	2022 (previously stated) R'000	Acquisition of assets and liabilities R'000	Inter-company elimination and common control R'000	Total R'000
ASSETS				
Property, plant and equipment (including right-of-use asset)	2 146 315	6 219	–	2 152 534
Intangible assets	127 701	98 741	–	226 442
Deferred taxation	69 204	(12 774)	–	56 430
Investments	2 541 779	–	–	2 541 779
Inventories	2 119 215	8 890	–	2 128 105
Trade and other receivables	1 177 100	20 097	–	1 197 197
Loans receivable	537 669	(20 703)	–	516 966
Cash and cash equivalents	551 870	3 005	–	554 875
Equity and reserves				
Share capital	6 155 554	–	–	6 155 554
Other reserves	(3 879 650)	–	–	(3 879 650)
Retained earnings	807 156	90 209	(34 403)	862 962

	2022 (previously stated) R'000	Acquisition of assets and liabilities R'000	Inter-company elimination and common control R'000	Total R'000
LIABILITIES				
Lease liability	1 787 382	1 791	–	1 789 173
Loans payable	1 185 624	5 273	–	1 190 897
Trade and other payables	2 605 824	39 753	–	2 645 577
Employee-related obligations	205 954	733	–	206 687
Deferred revenue (contract liability)	70 232	194	–	70 426
Contingent consideration	7 984	–	–	7 984
Taxation payable	27 863	(75)	–	27 788
Bank overdraft	296 930	–	–	296 930
Statement of comprehensive income				
Turnover	21 157 955	227 862	(59 285)	21 326 532
Cost of sales	(16 690 690)	(182 090)	59 285	(16 813 495)
Other income	1 835 454	9 953	(35 788)	1 809 619
Other expenses	(5 044 807)	(59 719)	1 385	(5 103 141)
Finance income	8 233	–	–	8 233
Finance costs	(285 918)	(142)	–	(286 060)
Taxation	(249 056)	2 872	–	(246 184)
Statement of cashflow				
Cash flow from operating activities				
Cash inflow from trading operations	1 734 988	(4 293)	–	1 730 695
Movement in working capital	461 360	25 700	–	487 060
Finance income received	6 198	–	–	6 198
Finance costs paid	(291 393)	(142)	–	(291 535)
Taxation paid	(226 926)	(427)	–	(227 353)
Dividends paid	(435 107)	–	–	(435 107)
Dividends received	70 780	–	(24 404)	46 376

27. Restatement due to common control accounting policy continued

	2022 (previously stated) R'000	Acquisition of assets and liabilities R'000	Inter-company elimination and common control R'000	Total R'000
Cash flow from investing activities				
Additions to property, plant and equipment and intangible assets	(241 863)	(1 667)	–	(243 530)
Proceeds on disposal of property, plant and equipment and intangible assets	8 094	–	–	8 094
Increase in investments	(354 324)	–	–	(354 324)
Cash flow from financing activities				
Bank loans repaid	(144 053)	–	–	(144 053)
Receipt of bank loans	3 414	–	–	3 414
Contingent consideration payment	(16 455)	–	–	(16 455)
Purchase of treasury shares	(12 170)	–	–	(12 170)
Lease liability repayment	(317 767)	(362)	–	(318 129)
Net increase in cash and cash equivalents	244 776	18 809	(24 404)	239 181
Cash and cash equivalents at beginning of year	10 164	8 600	–	18 764
Cash and cash equivalents at end of year	254 940	27 409	(24 404)	257 945

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 28 February 2023

	2021 (previously stated) R'000	Acquisition of assets and liabilities R'000	Inter-company elimination and common control R'000	Total R'000
ASSETS				
Property, plant and equipment (including right-of-use asset)	2 200 502	5 938	–	2 206 440
Intangible assets	160 621	107 415	–	268 036
Deferred taxation	79 838	(15 992)	–	63 846
Investments	2 179 471	–	–	2 179 471
Inventories	2 051 976	11 564	–	2 063 540
Trade and other receivables	1 011 573	6 990	–	1 018 563
Loans receivable	438 988	(21 071)	–	417 917
Cash and cash equivalents	321 585	8 600	–	330 185
Equity and reserves				
Share capital	6 155 554	–	–	6 155 554
Other reserves	(3 886 692)	–	–	(3 886 692)
Retained earnings	511 729	91 473	–	603 202
LIABILITIES				
Lease liability	1 895 521	2 153	–	1 897 674
Loans payable	1 442 487	(27 705)	–	1 414 782
Trade and other payables	1 704 866	36 229	–	1 741 095
Employee-related obligations	180 213	1 000	–	181 213
Deferred revenue (contract liability)	97 175	288	–	97 463
Contingent consideration	15 913	–	–	15 913
Taxation payable	16 367	6	–	16 373
Bank overdraft	311 421	–	–	311 421

28. Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year up to the date of this report that would require amendment or additional disclosure in these annual financial statements, except for the following:

On 15 May 2023, it was announced that Ivan Saltzman will step down as Chief Executive Officer ("CEO") at the end of June 2023. Rui Morais, who is currently the Group's Chief Financial Officer ("CFO"), will assume the role of CEO effective from 1 July 2023. Julia Pope, current executive head of finance, will succeed Morais as CFO.

The company will acquire the assets and liabilities of certain subsidiaries in the coming financial year in order to reduce the number of statutory entities across the Group.

ANALYSIS OF ORDINARY SHAREHOLDERS

as at 28 February 2023

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Shareholder spread				
1 – 1 000	36 425	89.98%	2 578 092	0.30%
1 001 – 10 000	3 023	7.47%	9 858 232	1.15%
10 001 – 100 000	702	1.73%	22 662 623	2.63%
100 001 – 1 000 000	270	0.67%	84 031 021	9.77%
Over 1 000 000	62	0.15%	740 954 515	86.15%
Total	40 482	100.0%	860 084 483	100.0%

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Distribution of shareholders				
Assurance Companies	42	0.10%	18 889 333	2.20%
Close Corporations	51	0.13%	175 051	0.02%
Collective Investment Schemes	270	0.67%	120 064 327	13.96%
Custodians	16	0.04%	3 677 012	0.43%
Foundations & Charitable Funds	48	0.12%	3 248 116	0.38%
Hedge Funds	10	0.02%	1 304 753	0.15%
Insurance Companies	12	0.03%	1 983 439	0.23%
Investment Partnerships	31	0.08%	75 937	0.01%
Managed Funds	44	0.11%	5 093 084	0.59%
Medical Aid Funds	18	0.04%	1 095 237	0.13%
Organs of State	11	0.03%	98 408 853	11.44%
Private Companies	280	0.69%	479 162 759	55.71%
Public Companies	8	0.02%	1 471 953	0.17%
Public Entities	5	0.01%	117 317	0.01%
Retail Shareholders	38 314	94.65%	19 629 028	2.28%
Retirement Benefit Funds	827	2.04%	78 123 064	9.08%
Scrip Lending	11	0.03%	9 074 454	1.06%
Sovereign Funds	4	0.01%	10 899 454	1.27%
Stockbrokers & Nominees	14	0.03%	2 492 106	0.29%
Trusts	466	1.15%	5 099 206	0.59%
Total	40 482	100.0%	860 084 483	100.0%

ANALYSIS OF ORDINARY SHAREHOLDERS CONTINUED

as at 28 February 2023

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Shareholder type				
Non-public shareholders	14	0.03%	387 046 054	45.00%
Directors and associates	13	0.03%	386 225 623	44.90%
Dis-Chem Pharmacies Limited	1	0.00%	820 431	0.10%
Public shareholders	40 468	99.97%	473 038 429	55.00%
Total	40 482	100.0%	860 084 483	100.0%

	Number of Shares	% of issued capital
Fund managers with a holding greater than 3% of the issued shares		
Coronation Fund Managers	133 038 367	15.47%
Public Investment Corporation	65 065 434	7.57%
Total	198 103 801	23.04%
Beneficial shareholders with a holding greater than 3% of the issued shares		
Ivlyn (Pty) Ltd	302 066 319	35.12%
Government Employees Pension Fund	95 636 375	11.12%
Coronation Fund Managers	68 580 305	7.97%
Royal Bafokeng Holdings (Pty) Ltd	56 937 593	6.62%
Stansh (Pty) Ltd	39 908 075	4.64%
Wakanda Security Holdings RF (Pty) Ltd	29 531 148	3.43%
Total	592 659 815	68.90%

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