PEPKOR
Holdings Limited

2022

REVIEWED ANNUAL RESULTS

for the year ended 30 September 2022

Highlights

Pepkor continues to deliver strong earnings growth in challenging operating conditions.

5.3% growth
in revenue to R81.4 billion

8.1% excluding Flash and lost sales due to the impact of floods

Revenue growth negatively impacted by:
- KwaZulu-Natal flooding of the PEP distribution centre in April 2022
- Recovery from the social unrest in July 2021
- Flash's change in product mix

9.2%
growth in the prior year

20.1% increase
in HEPS to 162.6 cents

+15.7% increase in normalised[1] HEPS to 150.7 cents

4.2% compound annual growth in group like-for-like sales over three years

R11.2 billion
cash generated from operations

92%
of sales are in cash

123 bps
gain in market share since pre-COVID-19[2]

1.9 billion
transactions processed

12 million
cellphones sold

Pepkor sells **7 out of 10** cellphones in South Africa

319
new stores opened (215 on a net basis)

Recently acquired Brazilian value retailer **Avenida** performing above expectations

5
new stores opened, expanding the store base to 135 stores

24.9% increase
in dividend to 55.2 cps

[1] *Normalised results exclude non-recurring items – refer to page 1 for further information.*
[2] *Retailers' Liaison Committee (RLC) and Growth from Knowledge (GfK) data over three years*

Pepkor achieved strong earnings growth for the year ended 30 September 2022 (FY22). Good operational execution and disciplined cost control contributed to strong growth in profitability.

Headline earnings per share (HEPS) increased by 20.1% to 162.6 cents. On a normalised[1] basis, which excludes non-recurring items, HEPS increased by 15.7% to 150.7 cents.

Operating conditions were challenging during the period and worsened towards the end of the financial year with trading impacted by numerous factors:

1. Social unrest

The social unrest in July 2021 resulted in the looting and damage of 549 of the group's stores and, while 386 of these stores were reopened by 30 September 2021, the reopening of 104 stores could only be completed during the current financial year due to factors outside the group's control, including infrastructure rebuild and delays in the reopening of shopping complexes. A further 37 stores will be reopened in the next financial year.

A significant achievement was the recovery of the total loss suffered during the social unrest and is the result of many hours of hard work to firstly restore operations as soon as possible and secondly, the insurance claims process, which took more than a year to complete.

2. KwaZulu-Natal floods

The widespread flooding in KwaZulu-Natal in April 2022 damaged the PEP distribution centre, which represents 40% of the PEP business's total distribution capacity. This negatively impacted in-store product availability and resulted in estimated lost sales of R460 million.

Operations were fully restored 16 weeks after the floods, and the total loss suffered is estimated at R800 million. The group carries insurance cover for material damage and business interruption and the claims process is underway. An interim insurance payment of R396 million was received during the year, with the remainder to be recovered in the next financial year.

3. Social grant payments

The disruption in social grant payments during the third and fourth quarter resulted in delays in payments to beneficiaries – negatively impacting consumer income and spending. The extension of the Social Relief of Distress (SRD) grant to March 2024 will support beneficiaries who need it the most.

4. Electricity supply

Electricity load shedding increased to unprecedented levels, especially during the last quarter. During the first half of 2022, load shedding increased by 80% compared to the prior year. Following this, load shedding increased to level 6. As a result, the group reported 313 000 lost trading hours during the year, reflecting an increase of 123.2% compared to the prior year. While 70.3% of the group's stores have backup power sources to support trading during power interruptions, the negative impact of load shedding on consumer behaviour is far reaching, with fewer customers visiting stores.

Group revenue increased by 5.3% to R81.4 billion, coming off a high base in the prior year where revenue growth of 9.2% was reported. Excluding the Flash business, where lower revenue was recognised due to a planned change in product mix, and R460 million in lost sales as a result of the flood damage to PEP's distribution centre, revenue growth is estimated at 8.1%.

Since the onset of COVID-19 three years ago, trading has been extremely volatile and it is pleasing that the group achieved compound annual like-for-like sales growth of 4.2% over this period. This highlights Pepkor's ability to produce consistent results through times of market uncertainty and demonstrates the strength of the group's positioning in the market.

Pepkor's market share expanded by a substantial 123 basis points across various product categories[2] over the last three years, further underscoring the discount and value leadership of Pepkor's retail brands.

The group remains highly cash generative with 92% of sales in cash. Cash of R11.2 billion was generated by the group during the year.

The group processed 1.9 billion sales transactions in FY22, leveraging its close proximity to customers through its expansive retail store footprint of 5 830 stores and reach into the informal market through 202 000 Flash traders. Pepkor's retail store footprint was expanded by 319 new store openings during the year (215 on a net basis) spanning across 2.6 million m^2.

The newly acquired Avenida value retail business in Brazil exceeded expectations in many respects as the value creation plan is rolled out. Five new stores were opened during the year.

[1] Normalised results

Normalised results exclude the following three non-recurring items in the FY21 and FY22 results:

FY22

- **Non-recurring recovery of exposure and settlement of claims and litigation** As reported during the group's FY22 interim results published on 27 May 2022, the group recovered its full exposure in terms of the management investment company loan, Business Venture Investments 1499 (RF) Proprietary Limited (BVI) and associated loans, and settled all Tekkie Town-related claims and litigation. This contributed c. 12 cents to FY22 earnings and headline earnings per share.
- **Non-recurring insurance recovery of capital items** Earnings benefited from insurance proceeds recovered for the damage sustained to fixture and fittings during the social unrest reported in July 2021. Damaged fixtures and fittings were written off at net book value, after accumulated depreciation, while the full replacement value was recovered from insurance. This recovery is included as a capital item in the group's FY22 results and contributed c. 6 cents to earnings per share only. Headline earnings, by definition, exclude capital items and are therefore not impacted by this insurance recovery.

