PEPKOR
Holdings Limited

REVIEWED ANNUAL RESULTS

for the year ended
30 September 2020

HIGHLIGHTS

3.6%
growth in revenue from continuing operations to
R63.7 billion

240 bps
growth in market share[1]

R9.2 billion
cash generated excluding IFRS 16

R6.9 billion
reduction in net debt excluding IFRS 16

+ 230
new stores opened

Results from continuing operations	Statutory results including IFRS 16	Results excluding IFRS 16
Operating profit before capital items	**-0.3% to R6.5 billion**	**-18.4% to R5.3 billion**
Headline earnings per share	**-34.4% to 62.6 cents**	**-21.0% to 75.4 cents**
Earnings per share	**>100% decrease to a loss of 80.3 cents**	**>100% decrease to a loss of 62.5 cents**

[1] *Market share growth in clothing, footwear and homeware.*
Source: Retailers' Liaison Committee

Pepkor achieves substantial market share gains during the COVID-19 pandemic

The Pepkor group achieved an exceptional performance during a challenging year as COVID-19 and the resultant lockdown protocols exacerbated an already weak consumer retail market. Despite having lost approximately R5.0 billion in revenue through COVID-19 trading restrictions, the group managed to achieve positive revenue growth for the year which is an outstanding result.

The group's defensive discount and value positioning has been an advantage during the tough economic conditions. Consumer focus on less discretionary and more affordable products and services resulted in substantial market share gains[1] in both clothing, footwear and homeware (CFH), in addition to cellular product categories.

Pepkor's strong corporate culture and execution ability ensured a swift response to the COVID-19 crisis with stores and the supply chain reacting very quickly to the challenging environment. The group's expansive store footprint appealed to customers who chose to shop in more convenient locations closer to home.

Pepkor applied a conservative approach in areas such as capital allocation and expenditure as uncertainty surrounding the longer-term impact of the COVID-19 pandemic remains.

The positive trading performance since the reopening of stores resulted in unprecedented levels of cash generation. This contributed to the group making substantial progress to enhance the efficiency and flexibility of its balance sheet by reducing net debt by R6.9 billion.

[1] *Source: Retailers' Liaison Committee and GfK*

FINANCIAL PERFORMANCE

Adoption of IFRS 16 – Leases

The group adopted IFRS 16 – Leases (IFRS 16) on 1 October 2019, using a modified retrospective approach with no restatement of the prior year's reported results. This had a material impact on the group's statutory results for the current year, reducing headline earnings from continuing operations by R452 million and headline earnings per share from continuing operations by 17%, or 12.8 cents.

Leases were capitalised on 1 October 2019, resulting in the recognition of a right-of-use asset of R10.8 billion and a lease liability of R15.1 billion at 30 September 2020. The right-of-use asset was impaired by R235 million during the year. Refer to the condensed consolidated financial statements included in this results announcement for further details.

To provide a meaningful assessment of group performance, the commentary that follows excludes the impact of the adoption of IFRS 16.

Discontinued operations

As announced on 4 August 2020 via SENS, the group's portfolio strategy and intention to increase focus on its core business resulted in the decision to dispose of The Building Company. Pepkor's building materials reporting segment, in its entirety, is therefore classified as a discontinued operation in the group's 2020 financial results. Completion of the transaction is subject to the fulfillment of certain conditions precedent and is expected to be concluded during the first half of the 2021 financial year.

Discontinued operations further include PEP Africa's operations in Zimbabwe, following the decision in the prior year to exit the country. The exit from Zimbabwe was concluded on 30 September 2020.

Pro forma results from continuing operations

Group revenue increased by 3.6% to R63.7 billion compared to R61.5 billion in the prior financial year ended 30 September 2019 (FY19).

Gross profit margins reduced due to a shift in product mix with a higher contribution of financial services and cellular products. Markdown levels were maintained.

Other income reduced by 17.1% to R735 million, primarily as a result of external loan distribution fees that are no longer earned since the establishment of the Capfin internally funded credit book. Commissions earned on bill payments and money transfers initially suffered as a result of store closures and fewer customers visiting stores, but have since shown signs of recovery.

Operating costs, excluding debtors' costs and depreciation and amortisation, increased by 3.4% despite additional COVID-19 related expenses incurred to the value of R92 million. Cost savings of approximately R700 million compared to budget were achieved with savings on property rental costs being the biggest contributor. The group continues to operate at the lowest cost of doing business in the market.

Debtors' costs increased by 48.3% to R1.7 billion as a result of increased credit book provision levels and bad debts. A conservative approach was applied in credit book provision levels in anticipation of a deterioration in the credit health of consumers, notwithstanding collection levels exceeding initial expectations.

Provision levels on the Tenacity credit book, which facilitates credit sales in Ackermans and Speciality, were increased to 22% (FY19: 17%), while provision levels on the Connect credit book, which facilitates sales in the JD Group, increased to 42% (FY19: 33%). Provision levels on the Capfin unsecured lending credit book were increased to 26% (FY19: 15%).

Operating profit (before capital items) decreased by 18.4% to R5.3 billion.

Net finance costs reduced by 13.3% to R1.4 billion due to lower debt levels and interest rate reductions.

Pepkor's effective tax rate for the year is impacted by the impairment of goodwill and intangibles, which is not tax deductible.

Earnings were impacted by the impairment of goodwill and intangible assets of R4.8 billion (as announced on 6 November 2020). The impairment is a result of the impact of COVID-19 and constrained future growth expectations in PEP Africa, Speciality, Tekkie Town and the JD Group, in addition to an increase in the weighted average cost of capital. This contributed to a loss per share of 62.5 cents while headline earnings per share reduced by 21.0% to 75.4 cents. The impairment is excluded from headline earnings from continuing operations as prescribed by Circular 1/2019 – *Headline Earnings* as issued by the South African Institute of Chartered Accountants (SAICA).

Cash generated by operations (including discontinued operations) amounted to R9.2 billion based on very strong trading, resulting in a cash conversion rate of 136.0%.

Inventory levels reduced by 13.2% to R10.7 billion (excluding discontinued operations in both years).

The group's conservative approach to consumer credit resulted in reduced credit granting early in FY20 and was further curtailed at the onset of COVID-19. This, in addition to good post-lockdown collections, resulted in a total reduction of R1.1 billion in the gross size of all credit books since 31 March 2020. The Tenacity credit book reduced to R3.0 billion; the Connect credit book to R1.6 billion; and the Capfin credit book to R1.9 billion at 30 September 2020.

The group reduced net debt from R14.1 billion at 31 March 2020 to R7.1 billion at 30 September 2020 (from total operations, excluding the adoption of IFRS 16). This was facilitated by strong cash generation, good credit book collections and the accelerated book-build completed in June 2020. This raised R1.9 billion and resulted in the issue of 172.5 million new Pepkor shares on 29 June 2020.

The debt reduction included the early settlement of the R1.5 billion bridge term loan facility and early settlement of R4.0 billion of the total R6.0 billion preference share funding that was due to mature in May 2022. The group's debt repayment profile benefited from the refinancing and extension of R6.0 billion in debt, which is now repayable or expiring in September 2023.

Debt covenants have been amended to create sufficient headroom and enhanced flexibility going forward. The contractual net debt-to-EBITDA ratio of 1.02 times and interest cover ratio of 5.38 times remain well within funding covenants.

Pepkor was successful in the launch of its R10 billion domestic medium-term note programme in March 2020. The group raised R1 billion in three- and five-year bonds issued on 10 March 2020 at favourable interest rates. The proceeds were used to reduce debt and diversified its sources of funding.

CLOTHING AND GENERAL MERCHANDISE

PEP ACKERMANS PEP AFRICA Tekkie Town ShoeCity DUNNS JOHN CRAIG REFINERY S.P.C.C CODE

The clothing and general merchandise segment reported an increase in revenue of 1.4% to R45.6 billion for the year. This includes revenue growth of 12.1% during the fourth quarter, recovering from a 15.9% decline reported during the third quarter.

Operating profit decreased by 15.6% to R5.2 billion, impacted by lost sales and increased provision levels. Retail store expansions slowed during the second half of the year with the segment's store base expanding by 93 stores (net) to 4 375 stores.

PEP and Ackermans

PEP and Ackermans reported strong trading levels following the reopening of stores in May 2020. While the strong trading performance benefited from pent-up demand and additional social grant payments, the compelling customer value propositions of PEP and Ackermans are expected to continue to resonate with customers in search of value and affordability. This was confirmed by exceptionally strong growth of 240 basis points in the market share of both PEP and Ackermans as reported by the Retailers' Liaison Committee (RLC).

PEP and Ackermans, in aggregate, reported an increase in sales of 2.6% with a decrease in like-for-like sales of 0.5% for FY20. Retail space expanded by 2.5% year-on-year. PEP and Ackermans opened 145 new stores during the year, with openings slowing down during the second half of the year.

PEP

PEP's defensive discount market positioning delivered on its promise to provide the lowest possible prices to customers on basic and essential products and services. Best price leadership (BPL) of 97% was achieved, in addition to a positive price differential that widened to 28% compared to a group of other retailers.

PEP opened 83 new stores during the year to a total of 2 384 stores. PEP's convenient and close proximity to their customers supported sales performance as customers chose to shop closer to home. While customers' shopping frequency reduced, basket sizes increased substantially.

Strong performance was reported in Babies. Back-to-school trading was negatively impacted by the national lockdown measures. In Cellular, smartphone volumes increased by 19.7% while financial services transaction numbers were down due to less frequent store visits by customers. The PAXI parcel delivery initiative surpassed all expectations and distributed 1.9 million parcels during the year compared to 850 000 during the previous year. The initiative successfully leverages the group's retail footprint and the number of distribution points were expanded by more than 130 sites with the addition of the Shoe City store footprint.

Ackermans

Ackermans achieved market-leading results for the year based on its value proposition appealing to 'women with kids in their lives'. Ackermans opened 62 new stores during the year, expanding their store network to 861 stores.

Lower credit sales resulted in the credit sales contribution reducing to 17% from 19% in FY19. Lay-bys contributed 17% to sales.

In the Ask Afrika Icon Brands awards, Ackermans was voted as the winner in the children's clothing category for the eighth consecutive year. Performance was led by strong growth in the Babies product category. Strong growth in the demand for cellular handsets resulted in sales growth of 23.0%.

The Ackermans Woman concept is progressing well and was expanded to 26 stand-alone stores. Valuable learnings in terms of visual merchandising and successful marketing campaigns drove sales and market share expansion.

PEP Africa

PEP Africa contributed c.3% to group revenue during the year and continued to consolidate amid adverse macroeconomic conditions across most countries of operation. The retail store footprint decreased to 301 stores, which included 23 store closures. The exit from Zimbabwe was completed and the decision was made to close operations in Uganda as expansion plans in East Africa have proven not to be feasible.

PEP Africa's continuing operations (excluding Zimbabwe) reported a decline in constant currency sales of 7.0% and like-for-like sales decreased by 9.6%. Weakening currencies resulted in a decrease of 16.2% in sales at actual rates.

Speciality

The Speciality division reported mixed results across its retail brands with weaker demand for adult footwear and more discretionary apparel. Strong trading followed the relaxation of lockdown measures and reopening of stores.

The Speciality business reported a decrease in sales of 3.6% with like-for-like sales decreasing by 4.6% for the year. The division closed 35 stores as some brands consolidated, reducing the total store base to 829 stores.

While sales performance in Tekkie Town was satisfactory, it was supported by aggressive markdowns. Shoe City was negatively impacted by lower demand in formal and school footwear categories. John Craig's performance was impacted by a shift in consumer demand away from formal wear and the decision was made to dispose of the business. Dunns achieved profitability for the first time in many years while Refinery continued to strengthen its brand equity and successfully launched an e-commerce platform.

FURNITURE, APPLIANCES AND ELECTRONICS

The furniture, appliances and electronics segment reported revenue growth of 1.4% to R9.5 billion for the year. Merchandise sales for the year decreased by 0.4%, with a decrease of 1.6% in like-for-like sales. An operating loss of R301 million was reported and was impacted by increased credit book provisions.

The JD Group achieved commendable sales results with strong trading momentum during the fourth quarter in both the furniture and consumer electronics and appliances divisions. Consumer demand continues to be driven by technology upgrades, work/school-from-home, and consumers investing in their homes. The contribution from online sales in the consumer electronics and appliance division nearly doubled to 7% from the prior year, facilitated by investments in omnichannel capability.

Curtailed credit granting and good collections resulted in a reduction in the gross Connect credit book from R1.8 billion at 31 March 2020 to R1.6 billion at 30 September 2020. This resulted in a marked reduction in the total credit sales contribution to 13% (FY19: 19%), most notably in the furniture division where the credit sales mix reduced to 20% (FY19: 27%). Credit book provision levels were increased to 42% compared to 33% in FY19.

FINTECH

The FinTech segment reported revenue growth of 20.4% to R8.6 billion for the year. Operating profit decreased by 5.8% to R455 million and was impacted by higher provision levels in the Capfin unsecured lending business.

The Flash business achieved strong growth as virtual turnover increased by 25.7% for the year. The trader business in the informal market now includes 194 000 traders.

Capfin reduced the number of active accounts from 333 000 at 31 March 2020 to 219 000 as it reduced credit extension. Good collections on the Capfin credit book and conservative credit granting resulted in the gross Capfin credit book reducing to R1.9 billion at 30 September 2020 from R2.6 billion at 31 March 2020. The credit book provision level was increased to 26% from 15% in the prior year.

BUILDING MATERIALS – DISCONTINUED OPERATIONS

The Building Company reported a decline in sales of 12.6% to R7.1 billion and a decrease in like-for-like sales of 11.3% for the year due to the inactivity and contraction of the construction industry as a result of COVID-19.

The business created a more robust business model through strong cost management, which provides a strong platform for future growth. Despite a very challenging environment, the business achieved break-even.

Good progress was made in the consolidation of the brands in the business. Margin improvements were achieved in the retail division through the centralisation of procurement and automatic replenishment initiatives.

Outlook

Pepkor's sales performance since the relaxation of lockdown measures has been excellent and has underscored the strength of its business model and market positioning. The group has gained significant market share in the period since May 2020. The strong sales momentum continued into the months of October and November 2020 with double-digit like-for-like sales growth reported in PEP, Ackermans, Speciality and the JD Group. Providing the South African consumer with affordable products has become even more important in the current environment and the group is ideally positioned to execute on this.

While the evolution of the COVID-19 pandemic and its economic impact in the near to medium term remains uncertain, there is an expectation that the toughest times for the economy and customers are still to come as unemployment increases and special grants and other benefits are reduced. Our view on the future remains cautious and conservative.

Cash generation has been excellent and the balance sheet has been significantly strengthened which provides security and the ability to capitalise on potential opportunities that may arise in the market. Significant progress was made in restructuring and consolidating the group's portfolio of operations to enhance efficiency and profitability levels.

Pepkor is well positioned to continue gaining market share in a future constrained retail environment. The group will continue to entrench its discount and value positioning through providing affordable products to the consumer as it stands to benefit from consumers in search of value.

The resolve, resilience and loyalty shown by the group's employees and customers during one of the most challenging periods in history is most encouraging. The strong and healthy corporate cultures of the group and its retail brands have helped sustain the business during this trying time and resulted in a commendable, market-leading performance for the year. The support and understanding from our loyal, long-standing suppliers and business partners have been invaluable, and similarly we value the support from our investors.

The group's operations are prepared for changes in consumer behaviour with accelerated progress in e-commerce and fintech capability, supplemented by its convenient and accessible retail store footprint. The group continues to identify opportunities for store expansion driven mainly by PEP and Ackermans, in addition to the development of new retail formats. In terms of new markets, exciting opportunities exist in the adult wear market, while the group will also consider other expansion opportunities.

Dividend

As communicated during the group's interim results published on 27 May 2020, no dividend is declared, based on heightened levels of prudence applied by the board and the focus on liquidity preservation and allocation of resources.

Appreciation

Pepkor management and the board are appreciative and humbled by the loyalty and support shown by customers, employees, suppliers and investors as we navigate through this global crisis and continue to deliver sustainable value for all stakeholders.

JAYENDRA NAIDOO
Chairman

LEON LOURENS
Chief executive officer

RIAAN HANEKOM
Chief financial officer

23 November 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

ON THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Pepkor Holdings Limited

We have reviewed the condensed consolidated financial statements of Pepkor Holdings Limited in the accompanying provisional report, which comprise the condensed consolidated statement of financial position as at 30 September 2020 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and selected explanatory notes.

Directors' responsibility for the condensed consolidated financial statements

The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in the basis of preparation paragraph to the financial statements, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical financial information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of condensed consolidated financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of Pepkor Holdings Limited for the year ended 30 September 2020 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in the basis of preparation paragraph to the financial statements, and the requirements of the Companies Act of South Africa.

PRICEWATERHOUSECOOPERS INC.
Director: D de Jager
Registered auditor

Stellenbosch

23 November 2020

PRO FORMA FINANCIAL INFORMATION ASSURANCE REPORT

Report on the assurance engagement on the compilation of pro forma financial information included in the Pepkor Holdings Limited results for the year ended 30 September 2020

To the Directors of Pepkor Holdings Limited

We have completed our assurance engagement to report on the compilation of the pro forma financial information of Pepkor Holdings Limited (the company) and its subsidiaries (the group) by the directors. The pro forma financial information, as set out on pages 34 to 39 of the Pepkor Holdings Limited results for the year ended 30 September 2020, consist of the impact of the group's pro forma constant currency disclosure and the impact of the reversal of the implementation of IFRS 16 on the condensed consolidated statement of financial position as at 30 September 2020, condensed consolidated income statement, condensed consolidated statement of cash flows for the year ended 30 September 2020, pro forma financial effects and related notes (Pro Forma Financial Information). The applicable criteria on the basis of which the directors have compiled the pro forma financial information are specified in the JSE Limited (JSE) Listings Requirements and described in the Pro Forma Financial Information section of the Pepkor Holdings Limited Results for the year ended 30 September 2020.

The pro forma financial information has been compiled by the directors to illustrate the impact of the group's pro forma constant currency disclosure and the impact of the implementation of IFRS 16 on the condensed consolidated statement of financial position as at 30 September 2020, condensed consolidated income statement, condensed consolidated statement of cash flows for the year ended 30 September 2020, pro forma financial effects and related notes. As part of this process, information about the group's financial position and financial performance has been extracted by the directors from the group's financial statements for the year ended 30 September 2020, on which a review report has been published.

Directors' responsibility

The directors of the company are responsible for compiling the pro forma financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the Pro Forma Financial Information section of the Pepkor Holdings Limited results for the year ended 30 September 2020.

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Professional Conduct for Registered Auditors*, issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. 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)*.

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountant's responsibility

Our responsibility is to express an opinion about whether the pro forma financial information has been compiled, in all material respects, by the directors on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the Pro Forma Financial Information section of the Pepkor Holdings Limited financial results for the year ended 30 September 2020 based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the pro forma financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in the Pro Forma Financial Information section of the Pepkor Holdings Limited Results for the year ended 30 September 2020.

PRICEWATERHOUSECOOPERS INC.
Director: D de Jager
Registered auditor

Stellenbosch

23 November 2020

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended **30 September 2020**

Condensed consolidated income statement

	Notes	Year ended 30 September 2020 Reviewed Rm	Year ended 30 September 2019[1] Restated[2] Reviewed Rm	% change
Revenue	2	63 679	61 454	3.6
Cost of sales		(41 237)	(39 055)	(5.6)
Gross profit		22 442	22 399	0.2
Operating income		703	887	(20.7)
Operating expenses[2]		(11 323)	(14 421)	21.5
Debtors' costs		(1 670)	(1 126)	(48.3)
Operating profit before depreciation, amortisation and capital items		10 152	7 739	31.2
Depreciation and amortisation		(3 628)	(1 195)	(>100)
Operating profit before capital items		6 524	6 544	(0.3)
Capital items	3	(5 140)	(60)	(>100)
Operating profit		1 384	6 484	(78.7)
Finance costs		(3 138)	(1 704)	(84.2)
Finance income		219	129	69.8
(Loss)/profit before associated income		(1 535)	4 909	(>100)
Share of net profit of associate		2	–	100
(Loss)/profit before taxation		(1 533)	4 909	(>100)
Taxation[2]	4	(1 293)	(1 674)	22.8
(Loss)/profit from continuing operations		(2 826)	3 235	(>100)
Loss from discontinued operations	5	(208)	(1 074)	80.6
(Loss)/profit for the year		(3 034)	2 161	(>100)
(Loss)/profit attributable to:				
Owners of the parent		(3 034)	2 160	(>100)
Non-controlling interests		–	1	(100.0)
(Loss)/profit attributable to:		(3 034)	2 161	(>100)
Earnings per share (cents)				
Total basic earnings per share from continuing operations	6	(80.3)	93.8	(>100)
Total basic earnings per share from discontinued operations	6	(5.9)	(31.1)	(81.0)
Total basic earnings per share	6	(86.2)	62.6	(>100)
Total diluted earnings per share from continuing operations	6	(79.4)	93.2	(>100)
Total diluted earnings per share from discontinued operations	6	(5.9)	(30.9)	(80.9)
Total diluted earnings per share	6	(85.3)	62.2	(>100)