FY21

- **Non-recurring IFRS 16 gain pertaining specifically to the acquisition of properties** As reported in the FY21 results published on 19 November 2021, a gain attributable to the acquisition of the portfolio of leased properties of R265 million is considered to be non-recurring in nature and contributed c. 5 cents per share to earnings and headline earnings per share in FY21.

[2] *Retailers' Liaison Committee (RLC) and Growth from Knowledge (GfK) data over three years*

Financial performance

Group revenue increased by 5.3% to R81.4 billion during the year. Revenue growth was impacted by various factors as detailed on page 1.

The group gross profit margin increased by 110 basis points to 35.4%. Group gross profit margin benefited from business interruption insurance proceeds which replaced lost sales, while higher interest rates and increased credit granting resulted in higher margins achieved in the group's financial services businesses.

Other income increased by 37.6% to R1.4 billion, including insurance proceeds of R510 million in FY22 and R171 million in FY21. Excluding these proceeds, other income increased by 6.5%.

Operating expenses (excluding debtors' costs and depreciation and amortisation) increased by 9.4%. Excluding the non-recurring IFRS 16 gain of R265 million in FY21 and Avenida operating expenses, operating expenses increased by 3.7% – well below revenue growth and continuing to achieve positive operating leverage.

Debtors' costs increased by 38.2% to R1.1 billion, normalising in FY22 following the release of provisions in FY21. Actual bad debts written off reduced by 13.4% to R990 million from R1.1 billion in FY21, reflective of the group's conservative approach to credit granting.

Operating profit (before capital items) increased by 11.0% to R10.3 billion and by 9.4% on a normalised basis.

Net finance costs increased by 7.1% to R2.2 billion. Excluding the IFRS 16 lease component, net finance costs increased by 24.9% based on higher interest rates and increased net debt.

Pepkor's effective tax rate amounted to 26.2%, reduced by the non-recurring recovery of exposure and settlement of claims and litigation[1], which is not taxable.

Inventory levels increased by 27.9% to R17.1 billion due to measures implemented to mitigate supply chain disruption through early merchandise inflows to ensure product availability. Notwithstanding this, the group's stock ageing has improved compared to the prior year across most businesses. Over the past five years, inventory levels increased by 9.3% (compounded annually). The opening of new stores and acquisition of Avenida further contributed to the increased inventory levels.

Net debt (excluding IFRS 16 lease liabilities) increased to R7.1 billion from R5.0 billion a year ago, mainly as a result of the Avenida acquisition being completed. The net debt-to-EBITDA ratio of 0.7 times and interest cover ratio of 12.3 times remain within targeted levels and substantially within contractual funding covenants.

The group continued to repurchase and cancel ordinary shares from the open market on the JSE during FY22 at a total cost of R643 million for the year. The cumulative number of ordinary shares repurchased and cancelled between September 2021 and 30 September 2022 amounted to 70.3 million shares at a total cost of R1.4 billion (average price of R19.99). The group will continue to repurchase shares opportunistically at attractive prices, providing sustained benefit to shareholders.

Pepkor achieved a total return on net assets of 35.1% in FY22. This excludes goodwill and intangibles and remains within the targeted range. In line with Pepkor's dividend policy of three times earnings cover, a dividend of 55.2 cents was declared for FY22.

[1] Normalised results exclude non-recurring items – refer to page 1 for further information

CLOTHING AND GENERAL MERCHANDISE

The clothing and general merchandise segment increased revenue by 8.8% to R53.6 billion and contributed 66% to group revenue for the year. Operating profit increased by 6.2% to R8.1 billion, representing 82% of the group's normalised operating profit. Positive operating leverage was achieved, excluding the newly acquired Avenida business, which is currently sub-scale.

PEP

PEP's performance was most impacted by disruption in social grant payments and the flooding of its KwaZulu-Natal distribution centre. This impacted in-store product availability and sales.

PEP **increased sales by 5.0%, and like-for-like sales increased by 2.7%**. Excluding the impact from the floods, sales growth is estimated at 6.8%. In core clothing, footwear and homeware (CFH), retail selling price inflation was 6.5%.

Over the past three years, compound annual like-for-like sales growth of 2.4% was achieved and market share increased by 37 basis points (RLC).

Best price leadership was maintained, with 96% of products sold equally priced or cheaper than the competition.

The PEP HOME stand-alone format achieved solid sales growth of 25.9% with substantial market share gains of 415 basis points over three years (RLC). The PEP HOME retail footprint was expanded to 355 stores through 61 new store openings.

PEP sold 8.1 million cellular handsets with more than 50% representing smartphones. Cellular performance was impacted by increased competition.

The PAXI parcel distribution initiative, which leverages the retail footprint of PEP and other Pepkor brands in over 2 800 locations, increased volumes by 20%. PAXI distributed 4.2 million parcels during the year and supports 24 000 small and medium enterprises.

PEP opened 134 new stores during the year, expanding its retail store base to 2 579 stores.

Ackermans

Performance in Ackermans was impacted by constrained consumers, electricity load shedding, which worsened in the last quarter, as well as incorrect merchandise mix decisions in some departments.

Ackermans **increased sales by 2.8%, and like-for-like sales increased by 1.1%**. In core clothing, footwear and essentials (CFE), retail selling price inflation was 5.1%.

Over the past three years, compound annual like-for-like sales growth of 6.5% was achieved and market share increased by 80 basis points (RLC).

The credit sales mix decreased marginally to 17% from 18% in the prior year notwithstanding a record number of new accounts opened.

The stand-alone Ackermans Woman format reported sales growth of 46.9%, supported by 12 new store openings, which increased the store base to 46 stores. The Ackermans Connect stand-alone format was expanded to 32 stores through 28 new store openings, and 2.7 million cellular handsets were sold during the year.