[1] Prior year comparatives have been reclassified for the effect of the discontinued operations as detailed in note 5.
[2] Prior year comparatives have been restated due to the adoption of IFRIC 23. Refer to note 13 for further detail.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended **30 September 2020**

Condensed consolidated statement of comprehensive income

	Notes	Year ended 30 September 2020 Reviewed Rm	Year ended 30 September 2019[1] Restated Reviewed Rm
(Loss)/profit from continuing operations		(2 826)	3 235
Loss from discontinued operations	5	(208)	(1 074)
(Loss)/profit for the year		(3 034)	2 161
Other comprehensive income (OCI) from continuing operations			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(112)	(69)
Net fair value gain on cash flow hedges		1 231	427
Net fair value loss on cash flow hedges transferred to inventory		(928)	(532)
Deferred taxation on cash flow hedges		(39)	37
Exchange differences from translation of net investment in foreign operations		–	12
Taxation on exchange differences from translation of net investment in foreign operations		–	(5)
Other comprehensive income/(loss) for the year, net of taxation		152	(130)
Other comprehensive income/(loss) from discontinued operations			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		23	(217)
Other comprehensive income/(loss) for the year, net of taxation		23	(217)
Total comprehensive (loss)/income for the year		(2 859)	1 814
Total comprehensive (loss)/income attributable to:			
Owners of the parent		(2 859)	1 813
Non-controlling interests		–	1
Total comprehensive (loss)/income for the year		(2 859)	1 814
Total comprehensive (loss)/income for the year attributable to owners of the parent arises from:			
Continuing operations		(2 674)	3 104
Discontinued operations		(185)	(1 291)
Total comprehensive (loss)/income for the year		(2 859)	1 813

[1] *Prior year comparatives have been reclassified for the effect of the discontinued operations as detailed in note 5.*

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended **30 September 2020**

Condensed consolidated statement of changes in equity

	Notes	Year ended 30 September 2020 Reviewed Rm	Year ended 30 September 2019 Reviewed Rm
Balance at beginning of the year		56 598	55 711
Effect of adopting IFRS 16 – Leases (2019: IFRS 9 – Financial Instruments), net of taxation	13	(2 640)	(82)
Restated balance at beginning of the year		53 958	55 629
Changes in reserves			
Total comprehensive (loss)/income for the year attributable to owners of the parent		(2 859)	1 814
Shares issued through accelerated book-build		1 898	–
Dividends paid[1]		(75)	(959)
Shares bought from non-controlling interests		–	(5)
Share-based payment expense		126	108
Transfers to retained earnings[2]		54	213
Transfers from other reserves[2]		(54)	(204)
Release of FCTR reserve on disposal of discontinued operations	5	165	–
Changes in non-controlling interests			
Total comprehensive income for the year attributable to non-controlling interests		–	1
Transactions with non-controlling equity holders		7	4
Dividends paid		(4)	(3)
Balance at end of the year		53 216	56 598
Comprising			
Ordinary stated capital		67 234	64 690
Common control reserve		(11 755)	(11 755)
Retained earnings		(2 259)	4 082
Share-based payment reserve		269	143
Hedging reserve		466	202
Foreign currency translation reserve		(749)	(825)
Other reserves		1	55
Non-controlling interests		9	6
		53 216	56 598

[1] *A dividend amounting to R721 million was declared on 25 November 2019, of which shareholders representing a value of R646 million elected to take up shares instead of cash.*

[2] *Transfer between other reserves and retained earnings during the year amounting to R54 million.*

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended **30 September 2020**

Condensed consolidated statement of financial position

	Notes	30 September 2020 Reviewed Rm	30 September 2019 Restated[1] Reviewed Rm
ASSETS			
Non-current assets			
Goodwill		37 280	41 865
Intangible assets		18 028	17 979
Property, plant and equipment		5 176	5 466
Right-of-use assets	13	10 770	–
Interest in associated companies		52	50
Investments and loans		108	174
Loans to customers		81	154
Deferred taxation assets		2 468	1 242
		73 963	66 930
Current assets			
Inventories		10 729	13 825
Trade and other receivables		6 157	6 809
Loans to customers		1 335	1 669
Insurance and reinsurance receivables		9	–
Current income taxation assets		284	363
Cash and cash equivalents		5 241	3 925
		23 755	26 591
Assets classified as held for sale	7	4 060	–
		27 815	26 591
Total assets		101 778	93 521
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary stated capital		67 234	64 690
Reserves		(14 027)	(8 098)
Total equity attributable to equity holders of the parent		53 207	56 592
Non-controlling interests		9	6
Total equity		53 216	56 598
Non-current liabilities			
Interest-bearing loans and borrowings		12 520	15 508
Lease liabilities	13	13 021	–
Employee benefits		86	89
Deferred taxation liabilities		3 933	4 037
Provisions[1]		91	91
Trade and other payables		–	461
		29 651	20 186
Current liabilities			
Trade and other payables		10 754	11 792
Insurance and reinsurance payables		49	–
Lease liabilities	13	2 064	–
Employee benefits		794	942
Provisions		175	173
Current income taxation liabilities[1]		2 018	1 480
Interest-bearing loans and borrowings		–	1 510
Financial guarantees		–	491
Bank overdrafts and short-term facilities		241	347
		16 095	16 735
Liabilities associated directly with non-current assets classified as held for sale	7	2 816	2
		18 911	16 737
Total equity and liabilities		101 778	93 521

[1] *Prior year comparatives have been restated due to the adoption of IFRIC 23. Refer to note 13 for further detail.*

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended **30 September 2020**

Condensed consolidated statement of cash flows

	Notes	Year ended 30 September 2020 Reviewed Rm	Year ended 30 September 2019 Restated[1] Reviewed Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit from continuing operations		1 384	6 484
Operating loss from discontinued operations	5	(117)	(1 139)
Operating profit:		1 267	5 345
Adjusted for:			
Debtors' write-offs and movement in provision		2 011	1 227
Depreciation and amortisation		3 894	1 299
Non-cash capital items		5 441	1 281
Impairment of loans to current and previous employees and members of key management		–	40
Inventories written down to net realisable value		572	449
Profit on lease modification		(381)	–
Share-based payment expense		126	108
Non-working capital provisions releases and other non-cash adjustments		414	(90)
		13 344	9 659
Working capital changes			
Decrease/(increase) in inventories		154	(1 981)
Decrease/(Increase) in trade and other receivables		56	(302)
Increase in instalment sale receivables and credit sales through store cards		(1 086)	(1 805)
Increase in loans to customers		(281)	(2 154)
Increase in trade and other payables		725	669
Net changes in working capital		(432)	(5 573)
Cash generated from operations		12 912	4 086
Dividends paid		(79)	(962)
Finance costs paid		(3 066)	(1 599)
Finance income received		213	147
Taxation paid		(1 313)	(1 116)
Net cash inflow from operating activities		8 667	556
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment and intangible assets		(1 693)	(1 717)
Proceeds on disposal of property, plant and equipment and intangible assets		20	57
Acquisition of business, net of cash on hand at acquisition	8	(86)	–
Clawback on acquisition of business		52	26
Decrease in short-term investments and loans		39	52
Increase in investments and loans in equity-accounted companies		–	(50)
Financial guarantee settled		(519)	–
Decrease in related-party loan and receivables		–	56
Net cash outflow from investing activities		(2 187)	(1 576)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issued through accelerated book-build		1 898	–
Transactions with non-controlling interests		20	–
Amounts received/(paid) on bank overdrafts and short-term facilities		72	(21)
Amounts paid on long-term interest-bearing loans and borrowings		(9 017)	(173)
Amounts received on long-term interest-bearing loans and borrowings		6 020	–
Amounts paid on short-term interest-bearing loans and borrowings		(1 509)	–
Amounts received on short-term interest-bearing loans and borrowings		–	1 500
Principle lease liability repayments		(2 033)	–
Net cash (outflow)/inflow from financing activities		(4 549)	1 306
NET INCREASE IN CASH AND CASH EQUIVALENTS		1 931	286
Effects of exchange rate translations on cash and cash equivalents		14	(196)
Cash and cash equivalents at beginning of the year		3 925	3 835
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		5 870	3 925

[1] Prior year comparatives have been restated due to the adoption of IFRIC 23. Refer to note 13 for further detail.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended **30 September 2020**

Basis of preparation

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited for provisional reports and the requirements of the South African Companies Act. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 – Interim Financial Reporting.

The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except for the adoption of IFRS 16 – Leases and IFRIC 23 – Uncertainty Over Income Taxation Treatments by the group on 1 October 2019, where the impact of the adoption is disclosed in note 13.

Other new and revised accounting standards became effective during the year, but their implementation had no significant impact on the results of either the current or the previous financial year.

The condensed consolidated financial statements are prepared in millions of South African rand (Rm) on the historical cost basis, except for certain assets and liabilities, which are carried at amortised cost, and derivative financial instruments, which are stated at their fair values. The preparation of the condensed consolidated financial statements for the year ended 30 September 2020 was supervised by RG Hanekom CA(SA), the group's chief financial officer.

These condensed consolidated financial statements for the year ended 30 September 2020 have been reviewed by PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion thereon. The review was performed in accordance with ISRE 2410: Review of Interim Financial Information Performed by the Independent Auditor of the Entity, of which the report has been included in this announcement. The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should read the auditor's review report together with the accompanying financial information.

Any forward-looking and forecast information presented is the responsibility of the board and has not been reviewed by Pepkor's auditors.

Significant events

Discontinued operations – Zimbabwe

During the latter part of the 2019 financial year, the board decided to exit the group's Zimbabwe business, under the Power Sales brand. The decision was mainly driven by the increasing difficulty of trading in Zimbabwe as a result of adverse macroeconomic conditions. The sale was concluded and all conditions precedent were met on 30 September 2020. Refer to note 5 for further detail.

Discontinued operations – The Building Company

The group entered into a sale and purchase agreement with Cashbuild Limited for the disposal of the entire issued share capital of The Building Company for a total purchase price, including permitted leakages, of R1.2 billion. The transaction will enable the group to streamline its portfolio of businesses and focus on its core business of discount and value retail. Refer to note 5 for further detail.

Assets held for sale

The group decided to dispose of the John Craig business. The business mainly operates in the smart/formalwear sector of the menswear market. This sector does not represent a strategic fit with the group's main business proposition of supplying discounted value-added products to its customers. An active sales plan has been put in place to dispose of the aforementioned assets and liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended **30 September 2020**

Share capital

The group issued 37.9 million ordinary shares on 27 January 2020 as scrip dividend as an alternative to receiving a cash dividend.

On 11 March 2020, shareholders resolved that 172.5 million of the company's authorised but unissued shares of no par value be placed under the control of the directors with a general authority to allot and issue shares for cash, subject to certain conditions outlined in the resolution. At the time of the issue of the notice of the annual general meeting of shareholders, 172.5 million shares constituted 5% of the issued share capital, but as a consequence of the scrip dividend issue, at the time of the issues of the shares it constituted approximately 4.95% of the then issued share capital. The shares were issued on 29 June 2020 through an accelerated book-build to raise funds in order to reduce the group's current gearing level, support the securing of the group against the current and future uncertainties from both a macro- and microeconomic perspective, and provide investors with an opportunity to invest in the future growth and success of the group.

During the course of the year, 15.9 million share rights (2019: 13.2 million) were granted in terms of the Pepkor Executive Share Rights Scheme (Pepkor Scheme).

Bond programme

Subsequent to the approval of the group's R10 billion domestic medium-term note programme by the JSE Limited on 2 March 2020, senior unsecured floating rate notes amounting to R1 billion were issued on 10 March 2020. The bonds issued consist of R800 million three-year floating rate notes with a coupon rate of three-month Jibar plus 159 bps and R206 million five-year floating rate notes with a coupon rate of three-month Jibar plus 174 bps.

Interest-bearing loans and borrowings

The group benefited from proactive expense management, conservative credit granting, better-than-expected credit book collections, the successful completion of an accelerated book-build and the issue of a bond programme. The increased cash allowed the following:

- Early settlement of the R1.5 billion bridge term loan facility that was due for repayment in August 2020.
- Early settlement of R4.0 billion of the total R6.0 billion preference share funding due to mature in May 2022.

The process to refinance debt due for repayment in May 2021 and November 2021 was successfully concluded and implemented on 30 September 2020. This included the refinance of:

- R5.0 billion in debt due for repayment in May 2021 now repayable in September 2023; and
- R1.0 billion bridge revolving credit facility due to expire in November 2021 now extended to September 2023.

As part of the same process, debt covenants were amended to create sufficient headroom and enhanced flexibility going forward.

Guarantee to Rand Merchant Bank (RMB) in relation to an investment company

During the year, a bridge loan facility amounting to R519 million was advanced by Pepkor to an investment company, Business Venture Investments 1499 (RF) Proprietary Limited (BVI), to settle the external funding, including guarantee, with RMB where Pepkor was a guarantor. The group is in the process of negotiating the issuance of preference shares by BVI to Pepkor to replace the bridge loan facility advanced during the year. This enabled BVI to settle its debt with RMB. The group has provided for the full exposure relating to the guarantee during the 2018 financial year.

Acquisition of businesses

The group acquired the following businesses during the financial year:

- Effective 1 December 2019, 100% of the issued share capital of Abacus Holdco Proprietary Limited and its subsidiaries (Abacus) for a purchase price of R183 million. The acquisition has been approved by the relevant regulatory authorities. The Abacus product offering includes life- and short-term insurance. Abacus provides insurance products via its subsidiaries to customers of JD Group and other group businesses.
- Effective 1 March 2020, 100% of the issued share capital of Eezi Global Limited (Eezi) for a purchase price of GBP1. Eezi offers similar products and services to Flash in the European market and is included in the FinTech segment as part of the Flash business.
- Effective 1 June 2020 and 1 September 2020 respectively, the group acquired S.P.C.C. and CODE for a combined purchase price of R46 million. Both entities are retailers of clothing and general merchandise and form part of the Speciality division.

The board is of the opinion that these acquisitions present attractive investment opportunities that are aligned with the group's strategy to grow through value accretive acquisitions.

Impairment of goodwill and intangible assets

Following the completion of the impairment assessments, an impairment of R4.8 billion was recognised during the year. The impairment is a result of constrained future growth expectations in PEP Africa, Speciality, Tekkie Town and the JD Group, in addition to an increased weighted average cost of capital. The impairment is allocated to the respective cash generating units (CGUs) as follows:

- R3.0 billion relates to the Ackermans, Dunns, John Craig, PEP, PEP Africa, Refinery, Shoe City and Tenacity group of CGUs included in the clothing and general merchandise segment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended **30 September 2020**

- R1.6 billion relates to the Tekkie Town CGU, included in the clothing and general merchandise segment.
- R103 million relates to the Incredible Connection CGU, included in the furniture, appliances and electronics segment.
- R35 million relates to the newly acquired CGU, Eezi, included in the FinTech segment.

The impairment impacted basic earnings from continuing operations but is excluded from headline earnings from continuing operations. Refer to note 3 and 12 for further detail.

Effect of the COVID-19 pandemic

The Pepkor group achieved pleasing performance during a challenging year as COVID-19 and the resultant lockdown protocols exacerbated an already weak consumer retail market.

The effect of the COVID-19 pandemic had a significant impact on the group's trading performance as most of our retails stores were not able to trade during lockdown. The aforementioned resulted in partial impairment of goodwill and the impairment of indefinite useful life intangible assets. Refer to note 12.

Events subsequent to reporting period

The board is not aware of any significant events after the reporting date that will have a material effect on the group's results or financial position as presented in these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended **30 September 2020**

	Year ended 30 September 2020 Reviewed Rm	Year ended 30 September 2019 Restated Reviewed Rm	% change
1 SEGMENTAL ANALYSIS			
REVENUE			
Clothing and general merchandise[1]	45 697	45 011	1.5
Furniture, appliances and electronics	9 459	9 330	1.4
Building materials	7 148	8 180	(12.6)
FinTech[1]	8 622	7 160	20.4
	70 926	69 681	1.8
RECONCILIATION OF REVENUE			
Revenue per segmental analysis	70 926	69 681	1.8
Revenue from discontinued operations[2]	(7 247)	(8 227)	11.9
REVENUE FROM CONTINUING OPERATIONS	63 679	61 454	3.6
OPERATING PROFIT BEFORE CAPITAL ITEMS AND BVI-RELATED COSTS			
Clothing and general merchandise[3]	6 176	6 130	0.8
Furniture, appliances and electronics	(55)	(85)	35.3
Building materials	129	153	(15.7)
FinTech[3]	458	483	(5.2)
	6 708	6 681	0.4
RECONCILIATION BETWEEN OPERATING PROFIT			
Operating profit per segmental analysis[4]	6 708	6 681	0.4
Operating profit from discontinued operations pre capital items[5]	(184)	(97)	(89.7)
BVI-related costs	–	(40)	100.0
Capital items (note 3.1)	(5 140)	(60)	(>100)
Operating profit per income statement	1 384	6 484	(78.7)
Share of net profit of associate	2	–	100.0
Finance costs	(3 138)	(1 704)	(84.2)
Finance income	219	129	69.8
(Loss)/profit before taxation per income statement	(1 533)	4 909	(>100)
SEGMENTAL ASSETS	96 429	89 422	7.8
RECONCILIATION BETWEEN TOTAL ASSETS AND SEGMENTAL ASSETS			
Total assets per statement of financial position	101 778	93 521	8.8
Less: Cash and cash equivalents	(5 241)	(3 925)	(33.5)
Less: Long-term investments and loans	(108)	(174)	37.9
Segmental assets	96 429	89 422	7.8

Basis of segmental presentation

The segmental information has been prepared in accordance with IFRS 8 – Operating Segments (IFRS 8), which defines requirements for the disclosure of financial information of an entity's operating segments. IFRS 8 requires operating segments to be identified on the basis of internal reporting of group components that are regularly reviewed by the chief operating decision-maker (CODM) to allocate resources to segments and to assess their performance. The board of directors has been identified as the CODM.

Identification of segments

The identification of segments is consistent with those identified in the annual consolidated financial statements for the year ended 30 September 2019. The board of directors identified and monitors segments in relation to differences in products and services.

Geographical analysis

The revenue, operating profit and assets are all classified as one geographical region.

Major customers

No single customer contributes 10% or more of the group's revenue.

[1] *FinTech segment revenue is disclosed net of intergroup revenue of R1.9 billion (2019: R441 million) earned relating to the sale of virtual vouchers and airtime to the clothing and general merchandise segment.*

[2] *Revenue from discontinued operations includes R7.1 billion from the building materials segment (2019: R8.2 billion) and R99 million from the clothing and general merchandise segment (2019: R47 million).*

[3] *The FinTech segment operating profit is disclosed net of intersegment expenses of R27 million (2019: R90 million) paid to the clothing and general merchandise segment relating to the use of its footprint.*

[4] *Prior year comparatives have been restated due to the adoption of IFRIC 23. Refer to note 13 for further detail.*

[5] *Operating profit from discontinued operations before capital items includes R129 million from the building materials segment (2019: R153 million) and R55 million from the clothing and general merchandise segment (2019: R56 million loss).*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended **30 September 2020**

		Year ended 30 September 2020 Reviewed Rm	Year ended 30 September 2019[1] Restated Reviewed Rm
2	**REVENUE**		
	Revenue from contracts with customers		
	Sale of goods and related revenue (note 2.1.1)[2]	60 629	58 918
	Service fee income[3]	448	262
	Other revenue[3]	175	1 179
	Other sources of revenue		
	Financial services revenue (note 2.1.2)[3]	2 126	1 095
	Insurance revenue (note 2.1.3)[3]	301	–
		63 679	61 454
2.1	**Disaggregation of revenue from contracts**		
2.1.1	***Sale of goods and related revenue***		
	Clothing and general merchandise		
	South Africa	38 609	37 453
	Other countries	6 271	6 809
	Furniture, appliances and electronics		
	South Africa	7 749	7 937
	Other countries	667	766
	FinTech		
	South Africa	7 273	5 953
	Other countries	60	–
		60 629	58 918
2.1.2	***Financial services revenue***[4]		
	Finance income earned	1 815	1 056
	Loan origination fees	311	39
		2 126	1 095
2.1.3	***Insurance revenue***		
	Gross premiums written	282	–
	Add: Gross premiums ceded to reinsurers	9	–
	Change in provision for unearned premium	10	–
		301	–

[1] *Prior year comparatives have been reclassified for the effect of the discontinued operations as detailed in note 5.*

[2] *Revenue is recognised at a point in time when either the point of sale transaction or the delivery of goods is concluded, or when any significant uncertainty is resolved on variable consideration.*

[3] *Financial services revenue relates to finance income and other revenue measured in terms of the effective-interest method in accordance with IFRS 9 and is therefore recognised over the term of the financial instrument. Insurance revenue is also recognised over the period of the contract entered into with the customer. The non-South African split is not deemed to be material for the group.*