Ackermans opened a total of 77 new stores during the year and expanded its retail store base to 951 stores.

Ackermans' free click-and-collect service was rolled out to all stores and is performing well.

CLOTHING AND GENERAL MERCHANDISE *CONTINUED*

PEP Africa

PEP Africa performed well, **increasing sales by 4.3% and like-for-like sales by 5.8% in constant currency terms.** In South African rand terms, sales increased by 21.9% due to the strengthening of local currencies, and the business improved profitability substantially. The retail store footprint was consolidated further to 280 stores, while customer acquisition and reach is being enhanced through virtual channels. The group again achieved favourable repatriation of profits.

Speciality

The Speciality retail brands with their value offering performed extremely well from both a sales and profitability perspective. **Sales increased by 10.3% and like-for-like sales by 9.0%** (excluding John Craig, which was disposed of in February 2021). Including John Craig, sales increased by 6.6%. Compound annual like-for-like sales growth of 6.9% was achieved over the past three years and market share was expanded by 26 basis points (RLC) over the same period – consistently growing during every quarter of FY22. Online orders increased by 81.7% and average order value by 9.3%.

Tekkie Town performed well despite international branded supplier restrictions on product inflows. Shoe City successfully adapted their product ranges to new consumer trends, and Dunns enhanced its product offering in ladies outerwear. Refinery expanded its store base to 99 stores with 18 new stores opened during the year as its ability to trade in new location types is proving to be successful. S.P.C.C opened five stores after developing a brick-and-mortar store format as part of its omnichannel strategy to leverage its strong online capability. Online sales more than doubled during the year off a high base. CODE opened 10 new stores, expanding its retail footprint to 30 stores.

The Speciality store base was expanded to 864 stores following the opening of 48 new stores during the year.

Tenacity

The Tenacity credit book, which facilitates credit sales in the clothing and general merchandise retail brands, performed well. **The gross credit book increased to R3.4 billion from R3.1 billion a year ago.** The provision level reduced to 20% from 21% in the prior year based on positive collections and lower non-performing loans. The in-store revolving credit card now allows interoperability across all clothing and general merchandise stores (except PEP Africa and Avenida), providing more choice to customers and ensuring that credit is facilitated within the group.

Avenida

Pepkor acquired the Brazilian value retailer, Avenida, in February 2022 with 130 stores. The business was recapitalised and performed well, exceeding expectations in many respects.

For the eight months ended September 2022, sales increased by 37.5% and like-for-like sales by 35.8% in constant currency terms, compared to the prior corresponding period, supported by improved stock availability and trading densities. In South African rand terms, sales increased by 62.4%, supported by the strengthening of the Brazilian real. Avenida contributed 2.4% to Pepkor's group revenue during the current year.

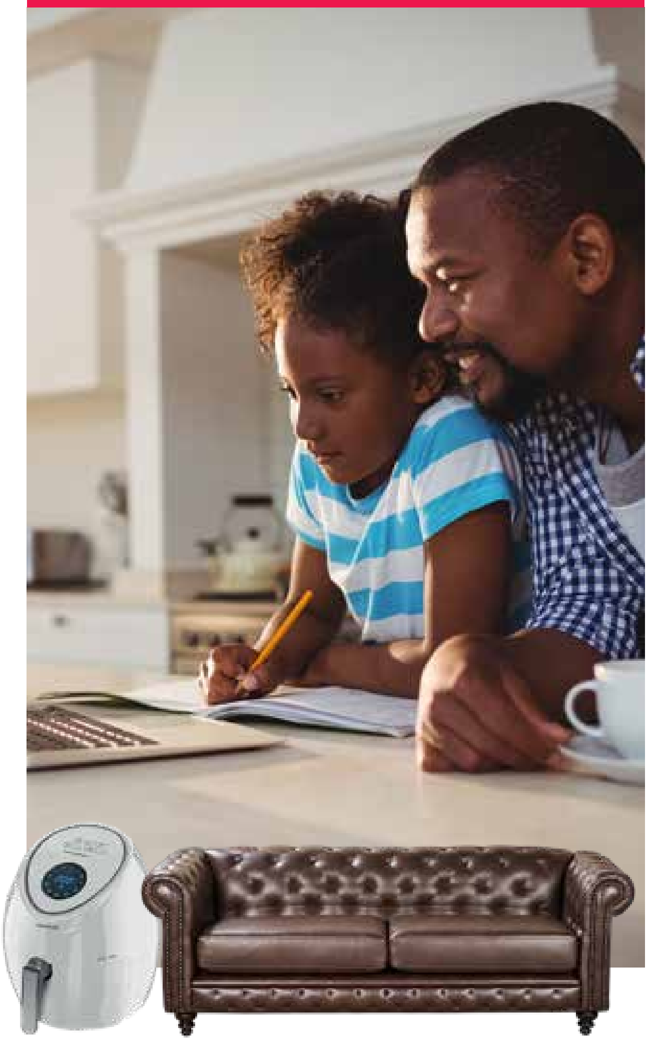
The business is in the process of being repositioned to leverage opportunities in Brazil's emerging market with Pepkor's ability and experience to provide products and services at scale and at affordable prices aligned with middle to low-end consumer markets. Avenida's focus is to formalise the highly fragmented clothing market, creating a predominant player in the value and discount retail market.

Avenida opened five new stores during the year, growing the store footprint to 135 stores. Based on the success of its value creation plan, new store openings planned in FY23 have been raised to 15 from 10 stores initially, with expansion to be funded by cash generated in-country.

The Avenida credit book, which facilitates 43% of sales, performed to expectation and amounted to R666 million (gross). The provision level is 24% based on non-performing loans, which are within expected levels.