[4] *Prior year comparatives include only seven months of trading for the Capfin business, which is disclosed as part of financial services revenue.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended **30 September 2020**

	Year ended 30 September 2020 Reviewed Rm	Year ended 30 September 2019[1] Restated Reviewed Rm
3 CAPITAL ITEMS		
3.1 Capital items		
Capital items are required to be reported by the JSE. The effect of capital items should be excluded from earnings when determining headline earnings per share.		
Expenses of a capital nature are included in the 'capital items' line in the income statement. These expense items are:		
From continuing operations		
Impairment	5 117	40
Goodwill	4 699	–
Property, plant and equipment	80	40
Intangible assets	103	–
Right-of-use assets	235	–
Loss on disposal of property, plant and equipment and intangible assets	23	20
	5 140	60
From discontinued operations		
(Impairment reversal)/impairment	(32)	1 223
Goodwill	–	672
Intangible assets	–	4
Property, plant and equipment	–	547
Right-of-use assets	(32)	–
Gain on disposal of property, plant and equipment and intangible assets	(1)	(5)
Loss recognised due to remeasurement of disposal group to fair value (note 5.4)	172	18
Gain on sale of disposal group (note 5.3)	(3)	–
FCTR release on sale of disposal group (note 5.3)	165	–
	301	1 236
4 TAXATION		
Taxation from continuing operations	(1 293)	(1 674)
Taxation from discontinued operations (note 5)	7	71
Total taxation for the year	(1 286)	(1 603)
Reconciliation of rate of taxation	%	%
South African standard rate of taxation	28.0	28.0
Foreign tax rate differential	0.5	(0.1)
Withholding taxes	(4.5)	2.4
Unrecognised tax losses	(4.5)	1.4
Prior year adjustments	(5.6)	(1.6)
Tax-exempt income	9.1	(2.7)
Non-deductible expenses[2]	(9.7)	4.4
Impairment of goodwill and intangibles	(78.3)	6.1
Preference share dividends	(5.8)	3.3
Unproductive interests	0.0	1.0
BVI-related costs	(0.6)	0.6
FCTR release through profit and loss	(2.7)	0.0
Other	0.4	(0.2)
Effective rate of taxation	(73.7)	42.6

[1] *Prior year comparatives have been reclassified for the effect of the discontinued operations as detailed in note 5.*

[2] *Non-deductible expenses mainly relate to expenses of a capital nature, expenses not incurred in the production of income, and depreciation on leasehold improvements.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended **30 September 2020**

5 DISCONTINUED OPERATIONS

5.1 Description

During the latter part of the 2019 financial year, the board decided to exit the group's Zimbabwe business, under the Power Sales brand. The decision was mainly driven by the increasing difficulty of trading in Zimbabwe as a result of adverse macroeconomic conditions. The sale was concluded and all conditions precedent were met on 30 September 2020.

The group entered into a sale and purchase agreement with Cashbuild Limited for the disposal of the issued share capital of The Building Company for a total purchase price, including permitted leakages, of R1.2 billion. The transaction is subject to regulatory approval and will enable the group to streamline its portfolio of businesses and focus on its core business of discount and value retail.

The Zimbabwe discontinued operation was previously included under the clothing and general merchandise segment, whereas The Building Company discontinued operation was previously included under the building materials segment.

		Year ended 30 September 2020 Reviewed Rm	Year ended 30 September 2019[1] Restated Reviewed Rm
5.2	**Income statement**		
	Revenue	7 247	8 227
	Cost of sales	(5 764)	(6 604)
	Gross profit	1 483	1 623
	Operating income	48	73
	Operating expenses	(1 018)	(1 484)
	Debtors' cost	(63)	(11)
	Operating profit before depreciation, amortisation and capital items	450	201
	Depreciation and amortisation	(266)	(104)
	Operating profit before capital items	184	97
	Capital items (note 3)	(301)	(1 236)
	Operating loss	(117)	(1 139)
	Finance costs	(144)	(76)
	Finance income	50	70
	Loss before taxation	(211)	(1 145)
	Taxation	7	71
	Loss for the year before non-controlling interest	(204)	(1 074)
	Non-controlling interest	(4)	–
	Loss for the year	(208)	(1 074)
5.3	**Details of the sale of the Zimbabwe operation**		
	Consideration received in cash	–	–
	Carrying amount of net assets sold	3	–
	Gain on sale before taxation and reclassification of foreign currency translation reserve	3	–
	Reclassification of foreign currency translation reserve	(165)	–
	Taxation	–	–
	Loss on sale after taxation	(162)	–
5.4	**Details of the sale of The Building Company**		
	Consideration receivable (including permitted leakages)	1 206	–
	Carrying amount of net assets sold	(1 378)	–
	Loss on sale before taxation	(172)	–
	Taxation	–	–
	Loss on sale after taxation	(172)	–

[1] *Prior year comparatives have been reclassified for the effect of the discontinued operations.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended **30 September 2020**

		Year ended 30 September 2020 Reviewed Rm	Year ended 30 September 2019[1] Restated Reviewed Rm
5	**DISCONTINUED OPERATIONS continued**		
5.5	**Statement of cash flows**		
	Net cash inflow from operating activities	383	137
	Net cash outflow from investing activities	(62)	(102)
	Net cash (outflow)/inflow from financing activities	(99)	110
	Net increase in cash and cash equivalents	222	145
	Effects of exchange rate translations on cash and cash equivalents	(45)	(167)
	Cash and cash equivalents at beginning of the year	452	474
	Cash and cash equivalents at the end of the year	629	452

5.6 The economy of Zimbabwe was assessed in accordance with IAS 29 – Financial Reporting in Hyperinflationary Economies, and was found to be in hyperinflation for the year ended 30 September 2020 and 2019. However, the hyperinflation accounting impact was found to be immaterial, therefore, it was decided that no adjustments would be made to the group's results for the Zimbabwean operation as being hyperinflationary.

[1] Prior year comparatives have been reclassified for the effect of the discontinued operations.

6 EARNINGS AND HEADLINE EARNINGS PER SHARE

		30 September 2020 Reviewed Million	30 September 2019 Reviewed Million
6.1	**Weighted average number of ordinary shares**		
	Issued ordinary shares at beginning of the period	3 450	3 450
	Scrip dividend issued	26	–
	Share issued through accelerated book-build	44	–
	Weighted average number of ordinary shares at end of the period for the purpose of basic earnings per share and headline earnings per share	3 520	3 450
	Effect of dilution due to share rights issues in terms of share scheme[1]	37	22
	Weighted average number of ordinary shares at end of the period for the purpose of diluted earnings per share and diluted headline earnings per share	3 557	3 472
	Number of shares in issue	3 660	3 450

[1] Share rights issued to employees have been taken into account for diluted earnings and diluted headline earnings per share purposes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended **30 September 2020**

6 EARNINGS AND HEADLINE EARNINGS PER SHARE continued

		Year ended 30 September 2020 Reviewed			Year ended 30 September 2019[1] Restated Reviewed	
	Continuing Rm	Discontinued Rm	Total Rm	Continuing Rm	Discontinued Rm	Total Rm
6.2 Earnings and headline earnings						
(Loss)/profit for the year	(2 826)	(208)	(3 034)	3 235	(1 074)	2 161
Attributable to non-controlling interests	–	–	–	–	(1)	(1)
Earnings attributable to ordinary shareholders	(2 826)	(208)	(3 034)	3 235	(1 075)	2 160
Capital items (note 3)	5 140	301	5 441	60	1 236	1 296
Taxation effect of capital items	(111)	10	(101)	–	(115)	(115)
Headline earnings attributable to ordinary shareholders	2 203	103	2 306	3 295	46	3 341

6.3 Diluted earnings and diluted headline earnings per share

Share rights issued to employees have been takin into account for diluted earnings and diluted headline earnings per share purposes.

	Cents	Cents	Cents	Cents	Cents	Cents
6.4 Headline and diluted headline earnings per share						
Headline earnings per share	62.6	2.9	65.5	95.5	1.3	96.8
Diluted headline earnings per share	62.0	2.9	64.9	94.9	1.3	96.2
6.5 Net asset value per share						
Net asset value per ordinary share is calculated by dividing the ordinary shareholders' equity by the number of ordinary shares in issue at year-end.						
Net asset value per share			1 453.6			1 640.4

[1] *Prior year comparatives have been reclassified for the effect of the discontinued operations as detailed in note 5.*

7 ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

Included in assets and liabilities classified as held for sale is The Building Company's asset and liabilities in relation to discontinued operations as at 30 September 2020. Refer to note 5 for further detail.

The group decided to dispose of the John Craig business. The business mainly operates in the smart/formalwear sector of the menswear market. This sector does not represent a strategic fit with the group's main business proposition of supplying discounted value-added products to its customers. An active sales plan has been put in place to dispose of the aforementioned assets and liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended **30 September 2020**

		Year ended 30 September 2020 Reviewed Rm	Year ended 30 September 2019 Reviewed Rm
7	**ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE continued**		
7.1	**Assets**		
	Intangible assets	4	–
	Property, plant and equipment	387	3
	Right-of-use asset	583	–
	Investments and loans	–	2
	Deferred taxation assets	409	–
	Trade and other receivables	823	2
	Inventories	1 357	2
	Current income taxation assets	40	–
	Cash and cash equivalents	629	9
	Total gross assets	4 232	18
	Loss recognised due to remeasurement of disposal group to fair value less cost to sell (note 5)	(172)	(18)
	Total assets post impairment	4 060	–
7.2	**Liabilities**		
	Long-term lease liability	(856)	–
	Employee benefits	(60)	–
	Deferred taxation liabilities	(207)	–
	Trade and other payables	(1 267)	(2)
	Short-term lease liability	(240)	–
	Short-term interest-bearing loans and borrowings	(1)	–
	Provisions	(8)	–
	Bank overdrafts and short-term facilities	(177)	–
	Total liabilities	(2 816)	(2)
7.3	**Net assets**	1 244	(2)
7.4	**Net assets per disposal group**		
	The Building Company		
	Total gross assets	4 048	–
	Loss recognised due to remeasurement of disposal group to fair value less cost to sell (note 5)	(172)	–
	Total liabilities	(2 670)	–
	Net assets	1 206	–
	John Craig		
	Total gross assets	184	–
	Total liabilities	(146)	–
	Net assets	38	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended **30 September 2020**

8 NET CASH FLOW ON ACQUISITION OF BUSINESSES

The group acquired the following businesses during the financial year:

- Effective 1 December 2019, 100% of the issued share capital of Abacus Holdco Proprietary Limited and its subsidiaries (Abacus) for a purchase price of R183 million. The acquisition has been approved by the relevant regulatory authorities. The Abacus product offering includes life- and short-term insurance. Abacus provides insurance products via its subsidiaries to customers of JD Group and other group businesses.
- Effective 1 March 2020, 100% of the issued share capital of Eezi Global Limited (Eezi) for a purchase price of GBP1. Eezi offers similar products and services to Flash in the European market and is included in the FinTech segment as part of the Flash business.
- Effective 1 June 2020 and 1 September 2020 respectively, the group acquired S.P.C.C. and CODE for a combined purchase price of R46 million. Both entities are retailers of clothing and general merchandise and form part of the Speciality division.