FURNITURE, APPLIANCES AND ELECTRONICS

The furniture, appliances and electronics segment increased revenue by 6.0% to R11.4 billion while delivering strong operating profit growth of 51.6% to R601 million.



Sales in the JD Group increased by 5.4% and like-for-like sales by 3.9% for the year from a high base in the prior year and notwithstanding notably tougher trading conditions for durable products.

Consumer demand for household goods and consumer electronics weakened during the year after two years of exceptional growth driven by digitisation, technology upgrades, work/school-from-home and home improvement trends. During this time, JD Group took advantage of consolidation in the market to expand its market share in key product categories with 138 basis points (GfK) since pre-COVID-19. Over the past three years, JD Group achieved compound annual like-for-like sales growth of 6.2%.

In the JD Tech division, online sales increased by 43.7%, contributing 10% to divisional sales for the year.

Credit granting was expanded on a conservative basis during the year and resulted in the total credit sales mix increasing to 12% from 11% a year ago. As a result, the Connect credit book, which facilitates credit sales in JD Group, increased to R1.7 billion from R1.5 billion a year ago (gross). The provision level decreased to 31% from 35% a year ago, based on the improved quality and continued positive collections performance.

The JD Group store base was expanded to 888 stores and includes 48 new stores opened during the year. New store openings were predominantly driven by the expansion of the Sleepmasters specialist bedding brand.

JD GROUP

JD Home

Russells
BRADLOWS
ROCHESTER
Sleepmasters

JD Tech

HiFiCorp
incredible
everyshop.co.za

abacus

BUILDING MATERIALS

Strong performance in The Building Company (TBCo) continued into the second half of the year despite the negative trends that exist in the South African building and construction industry with continued slowdown in the rural and informal sectors.

The interest rate cycle, heightened electricity load shedding and product inflation are critical factors impacting business confidence and performance of the industry. Load shedding does not only impact the store network but also the various contractors that are unable to operate as a result.

In contrast with the declining industry, TBCo increased sales by 0.5% and like-for-like sales increased by 0.9% during the year. Over the past three years, TBCo achieved compound annual like-for-like sales growth of 3.2%.

The implementation of TBCo's strategic roadmap and the restructuring of the business has resulted in a consistent improved performance and growth in line with its business model. This, in addition to good cost control, resulted in **strong operating profit growth of 24.5% to R462 million**.

Timbercity was defranchised, with TBCo now operating all stores, and five Chipbase stores were rebranded to Timbercity stores. The consolidation of the Cachet and MacNeil operations into Brands4Africa was also completed during the year – reducing its operating cost base.

The store base was expanded to 133 retail stores through seven new store openings during the year.

THE BUILDING COMPANY

General building material

BUCO, Timbercity

Wholesale

MACNEIL, CACHET, Citiwood, Brands4Africa

Specialised building material

H&B, Buchel, tiletoria, BONE, Bildware

FINTECH

Revenue in the FinTech segment decreased by 11.1% to R7.9 billion, impacted by lower revenue recognised in the Flash business. Profitability, however, remains intact, and operating profit increased by 13.8% to R724 million.

flash

Revenue declined in the Flash business as a result of a deliberate change in product mix to include more products where income is recognised as 'net commission' versus the 'full transaction value' as determined by International Financial Reporting Standards.

The Flash business supports 202 000 traders in the informal market and is immersed in the South African informal market. The average turnover generated per trader improved by 12% during the year. Flash's understanding of consumer needs, the technology used and their extensive interconnected network of partners work to better connect the informal and formal market sectors.

During the year, Flash **digitised cash of R6.7 billion and achieved significant growth in cellular activations and 1Voucher transactions**, which connect consumers to more than 100 virtual content partners. Flash increased profitability by 19.3%.

capfin

The Capfin business performed well with healthy growth in new loan activations. The number of Capfin loans increased by 13% to 270 000 at 30 September 2022 compared to a year ago and the targeted new loan mix of 75% six-month loans was achieved. The credit book is in a healthy state and **increased to R2.2 billion from R1.9 billion a year ago (gross)**. The provision level reduced to 17% from 19% last year based on satisfactory levels of collections and non-performing loans maintained at healthy levels.

Outlook

Trading during October 2022 continued to be volatile, especially where retail brands were impacted by electricity load shedding, and the group is concerned about consumer spending power given the macroeconomic backdrop. Plans are in place across all brands to optimise sales over the coming peak trading period.

Higher levels of inflation are expected during the coming winter season and the group's merchandise teams continue to focus on supporting customers by minimising price increases. Supply chain disruptions have reduced, including the cost of shipping.

As the leader in the discount and value retail space, Pepkor has an unparalleled ability to operate in close proximity to customers from both the formal and informal retail market perspectives, enabled by its physical and virtual presence and capability.

The group's ability to sell outside of normal trading hours through its 202 000 Flash traders allows it to reach customers through means easily accessible to them. Pepkor sold 12 million cellular handsets in FY22, representing seven out of 10 cellular handsets sold in South Africa, and will focus on enabling customers to access products and services that they need from Pepkor in an ever-increasingly competitive landscape.

Dividend

The board declared a dividend of 55.2 cents per ordinary share payable to shareholders on Monday, 23 January 2023. The dividend has been declared out of income reserves.

Share certificates may not be dematerialised or rematerialised between Wednesday, 18 January 2023 and Friday, 20 January 2023, both days inclusive. The maximum local dividend tax rate is 20%. The net local dividend amounts to 44.13333 cents per share for shareholders liable to pay dividend tax at the maximum rate, and 55.16667 cents per share for shareholders exempt from paying dividend tax. The issued ordinary share capital of Pepkor Holdings Limited as at the date of this declaration is 3 678 million ordinary shares. Pepkor Holdings Limited's tax reference number is IT9542320180.