The board is of the opinion that these acquisitions present attractive investment opportunities that are aligned with the group's strategy to grow through value accretive acquisitions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended **30 September 2020**

8 NET CASH FLOW ON ACQUISITION OF BUSINESSES continued

8.1 The fair value of assets and liabilities assumed at date of acquisition

	Year ended 30 September 2020 Reviewed			
	Abacus Rm	Eezi Rm	S.P.C.C. and CODE Rm	Total Rm
Assets				
Property, plant and equipment	6	–	2	8
Intangible assets	–	–	17	17
Right-of-use assets	24	–	-	24
Deferred taxation assets	5	–	1	6
Trade and other receivables	52	22	3	77
Intercompany loans receivable	3	–	-	3
Inventories	–	–	16	16
Insurance and reinsurance receivables	30	–	-	30
Cash on hand	141	12	2	155
Liabilities				
Interest-bearing loans and borrowings	–	(9)	-	(9)
Long-term lease liability	(12)	–	-	(12)
Trade and other payables	(35)	(60)	(2)	(97)
Intercompany loans payable	–	–	(15)	(15)
Taxation payable	(5)	–	(1)	(6)
Employee benefits	–	–	(1)	(1)
Short-term lease liability	(11)	–	-	(11)
Insurance and reinsurance liabilities	(70)	–	-	(70)
Total assets and liabilities acquired	128	(35)	22	115
Goodwill and intangible assets attributable to acquisition	55	35	24	114
Total consideration	183	–	46	229
Cash on hand at date of acquisition	(141)	(12)	(2)	(155)
Intercompany loans acquired	(3)	–	15	12
Net cash outflow/(inflow) on acquisition of subsidiaries	39	(12)	59	86

The goodwill arising on the acquisition of these companies is attributable to the strategic business advantages acquired, principal retail locations, and knowledgeable employees and management strategies that did not meet the criteria for recognition as other intangible assets on the date of acquisition.

Contingent liabilities currently recognised on business combination amount to Rnil (2019: Rnil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended **30 September 2020**

	Year ended 30 September 2020 Reviewed Rm	Year ended 30 September 2019 Reviewed Rm
9 FINANCING		
Unutilised banking and debt facilities consist of the following:		
Committed	5 792	4 706
Uncommitted	2 524	2 354
Total	8 316	7 060

The group refinanced its interest-bearing loans and borrowings, which was successfully concluded and implemented on 30 September 2020. Further, as part of the same process, debt covenants over these funding facilities were amended to create sufficient headroom and enhance flexibility going forward. These covenants will become effective from the 2021 financial year and are as follows:

Covenant	Achieved 30 September 2020	Required 30 September 2020	Required 31 March 2021	Required 30 September 2021 and thereafter
Net debt: EBITDA cover	1.02	<2.75	<3.25	<3.00
EBITDA: Net interest cover	5.38	>4.00	>3.00	>3.50

Subsequent to the approval of the group's R10 billion domestic medium-term note programme by the JSE Limited on 2 March 2020, senior unsecured floating rate notes amounting to R1 billion were issued on 10 March 2020. The bonds issued consist of R800 million three-year floating rate notes with a coupon rate of three-month Jibar plus 159 bps and R206 million five-year floating rate notes with a coupon rate of three-month Jibar plus 174 bps.

10 CONTINGENT LIABILITIES

There were no significant changes in the contingent liabilities to those disclosed in the consolidated annual financial statements as at 30 September 2019, other than the BVI guarantee that was settled during the course of the year, therefore the group is no longer exposed to this guarantee at year-end.

11 RELATED PARTIES

During the year, the group entered into related party transactions in the ordinary course of business, the substance of which are similar to those disclosed in the group's annual financial statements for the year ended 30 September 2019. There were no material movements in the balances for the year ended 30 September 2020 and 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended **30 September 2020**

12 EFFECT OF COVID-19

The effect of the COVID-19 pandemic had a significant impact on the group's trading performance as most of our retail stores were not able to trade during lockdown. The aforementioned resulted in partial impairment of goodwill and the impairment of indefinite useful life intangible assets. Refer to note 12.1 and 12.2 respectively.

The effect of COVID-19 was further noted in the increase in expected credit losses (ECLs) due to additional risk factors. Provision levels on the Tenacity credit book, which facilitates credit sales in Ackermans and Speciality in the clothing and general merchandise segment, were increased to 22% (FY19: 17%), while provision levels on the Connect credit book, which facilitates sales for the furniture, appliances and electronics segment, and the Abacus book increased to 43% (FY19: 33%). Provision levels on the Capfin unsecured lending credit book forming part of the FinTech segment were increased to 26% (FY19: 15%). Refer to note 12.3 for further detail.

	Year ended 30 September 2020 Reviewed Rm	Year ended 30 September 2019 Reviewed Rm
12.1 Effect on goodwill		
Carrying amount at beginning of the year	41 865	42 537
Arising on business combinations (note 8)	114	–
Impairments (note 3)	(4 699)	(672)
	37 280	41 865
Impairment tests for CGUs containing goodwill		
Goodwill is monitored by management at the following group of CGUs, not greater than the four operating segments:		
Clothing and general merchandise		
Ackermans, Dunns, PEP, PEP Africa, Refinery, Shoe City, Tenacity	36 301	39 320
Tekkie Town	606	2 251
S.P.C.C., CODE	24	–
Furniture, appliances and electronics		
Bradlows, Rochester, Russells, Sleepmasters	12	12
Abacus	55	–
FinTech		
Call centre and debt collector	282	282
	37 280	41 865

The impairment test compares the carrying amount of the CGU, including goodwill to the higher of the value in use, or fair value less cost to sell of the unit. The recoverable amount of the group of CGUs is determined from the fair value less cost to sell calculation (2019: value in use model), using a discounted cash flow model.

The clothing and general merchandise segment experienced lower than expected growth in the current year, due to trade restrictions following lockdowns in the majority of countries where the group operates. Management expects constrained future growth, especially for the PEP Africa, Speciality and Tekkie Town divisions, due to weak projected macroeconomic activity and the effect thereof on customer disposable income.

An impairment charge has been recognised for goodwill when the carrying amount exceeds the recoverable amount. The recoverable amount of the group of CGUs reflected the fair value less cost to sell. During the year, an impairment charge of R3.0 billion was processed to impair the goodwill relating to Ackermans, Dunns, PEP, PEP Africa, Refinery, Shoe City and Tenacity group of CGUs; R1.6 billion was processed to impair the goodwill relating to Tekkie Town CGU; and R35 million relating to the goodwill of Eezi to its recoverable amount (2019: R672 million relating to the building materials CGU).

The recoverable amount of the Ackermans, Dunns, PEP, PEP Africa, Refinery, Shoe City and Tenacity group of CGUs was calculated at R49.6 billion and the Tekkie Town CGU at 30 September 2020 at R2.1 billion (30 September 2019: Tekkie Town CGU recoverable amount exceeding the carrying amount by R260 million. Ackermans, Dunns, PEP, PEP Africa, Refinery, Shoe City and Tenacity CGU was not sensitive to reasonable fluctuations in key assumptions and the recoverable amount was therefore not disclosed).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended **30 September 2020**

12 EFFECT OF COVID-19 continued

12.1 Effect on goodwill continued

The following table sets out the key assumptions for the group of CGUs that have been impaired in the current year:

	Clothing and general merchandise (excl Tekkie Town)	Tekkie Town
2020		
Post-tax discount rate	13.9%	14.8%
Short- to medium-term revenue (annual growth rates)	7.4%	5.5%
Long-term growth rate	5.5%	4.8%
Forecasted cash flows	5 years	5 years
2019		
Pre-tax discount rate	16.5%	16.2%
Medium-term revenue (annual growth rate)	10.5%	10.8%
Long-term growth rate	6.0%	6.0%
Forecasted cash flows	5 years	5 years

12.2 Effect on intangible assets

The impairment test compares the carrying amount of the CGU, including goodwill to the higher of the value in use, or fair value less cost to sell of the unit. The recoverable amount of the group of CGUs is determined from the fair value less cost to sell calculation (2019: value in use model), using a discounted cash flow model. The recoverable amount of the CGU reflected the fair value less cost to sell of R312 million (2019: value in use).

Indefinite useful life intangible assets were tested for impairment during the year and an impairment of R103 million was recognised relating to the Incredible Connection CGU within the furniture, appliances and electronics segment. The division experienced lower than expected growth in the current year due to trade restrictions following the national lockdown. Management expects constrained future growth, due to weak projected macroeconomic activity and the effect thereof on customer disposable income. (2019: R547 million relating to the building materials segment).

The following table sets out the key assumptions for the group of CGUs that have been impaired in the current year:

	Electronics
2020	
Post-tax discount rate	15.0%
Short- to medium-term revenue (annual growth rates)	2.0%
Long-term growth rate	4.8%
Forecasted cash flows	5 years
2019	
Pre-tax discount rate	17.4%
Medium-term revenue (annual growth rate)	6.0%
Long-term growth rate	6.0%
Forecasted cash flows	5 years

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended **30 September 2020**

12 EFFECT OF COVID-19 continued

12.3 Effect on ECLs

Debtors' costs increased by 48.3% to R1.7 billion as a result of increased credit book provision levels and bad debts. A conservative approach was applied in credit book provision levels in anticipation of a deterioration in the credit health of consumers, notwithstanding collection levels exceeding initial expectations. ECLs for each major credit type of credit granted by the group has increased from the prior year, mainly as a result of the abovementioned, and are as follows:

	Year ended 30 September 2020 Reviewed Rm	Year ended 30 September 2019 Reviewed Rm
Instalment sale agreement	923	989
Gross carrying amount	1 630	1 479
ECL	(707)	(490)
Credit sales through store cards	2 348	2 343
Gross carrying amount	2 999	2 822
ECL	(651)	(479)
Loans to customers	1 416	1 823
Gross carrying amount	1 905	2 154
ECL	(489)	(331)

Significant increase in credit risk (SICR)

A systematic and targeted approach to the impact of COVID-19 on the customer base has been included in the provision model in line with the group's existing policy.

Incorporating forward-looking information

A fundamental principle of IFRS 9 is that the ECL impairment provision that the group holds against potential future losses takes into account changes in the economic environment in the future. Forward-looking information of the scenarios considered in determining the group's forward-looking assumptions for the purposes of its ECL calculation has been applied to each type of credit granted by the group. Noting the wide range of possible scenarios and macroeconomic outcomes and the relative uncertainty of the social and economic consequences of COVID-19, the forward-looking scenarios analysed and applied represent reasonable and supportable forward-looking views as at the reporting date. The group further raised additional provisions via post-model adjustments (COVID-19 overlays).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended **30 September 2020**

13 CHANGE IN ACCOUNTING POLICIES

IFRIC 23 – Uncertainty Over Income Taxation Treatments

On 1 October 2019, the group adopted IFRIC 23, effective for financial years beginning on or after 1 January 2019. IFRIC 23 requires an entity to reflect uncertainty over income taxation treatments in the recognition and measurement of current and deferred taxation assets or liabilities, applying the requirements in IAS 12. Current and deferred taxation liabilities and assets should be presented separately from provisions. The Interpretations Committee concluded in an agenda decision in 2019 that an entity is required to present liabilities for uncertain taxation treatments as current taxation liabilities or deferred taxation liabilities, and assets for uncertain taxation treatments should be presented as current taxation assets or deferred taxation asset.

The above led to the voluntary restatement of prior year comparatives as detailed below:

Consolidated income statement

	Previously reported Year ended 30 September 2019 Rm	Restatement Year ended 30 September 2019 Rm	Restated Year ended 30 September 2019 Rm
Operating expenses	(14 321)	(100)	(14 421)
Taxation	(1 774)	100	(1 674)
Consolidated statement of financial position			
Non-current liabilities			
Provisions	464	(373)	91
Current liabilities			
Current income taxation liabilities	1 107	373	1 480

IFRS 16 – Leases

On 1 October 2019, the group adopted IFRS 16, effective for financial years ending on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces the previous leases standard and guidance, IAS 17 and IFRIC 4. IFRS 16 requires lessees to account for all leases under a single on-balance-sheet model where a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments, with the exception of low-value and short-term leases, which are expensed through operating expenses in the income statement on a straight-line basis.

Transition

The group has elected to adopt the modified retrospective approach by accounting for the right-of-use assets since the commencement date of the lease contract, with the cumulative income statement effect accounted for in opening retained earnings, and lease liabilities as at the date of initial application of IFRS 16, therefore the prior year comparatives have not been restated. At the date of initial application, the group elected to use the practical expedient provided by IFRS 16, which allows the group to apply IFRS 16 to only those contracts that were previously identified as leases under IAS 17 and IFRIC 4. The group further made use of the following practical expedients allowed under IFRS 16:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Using hindsight when determining the lease term where the contract contains renewal and termination options.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended **30 September 2020**

13 CHANGE IN ACCOUNTING POLICIES continued

When measuring lease liabilities on transition to IFRS 16, the group discounted the majority of its lease payments using an incremental borrowing rate of 9.38% for leases between 1 and 5 years, 10.01% for leases between 5 and 10 years and 10.85% for leases greater than 10 years at 1 October 2019. The following table reconciles the group's operating lease commitments at 30 September 2019, as previously disclosed in the group's annual financial statements, to lease liabilities recognised on initial application of IFRS 16:

	Rm
Total operating lease commitments at 30 September 2019	**11 036**
Prior year correction of operating lease commitments	**183**
Less: Short-term leases recognised on a straight-line basis as an expense	**(36)**
Less: Low-value asset leases	**(14)**
Add: Payments in optional extension periods not recognised at 30 September 2019 (undiscounted)	**14 812**
Discounting at weighted average incremental borrowing rate at 1 October 2019	**(8 959)**
Lease liabilities (non-current and current) at 1 October 2019	**17 022**
Below sets out the effect of the adoption of IFRS 16 on 1 October 2019 on retained earnings:	
Cumulative income statement effect on adoption of IFRS 16	**4 203**
Release of straight-line lease provisions to equity	**(576)**
Release of onerous lease provisions to equity	**(26)**
Release of rental prepayments to equity	**17**
Deferred taxation effect of above	**(978)**
	2 640

Comparative information has not been restated and has been reported under the previous IAS 17 and IFRIC 4. Refer to the Pro Forma Financial Information to provide detail of the impact of IFRS 16 on the annual financial statements and a more meaningful comparison of the current year's financial performance to the prior year to illustrate the impact should IFRS 16 not have been applied.

PRO FORMA FINANCIAL INFORMATION

The pro forma financial information excludes the impact of IFRS 16 presented in the condensed consolidated financial statements.

Pro forma condensed consolidated income statement

	Notes	As reported Year ended 30 Sep 2020[1] Reviewed Rm	IFRS 16 Adjustment Year ended 30 Sep 2020 Reviewed Rm	Pro forma after IFRS 16 Adjustment Year ended 30 Sep 2020 Reviewed Rm	As reported Year ended 30 Sep 2019[1] Reviewed Rm	% change on prior year
Revenue		63 679	–	63 679	61 454	3.6
Cost of sales	3	(41 237)	26	(41 211)	(39 055)	(5.5)
Gross profit		22 442	26	22 468	22 399	0.3
Operating income		703	32	735	887	(17.1)
Operating expenses	2	(11 323)	(3 589)	(14 912)	(14 421)	(3.4)
Debtors' costs		(1 670)	–	(1 670)	(1 126)	(48.3)
Operating profit before depreciation, amortisation and capital items		10 152	(3 531)	6 621	7 739	(14.4)
Depreciation and amortisation	3	(3 628)	2 347	(1 281)	(1 195)	(7.2)
Operating profit before capital items		6 524	(1 184)	5 340	6 544	(18.4)
Capital items	4	(5 140)	235	(4 905)	(60)	(>100)
Operating profit		1 384	(949)	435	6 484	(93.3)
Finance costs	5	(3 138)	1 553	(1 585)	(1 704)	7.0
Finance income		219	–	219	129	69.8
(Loss)/profit before associated income		(1 535)	604	(931)	4 909	(>100)
Share of net profit of associate		2	–	2	–	100.0
(Loss)/profit before taxation		(1 533)	604	(929)	4 909	(>100)
Taxation	6	(1 293)	21	(1 272)	(1 674)	24.0
(Loss)/profit from continuing operations		(2 826)	625	(2 201)	3 235	(>100)
Loss from discontinued operations	7	(208)	(181)	(389)	(1 074)	63.8
(Loss)/profit for the year		(3 034)	444	(2 590)	2 161	(>100)
(Loss)/profit attributable to:						
Owners of the parent		(3 034)	444	(2 590)	2 161	(>100)
Non-controlling interests		–	–	–	–	
(Loss)/profit for the year		(3 034)	444	(2 590)	2 161	(>100)
Earnings per share (cents)	12					
Total basic earnings per share from continuing operations		(80.3)	17.8	(62.5)	93.8	(>100)
Total basic earnings per share from discontinued operations		(5.9)	(5.1)	(11.0)	(31.1)	64.5
Total basic earnings per share		(86.2)	12.6	(73.6)	62.6	(>100)
Total headline earnings per share from continuing operations		62.6	12.8	75.4	95.5	(21.0)
Total headline earnings per share from discontinued operations		2.9	(4.5)	(1.5)	1.3	(>100)
Total headline earnings per share		65.5	8.4	73.9	96.8	(23.7)
Total diluted earnings per share from continuing operations		(79.4)	17.6	(61.8)	93.2	(>100)
Total diluted earnings per share from discontinued operations		(5.9)	(5.1)	(11.0)	(30.9)	64.5
Total diluted earnings per share		(85.3)	12.5	(72.8)	62.2	(>100)
Total diluted headline per share from continuing operations		62.0	12.7	74.7	94.9	(21.3)
Total diluted headline earning per share from discontinued operations		2.9	(4.4)	(1.5)	1.3	(>100)
Total diluted headline earnings per share		64.9	8.3	73.2	96.2	(23.9)

[1] *Extracted without modification from the group's condensed consolidated financial statements for the year ended 30 September 2020.*

PRO FORMA INFORMATION continued

Pro forma condensed consolidated income statement from discontinued operations

	Notes	As reported Year ended 30 Sep 2020[1] Reviewed Rm	IFRS 16 Adjustment Year ended 30 Sep 2020 Reviewed Rm	Pro forma after IFRS 16 Adjustment Year ended 30 Sep 2020 Reviewed Rm	As reported Year ended 30 Sep 2019[1] Reviewed Rm	% change on prior year
Revenue		7 247	–	7 247	8 227	(11.9)
Cost of sales		(5 764)	–	(5 764)	(6 604)	12.7
Gross profit		1 483	–	1 483	1 623	(8.6)
Operating income		48	–	48	73	(34.2)
Operating expenses	2	(1 018)	(277)	(1 295)	(1 484)	12.7
Debtors' costs		(63)	–	(63)	(11)	(>100)
Operating profit before depreciation, amortisation and capital items		450	(277)	173	201	(13.9)
Depreciation and amortisation	3	(266)	167	(99)	(104)	4.8
Operating profit before capital items		184	(110)	74	97	(23.7)
Capital items	4	(301)	(32)	(333)	(1 236)	73.1
Operating loss		(117)	(142)	(259)	(1 139)	77.3
Finance costs	5	(144)	90	(54)	(76)	28.9
Finance income		50	–	50	70	(28.6)
Loss before taxation		(211)	(52)	(263)	(1 145)	77.0
Taxation	6	7	(129)	(122)	71	(>100)
Loss from discontinued operations		(204)	(181)	(385)	(1 074)	64.2
Loss attributable to:						
Owners of the parent		(204)	(181)	(385)	(1 074)	64.2
Non-controlling interests		(4)	–	(4)	–	(100.0)
Loss for the year		(208)	(181)	(389)	(1 074)	63.8

Pro forma condensed consolidated segmental analysis

	As reported Year ended 30 Sep 2020[1] Reviewed Rm	IFRS 16 Adjustment Year ended 30 Sep 2020 Reviewed Rm	Pro forma after IFRS 16 Adjustment Year ended 30 Sep 2020 Reviewed Rm	As reported Year ended 30 Sep 2019[1] Reviewed Rm	% change on prior year
OPERATING PROFIT BEFORE CAPITAL ITEMS AND BVI-RELATED COSTS					
Clothing and general merchandise[2, 3]	6 176	(916)	5 260	6 130	(14.2)
Furniture, appliances and electronics	(55)	(246)	(301)	(85)	(>100)
Building materials[4]	129	(129)	–	153	(>100)
FinTech	458	(3)	455	483	(5.8)
	6 708	(1 294)	5 414	6 681	(19.0)