Last date to trade cum dividend –
Tuesday, 17 January 2023

Date trading commences ex dividend –
Wednesday, 18 January 2023

Record date –
Friday, 20 January 2023

Payment date –
Monday, 23 January 2023

Changes to the board and committees

Leon Lourens, the Pepkor chief executive officer (CEO), has taken early retirement with effect from 31 March 2023 and resigned as CEO and from the board on 30 September 2022. Leon will be available to Pepkor during his notice period until the end of March 2023 in order to facilitate the transition to the new CEO.

Leon has served the Pepkor Group for 32 years and was appointed as CEO of Pepkor on 6 December 2017. The board is indebted to Leon for his exemplary leadership and valuable contribution to the group during a time that Pepkor faced a number of challenges, including dealing with the repercussions of the Steinhoff crisis, the effects of the COVID-19 pandemic, the 2021 social unrest and the 2022 KwaZulu-Natal floods. Under his stewardship, the group successfully navigated these challenges and continued to deliver commendable results. Leon was also instrumental in the conclusion of Pepkor's acquisition of the Brazilian retailer, Avenida. The company wishes Leon well in his future endeavours.

The board announced the appointment of Pieter Erasmus, a non-executive director of the company at the time, as an executive director and the CEO of Pepkor with effect from 1 October 2022. Pieter is a chartered accountant and has considerable retail industry experience, having served as Pepkor group CEO from 2001 to 2017. Pieter ceased to be a member of the human resources and remuneration committee from the effective date of his appointment as CEO and was appointed to the social and ethics committee on 1 November 2022.

Appreciation

The Pepkor board and management appreciate the continued support from investors, customers, employees and suppliers and value their loyalty to Pepkor and its retail brands.

Wendy Luhabe
Independent non-executive chair

Pieter Erasmus
Chief executive officer

Riaan Hanekom
Chief financial officer

21 November 2022

Independent auditor's review report

on condensed consolidated financial statements

To the shareholders of Pepkor Holdings Limited

We have reviewed the condensed consolidated financial statements of Pepkor Holdings Limited, contained in the accompanying preliminary report set out on pages 11 to 24 of the preliminary report, which comprise the condensed consolidated statement of financial position as at 30 September 2022 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 preliminary 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 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 performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these 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 2022 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary 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.

PricewaterhouseCoopers Inc.
Director: D de Jager
Registered auditor

Stellenbosch, South Africa

21 November 2022

Pro forma financial information assurance report

Report on the assurance engagement on the compilation of pro forma financial information included in the reviewed annual results of Pepkor Holdings Limited for the year ended 30 September 2022

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 (Pepkor or the company) and its subsidiaries (the group) by the directors. The pro forma financial information, as set out in the pro forma financial information on pages 25 to 27 in the reviewed annual results for the year ended 30 September 2022, consist of the impact of the constant currency disclosure, the impact of the insurance income recognised from social unrest claims and the impact of the Steinhoff global settlement net recovery on the group's condensed consolidated income statement for the year ended 30 September 2022 and the impact on basic and diluted earnings per share and basic and diluted headline earnings per share (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 set out on pages 25 to 27 of the reviewed annual results for the year ended 30 September 2022.

The pro forma financial information has been compiled by the directors of Pepkor to illustrate the impact of the constant currency disclosure, the impact of the insurance income recognised from social unrest claims and the impact of the Steinhoff global settlement net recovery on the group's condensed consolidated income statement and the effect on basic and diluted earnings per share and basic and diluted headline earnings per share. As part of this process, information about the company's financial position and financial performance has been extracted by the directors from the company's condensed consolidated financial statements for the year ended 30 September 2022, 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 set out on pages 25 to 27 of the reviewed annual results for the year ended 30 September 2022.

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 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, 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 set out on pages 25 to 27 of the reviewed annual results for the year ended 30 September 2022 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.

PRO FORMA FINANCIAL INFORMATION ASSURANCE REPORT *continued*

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 set out on pages 25 to 27 of the reviewed annual results for the year ended 30 September 2022.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: D de Jager
Registered auditor

Stellenbosch, South Africa

21 November 2022

Condensed consolidated financial statements

for the year ended **30 September 2022**

Condensed consolidated income statement

	Notes	Year ended 30 September 2022 Reviewed Rm	Year ended 30 September 2021 Reviewed Rm	% change
Revenue	2	81 396	77 329	5.3
Retail revenue		78 915	75 208	4.9
Financial services revenue		2 150	1 798	19.6
Insurance revenue		331	323	2.5
Cost of sales		(52 583)	(50 795)	(3.5)
Cost of merchandise sold		(52 729)	(50 622)	(4.2)
Cost of merchandise written off – social unrest and floods		(318)	(673)	52.7
Insurance claim recovery – social unrest and floods		464	500	(7.2)
Gross profit		28 813	26 534	8.6
Other income		1 448	1 052	37.6
Other income excluding insurance claim recovery – social unrest and floods		938	881	6.5
Insurance claim recovery – social unrest and floods		510	171	> 100
Steinhoff global settlement net recovery	1.2	439	–	100
Operating expenses		(14 989)	(13 697)	(9.4)
Debtors' costs		(1 085)	(785)	(38.2)
Operating profit before depreciation, amortisation and capital items		14 626	13 104	11.6
Depreciation and amortisation		(4 293)	(3 799)	(13.0)
Operating profit before capital items		10 333	9 305	11.0
Capital items	3	146	(164)	> 100
Capital items excluding insurance claim recovery – social unrest and floods		(151)	(164)	7.9
Insurance claim recovery – social unrest and floods		297	–	100
Operating profit		10 479	9 141	14.6
Finance costs	4	(2 468)	(2 334)	(5.7)
Finance income		262	275	(4.7)
Profit before associated income		8 273	7 082	16.8
Share of net profit of associate		4	2	100
Profit before taxation		8 277	7 084	16.8
Taxation	5	(2 168)	(2 208)	1.8
Profit for the year		6 109	4 876	25.3
Profit attributable to:				
Owners of the parent		6 114	4 875	25.4
Non-controlling interests		(5)	1	(> 100)
Profit for the year		6 109	4 876	25.3
Earnings per share (cents)				
Total basic earnings per share	6	165.5	132.7	24.7
Total diluted earnings per share	6	163.0	130.8	24.6