[1] *Extracted without modification from the group's condensed consolidated financial statements for the year ended 30 September 2020.*
[2] *Prior year segmental operating profit includes an adjustment of R40 million for BVI-related costs incurred.*
[3] *Operating profit before capital items for this segment includes R55 million (pro forma R74 million) relating to discontinued operations (2019: R56 million loss).*
[4] *Operating profit before capital items for this segment has been classified as discontinued operations.*

PRO FORMA INFORMATION continued

Pro forma condensed consolidated statement of financial position

	Notes	As reported As at 30 September 2020[1] Reviewed Rm	IFRS 16 Adjustment As at 30 September 2020 Reviewed Rm	Pro forma after IFRS 16 Adjustment As at 30 September 2019[1] Reviewed Rm	As reported As at 30 September 2019 Reviewed Rm
ASSETS					
Non-current assets					
Goodwill		37 280	–	37 280	41 865
Intangible assets		18 028	–	18 028	17 979
Property, plant and equipment	9	5 176	(77)	5 099	5 466
Right-of-use assets	8	10 770	(10 770)	–	–
Interest in associated companies		52	–	52	50
Investments and loans		108	–	108	174
Loans to customers		81	–	81	154
Deferred taxation assets	6, 8	2 468	(967)	1 501	1 242
		73 963	(11 814)	62 149	66 930
Current assets					
Inventories		10 729	–	10 729	13 825
Trade and other receivables	9	6 157	24	6 181	6 809
Loans to customers		1 335	–	1 335	1 669
Insurance and reinsurance receivables		9	–	9	–
Current income taxation assets		284	–	284	363
Cash and cash equivalents		5 241	–	5 241	3 925
		23 755	24	23 779	26 591
Non-current assets held for sale	10	4 060	(836)	3 224	–
		27 815	(812)	27 003	26 591
Total assets		101 778	(12 626)	89 152	93 521

[1] *Extracted without modification from the group's condensed consolidated financial statements for the year ended 30 September 2020.*

PRO FORMA INFORMATION continued

Pro forma condensed consolidated statement of financial position continued

	Notes	As reported As at 30 September 2020[1] Reviewed Rm	IFRS 16 Adjustment As at 30 September 2020 Reviewed Rm	Pro forma after IFRS 16 Adjustment As at 30 September 2019[1] Reviewed Rm	As reported As at 30 September 2019 Reviewed Rm
EQUITY AND LIABILITIES					
Capital and reserves					
Ordinary stated capital		67 234	–	67 234	64 690
Reserves	8	(14 027)	2 891	(11 136)	(8 098)
Total equity attributable to equity holders of the parent		53 207	2 891	56 098	56 592
Non-controlling interests		9	–	9	6
Total equity		53 216	2 891	56 107	56 598
Non-current liabilities					
Interest-bearing loans and borrowings		12 520	–	12 520	15 508
Lease liabilities	8	13 021	(13 021)	–	–
Employee benefits		86	–	86	89
Deferred taxation liabilities		3 933	–	3 933	4 037
Provisions		91	–	91	91
Trade and other payables	6	–	432	432	461
		29 651	(12 589)	17 062	20 186
Current liabilities					
Trade and other payables	6, 9	10 754	178	10 932	11 792
Insurance and reinsurance payables		49	–	49	–
Lease liabilities	8	2 064	(2 064)	–	–
Employee benefits		794	–	794	942
Provisions		175	–	175	173
Current income taxation liabilities		2 018	–	2 018	1 480
Interest-bearing loans and borrowings		–	–	–	1 510
Financial guarantees		–	–	–	491
Bank overdrafts and short-term facilities		241	–	241	347
		16 095	(1 886)	14 209	16 735
Liabilities associated directly with non-current assets classified as held for sale	10	2 816	(1 042)	1 774	2
		18 911	(2 928)	15 983	16 737
Total equity and liabilities		101 778	(12 626)	89 152	93 521
Net asset value per ordinary share (cents)		1 453.6	79.0	1 532.6	1 640.4

Pro forma condensed consolidated statement of cash flows

		As reported As at 30 September 2020[1] Reviewed Rm	IFRS 16 Adjustment As at 30 September 2020 Reviewed Rm	Pro forma after IFRS 16 Adjustment As at 30 September 2019[1] Reviewed Rm	As reported As at 30 September 2019 Reviewed Rm
Net cash inflow from operating activities	11	8 667	(2 033)	6 634	556
Net cash outflow from investing activities		(2 187)	–	(2 187)	(1 576)
Net cash (outflow)/inflow from financing activities	11	(4 549)	2 033	(2 516)	1 306

[1] *Extracted without modification from the group's condensed consolidated financial statements for the year ended 30 September 2020.*

PRO FORMA INFORMATION continued

Notes to the pro forma financial information

1 The pro forma financial information, which is the responsibility of the group's directors, has been prepared in order to illustrate the impact should IFRS 16 not have been applied and is presented for illustrative purposes only. The pro forma financial information is presented in accordance with the JSE Listings Requirements and the SAICA Guide on Pro Forma Financial Information. Therefore, because of its nature, the pro forma financial information may not fairly present the group's financial position, results of operations or cash flows. An assurance report (in terms of ISAE 3420: *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in a Prospectus issued by the International Auditing and Assurance Standards Board),* has been issued by the group's auditors, PricewaterhouseCoopers Inc., in respect of the pro forma financial information included in this announcement. The pro forma financial information, as set out below, should be read in conjunction with this assurance report.

2 The net effect of the following transactions in order to add back the IFRS 16 effect and reinstate the IAS 17 effect:

	Effect of adopting IFRS 16 As at 30 September 2020 Continuing operations Reviewed Rm	Effect of adopting IFRS 16 As at 30 September 2020 Discontinued operations Reviewed Rm
Reinstate operating lease expense	(3 390)	(277)
Reinstate equalisation of operating lease payments	(9)	–
Reverse profit on modification	(371)	(9)
Reverse foreign exchange losses	181	9
	(3 589)	(277)

3 Right-of-use assets are depreciated on a straight-line basis over the period of the lease term in accordance with IFRS 16. These adjustments reverse the depreciation on right of use assets.

4 Right-of-use assets are tested for impairment when impairment indicators are identified in accordance with IAS 36. These adjustments reverse the impairment (continued operations) or reversal of impairment (discontinued operations) that was required due to the recognition of right-of-use assets in accordance with IFRS 16.

5 Lease liabilities are subsequently measured at amortised cost using the effective interest method and reduced by future lease payments net of interest charged in accordance with IFRS 16. These adjustments reverse the effective interest recognised during the year pertaining to the lease liability.

6 Effect of reversing the deferred taxation effect on the net right-of-use asset and liability under IFRS 16 and reinstatement of deferred taxation effect relating to the equalisation of operating lease payments under IAS 17 and onerous leases under IAS 37.

7 Net effect of reversing note 2 to 6 to the Pro Forma Financial Information relating to the discontinued operations.

8 Effect of reversing the right-of-use assets net of impairments and lease liabilities under IFRS 16 with the corresponding deferred taxation and net opening retained earnings effect.

9 Effect of reversing the reclassification of finance leases and lease incentives to the right-of-use asset and reinstating prepaid rentals.

10 Net effect of reversing note 8 and 9 to the Pro Forma Financial Information relating to discontinued operations.

11 Reclassification of presentation within the cash flow due to the recognition of right-of-use assets and lease liabilities in accordance with IFRS 16.

12 Pro forma earnings per share, diluted earnings per share, headline earnings and diluted headline earnings per share are calculated on the same basis and using the same weighted average number of ordinary shares and weighted average number of dilutive ordinary shares as per note 6 of the notes to the condensed consolidated financial statements.

Pro forma headline earnings are adjusted for the post taxation (impairment)/impairment reversal effect of the right-of-use assets under IAS 36 as below:

	Continuing operations Rm	Discontinued operations Rm
Pro forma earnings attributable to ordinary shareholders	(2 201)	(385)
Capital items (note 3)	5 140	301
Taxation effect on capital items (note 6)	(111)	10
Right-of-use asset (impairment)/impairment reversal (note 3)	(235)	32
Taxation effect on (impairment)/impairment reversal of right-of-use assets	62	(9)
Pro forma headline earnings attributable to ordinary shares	**2 655**	**(51)**

Pro forma constant currency disclosure

The Pepkor group discloses unaudited constant currency information to indicate PEP Africa's performance in terms of sales growth, excluding the effect of foreign currency fluctuations. To present this information, current year turnover for PEP Africa reported in currencies other than ZAR is converted from local currency actuals into ZAR at the prior year's actual average exchange rates. The table below sets out the percentage change in sales, based on the actual continuing results for the year, in reported currency and constant currency, for the basket of currencies in which PEP Africa operates.

Change in sales on prior year (%)	**Reported currency**	**Constant currency**
PEP Africa	**(16.2)**	**(7.0)**

The pro forma constant currency disclosure is presented in accordance with the JSE Listings Requirements and the Guide on Pro Forma Financial Information issued by SAICA. The pro forma constant currency disclosure has been prepared for illustrative purposes only. Because of its nature, the pro forma constant currency disclosure may not fairly present Pepkor's financial position, changes in equity, results of operations or cash flows. The pro forma constant currency disclosure presented is the responsibility of the board and was reviewed by Pepkor's auditors.

CORPORATE INFORMATION

PEPKOR HOLDINGS LIMITED
('Pepkor' or 'the company' or 'the group')
(Incorporated in the Republic of South Africa)

Executive directors
LM Lourens (Chief executive officer), RG Hanekom (Chief financial officer)

Non-executive directors
J Naidoo (Chairman), JB Cilliers (Lead independent)*, TL de Klerk, LJ du Preez, WYN Luhabe*, SH Muller*, F Petersen-Cook*, JD Wiese
* *Independent*

Registration number
2017/221869/06

Share code
PPH

Debt code
PPHI

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ZAE000259479

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Transfer secretaries
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Company secretary
Pepkor Proprietary Limited

Auditors
PricewaterhouseCoopers Inc.

Equity sponsor
PSG Capital Proprietary Limited

Debt sponsor
Rand Merchant Bank (A division of FirstRand Bank Limited)

Corporate broker
Rand Merchant Bank (A division of FirstRand Bank Limited)

Announcement date
23 November 2020

PEPKOR
Holdings Limited

www.pepkor.co.za