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *continued*

for the year ended **30 September 2022**

Condensed consolidated statement of comprehensive income

	Note	Year ended 30 September 2022 Reviewed Rm	Year ended 30 September 2021 Reviewed Rm
Profit for the year		6 109	4 876
Other comprehensive (OCI) income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		598	(77)
Net fair value gain/(loss) on cash flow hedges		1 350	(740)
Deferred taxation on cash flow hedges		(60)	52
Foreign currency translation reserve (FCTR) released to profit or loss on liquidation of foreign subsidiaries	3	(50)	(89)
Total other comprehensive income/(loss) for the year, net of taxation		1 838	(854)
Total comprehensive income for the year		7 947	4 022
Total comprehensive income attributable to:			
Owners of the parent		7 952	4 021
Non-controlling interests		(5)	1
Total comprehensive income for the year		7 947	4 022

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *continued*

for the year ended **30 September 2022**

Condensed consolidated statement of changes in equity

	Year ended 30 September 2022 Reviewed Rm	Year ended 30 September 2021 Reviewed Rm
Balance at beginning of the year	58 188	53 388
Changes in reserves		
Total comprehensive income for the year attributable to owners of the parent	7 952	4 021
Share issued under Pepkor Executive Share Rights Scheme	231	118
Share issued as properties purchase consideration	19	1 031
Share buy-back and cancellation	(643)	(762)
Treasury shares purchased by a subsidiary company of the group	(9)	–
Dividends paid	(1 634)	–
Transactions with non-controlling interests	–	(10)
Net movement in share-based payment reserve	29	111
Transfers to retained earnings	(13)	37
Transfers from other reserves	33	–
Net fair value (loss)/gain on cash flow hedged transferred to inventory	(785)	263
Recognition of put option reserve	(606)	–
Changes in non-controlling interests		
Non-controlling interest recognised on acquisition of subsidiaries	172	–
Total comprehensive income for the year attributable to non-controlling interests	(5)	1
Transactions with non-controlling equity holders	–	(1)
Exchange differences on consolidation of foreign subsidiaries	16	–
Dividends paid	–	(9)
Balance at end of the year	62 945	58 188
Comprising:		
Ordinary stated capital	67 228	67 621
Treasury shares	(9)	–
Common control reserve	(11 755)	(11 755)
Retained earnings	7 292	2 825
Share-based payment reserve	409	380
Hedging reserve	546	41
Foreign currency translation reserve	(367)	(915)
Put option reserve	(606)	–
Other reserves	24	(9)
Non-controlling interests	183	–
	62 945	58 188

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *continued*

for the year ended **30 September 2022**

Condensed consolidated statement of financial position

	Note	30 September 2022 Reviewed Rm	30 September 2021 Reviewed Rm
ASSETS			
Non-current assets			
Goodwill	7	39 204	37 280
Intangible assets		19 004	18 090
Property, plant and equipment		8 341	6 874
Right-of-use assets	8	11 101	10 230
Interest in associate		64	55
Investments and loans		49	69
Loans to customers		5	1
Deferred taxation assets		3 022	2 764
		80 790	75 363
Current assets			
Inventories		17 066	13 347
Trade and other receivables		8 511	6 984
Loans to customers		1 842	1 534
Insurance and reinsurance receivables		39	16
Current income taxation assets		262	233
Investments and loans		110	31
Cash and cash equivalents		4 947	6 174
		32 777	28 319
Total assets		113 567	103 682
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary stated capital		67 228	67 621
Reserves		(4 466)	(9 433)
Total equity attributable to equity holders of the parent		62 762	58 188
Non-controlling interests		183	–
Total equity		62 945	58 188
Non-current liabilities			
Interest-bearing loans and borrowings		10 350	10 720
Lease liabilities		11 861	11 952
Employee benefits		233	146
Deferred taxation liabilities		4 235	4 152
Provisions		315	91
Put option liability	7	682	–
		27 676	27 061
Current liabilities			
Trade and other payables		14 712	12 235
Insurance payables		76	74
Lease liabilities		2 836	2 377
Employee benefits		1 250	1 268
Provisions		92	73
Interest-bearing loans and borrowings		1 129	–
Current income taxation liabilities		2 273	1 975
Bank overdrafts		578	431
		22 946	18 433
Total equity and liabilities		113 567	103 682

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *continued*

for the year ended **30 September 2022**

Condensed consolidated statement of cash flows

	Notes	Year ended 30 September 2022 Reviewed Rm	Year ended 30 September 2021 Reviewed Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		10 479	9 141
Adjusted for:			
Debtors' write-offs and movement in provision		1 357	1 159
Depreciation and amortisation		4 293	3 799
Non-cash capital items	3	151	164
Inventories written down to net realisable value		851	810
Profit on lease modification		(769)	(903)
Share-based payment expense		260	229
Non-working capital provisions releases and other non-cash adjustments		(28)	320
		16 594	14 719
Working capital changes			
Increase in inventories		(5 115)	(1 854)
Increase in trade and other receivables		(490)	(212)
Increase in instalment sale receivables and credit sales through store cards		(1 331)	(930)
Increase in loans to customers		(740)	(569)
Increase/(decrease) in trade and other payables		2 269	(121)
Net changes in working capital		(5 407)	(3 686)
Cash generated from operations		11 187	11 033
Net dividends paid		(1 634)	–
Finance cost paid		(2 321)	(2 221)
Finance income received		238	252
Taxation paid		(2 005)	(1 953)
Net cash inflow from operating activities		5 465	7 111
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment and intangible assets		(2 550)	(1 851)
Proceeds on disposal of property, plant and equipment and intangible assets		39	26
Payment for acquisition of subsidiary, net of cash and cash equivalents acquired	7	(1 843)	–
Settlement of BVI loan		609	–
Decrease in investments and loans		305	17
Increase in investments and loans		(25)	(16)
(Increase)/decrease in investments and loans in equity accounted companies		(5)	1
Disposal of business, net of cash and cash equivalents acquired		–	63
Net cash outflow from investing activities		(3 470)	(1 760)
CASH FLOWS FROM FINANCING ACTIVITIES			
Amount paid on share buy-back		(643)	(762)
Treasury shares purchased		(9)	–
Transactions with non-controlling interests		–	(20)
Amounts paid on long-term interest-bearing loans and borrowings		(5 338)	(6 500)
Amounts received on long-term interest-bearing loans and borrowings		5 000	4 700
Principal lease liability repayments		(2 783)	(2 403)
Net cash outflow from financing activities		(3 773)	(4 985)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1 778)	366
Effects of exchange rate translations on cash and cash equivalents		404	(75)
Cash and cash equivalents at beginning of the year		5 743	5 452
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		4 369	5 743
Consisting of:		4 947	6 174
Cash and cash equivalents		(578)	(431)
Bank overdrafts		4 369	5 743

Notes to the condensed consolidated financial statements

for the year ended **30 September 2022**

Basis of preparation

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements and Debt Listings Requirements (collectively, the Listings Requirements) for preliminary reports and the requirements of the South African Companies Act. The Listings Requirements require preliminary 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.

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 group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 2022 have been supervised by RG Hanekom CA(SA), the group's chief financial officer.

These condensed consolidated financial statements for the year ended 30 September 2022 have been reviewed by PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion thereon. A copy of the auditor's review report is available for inspection at the company's registered office together with the financial statements identified in the auditor's report. 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 the information contained in this announcement.

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

Significant events

SHARE CAPITAL

The following movements in ordinary shares were recorded during the year:

- The group issued 11.8 million ordinary shares on 1 March 2022 for share rights that vested under the Pepkor Executive Share Rights Scheme.
- The group issued 1.3 million ordinary shares in September 2022 as consideration for the transfer by way of cession and delegation of a long-term material lease in respect of a property.
- The group repurchased and cancelled 32.2 million ordinary shares during the current financial year from the open market on the JSE.
- A subsidiary company of the group purchased 427 651 ordinary shares during the current financial year from the open market on the JSE that are classified as treasury shares in the annual financial statements.

INTEREST-BEARING LOANS AND BORROWINGS

During March 2022, the group replaced Term Loan D of R2.5 billion, which carried interest at three-month JIBAR plus 205 bps, and revolving credit facility B of R2.5 billion, which carried interest at three-month JIBAR plus 210 bps, with the following two term loans and revolving credit facility:

- Revolving credit facility C: three-year facility of R1.5 billion at three-month JIBAR plus 140 bps
- Term loan H: four-year term loan of R1 billion at three-month JIBAR plus 150 bps
- Term loan I: five-year term loan of R2.5 billion at three-month JIBAR plus 155 bps

This further strengthens the group's liquidity and debt repayment profile and reduces the group's cost of funding.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *continued*

for the year ended **30 September 2022**

ACQUISITION OF THE GRUPO AVENIDA BUSINESS IN BRAZIL

Effective 3 February 2022, Pepkor acquired an effective shareholding of approximately 87% in the Brazilian retailer Grupo Avenida S.A. (Avenida) for a total cash consideration representing less than 4% of Pepkor's market capitalisation at the time. Avenida is a Brazilian value apparel retail business established by the Caseli family and has operated successfully for more than 42 years in the low end of the retail market. It has a highly regarded management team with a proven track record and a culture that resonates with the group's own values and beliefs. Between the two organisations there is great opportunity for synergies for Avenida to leverage from the core assets and competencies of Pepkor. This platform allows Pepkor the ideal opportunity to enter the Brazilian market and enable Avenida to fulfill its potential over time. Refer to note 7 for further detail.

STEINHOFF GLOBAL SETTLEMENT

During the 2020 financial year, Pepkor advanced a bridge loan facility to an investment company, Business Venture Investments 1499 (RF) Proprietary Limited (BVI), to settle the external funding, including the guarantee, with RMB, where Pepkor was a guarantor. This follows Pepkor providing for the full exposure, including associated employee loans, in the 2018 financial year. The Steinhoff global settlement (refer to Steinhoff SENS announcement issued on 15 February 2022) resulted in the recovery and consequent reversal of the impairment pertaining to the guarantee of R529 million and associated employee loans of R90 million.

Further, as part of the global settlement agreement, all legal disputes relating to the former owners and management of Tekkie Town, as previously reported in the consolidated annual financial statements as at 30 September 2021, were settled. The net impact of the settlement was R180 million.

EFFECT OF SOUTH AFRICA'S POLITICAL AND SOCIAL UNREST

The group suffered damage to 549 stores that were looted and damaged in the social unrest that erupted in South Africa during July 2021. The group carries comprehensive insurance cover in terms of South African Special Risks Insurance Association (SASRIA) for material damage and business interruption and has recovered the total loss suffered of R1.5 billion.

KWAZULU-NATAL FLOODS

During April 2022, KwaZulu-Natal experienced severe weather conditions that led to wide-scale flooding across the region. One of PEP's three distribution centres (Isipingo) sustained significant damage. It took 16 weeks to fully restore operations. The total damage is estimated to be circa R800 million and the group has received an interim payment of R396 million for material damage and business interruption.

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 2022**

1 SEGMENTAL ANALYSIS

1.1 BASIS OF SEGMENTAL PRESENTATION

The segmental information was 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 executive members of the board of directors have 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 2021. The board of directors identifies and monitors segments in relation to differences in products and services.

Geographical analysis

The CODM reviews revenue, operating profit and assets as one geographical region.

Major customers

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

	Clothing and general merchandise[1,2] Reviewed Rm	Furniture, appliances and electronics Reviewed Rm	Building materials Reviewed Rm	FinTech[1,2] Reviewed Rm	Total Reviewed Rm
Year ended 30 September 2022					
Revenue	53 627	11 411	8 458	7 900	81 396
Significant expenses					
Amortisation and depreciation (recognised in operating expenses)	(3 471)	(451)	(284)	(87)	(4 293)
Personnel expenses	(6 017)	(1 357)	(1 043)	(627)	(9 044)
Debtors' costs	(537)	(195)	(15)	(338)	(1 085)
Operating profit before capital items and Steinhoff global settlement net recovery	8 107	601	462	724	9 894
Reconciliation of operating profit					
Operating profit per segmental analysis					9 894
Capital items (note 3)					146
Steinhoff global settlement net recovery (note 1.2)					439
Operating profit per income statement					10 479
Share of net profit of associate					4
Finance costs (note 4)					(2 468)
Finance income					262
Profit before taxation per income statement					8 277

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *continued*

for the year ended **30 September 2022**

1 SEGMENTAL ANALYSIS continued

1.1 BASIS OF SEGMENTAL PRESENTATION continued

	Clothing and general merchandise[1,2] Reviewed Rm	Furniture, appliances and electronics Reviewed Rm	Building materials Reviewed Rm	FinTech[1,2] Reviewed Rm	Total Reviewed Rm
Year ended 30 September 2021					
Revenue	49 267	10 763	8 416	8 883	77 329
Segmental analysis of significant expenses					
Amortisation and depreciation (recognised in operating expenses)	(2 985)	(459)	(273)	(82)	(3 799)
Personnel expenses	(5 454)	(1 296)	(1 060)	(574)	(8 384)
Debtors' costs	(432)	(129)	8	(232)	(785)
Operating profit before capital items and profit on modification relating to the Steinhoff property acquisition[3]	7 637	396	371	636	9 040
Reconciliation of operating profit					
Operating profit per segmental analysis					9 040
Capital items (note 3)					(164)
Profit on modification relating to the Steinhoff property acquisition[3]					265
Operating profit per income statement					9 141
Share of net profit of associate					2
Finance costs (note 4)					(2 334)
Finance income					275
Profit before taxation per income statement					7 084

[1] FinTech segment revenue is disclosed net of intergroup revenue of R1.8 billion (2021: R2.0 billion) earned relating to the sale of virtual vouchers and airtime as well as hand-held devices to the clothing and general merchandise segment.

[2] The FinTech segment operating profit is disclosed net of intersegment expenses of R15 million (2021: R10 million) paid to the clothing and general merchandise segment relating to the use of its footprint.

[3] During the 2022 financial year, the CODM adjusted the prior year comparatives in order to review the financial results per operating segment without the effect of non-recurring gains. The CODM further reallocated R65 million from the Clothing and general merchandise segment to the FinTech segment as they were of the opinion that certain expenses should be measured under the FinTech segment. The reallocations were as follows:

Operating profit before capital items	Clothing and general merchandise	Furniture, appliances and electronics	Building materials	FinTech	Total
Previously reported	7 786	447	371	701	9 305
Profit on modification relating to the Steinhoff property acquisition	(214)	(51)	–	–	(265)
Reallocation of FinTech segment related expenses	65	–	–	(65)	–
Prior year comparatives as reported above	7 637	396	371	636	9 040
Operating profit per segmental analysis					9 040
Capital items (note 3)					(164)
Profit on modification relating to the Steinhoff property acquisition					265
Operating profit per income statement					9 141

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *continued*

for the year ended **30 September 2022**

1 SEGMENTAL ANALYSIS continued

1.1 BASIS OF SEGMENTAL PRESENTATION continued

	Year ended 30 September 2022 Reviewed Rm	Year ended 30 September 2021 Reviewed Rm
SEGMENTAL ASSETS	108 461	97 408
RECONCILIATION BETWEEN TOTAL ASSETS AND SEGMENTAL ASSETS		
Total assets per statement of financial position	113 567	103 682
Less: Cash and cash equivalents	(4 947)	(6 174)
Less: Long-term investments and loans	(49)	(69)
Less: Short-term investments and loans	(110)	(31)
Segmental assets	108 461	97 408

1.2 STEINHOFF GLOBAL SETTLEMENT NET RECOVERY

	Year ended 30 September 2022 Reviewed Rm	Year ended 30 September 2021 Reviewed Rm
BVI impairment reversal	529	–
Employee loans impairment reversal	90	–
Settlement of litigation disputes	(180)	–
Total Steinhoff global settlement net recovery	439	–

2 REVENUE

	Year ended 30 September 2022 Reviewed Rm	Year ended 30 September 2021 Reviewed Rm
Revenue from contracts with customers		
Sale of goods and related revenue (note 2.1.1)[1]	78 233	74 644
Service fee income	469	397
Other revenue[1]	213	167
Other sources of revenue		
Financial services revenue (note 2.1.2)[2]	2 150	1 798
Insurance revenue (note 2.1.3)[2]	331	323
	81 396	77 329

2.1 DISAGGREGATION OF REVENUE FROM CONTRACTS

2.1.1 Sale of goods and related revenue

	Year ended 30 September 2022 Reviewed Rm	Year ended 30 September 2021 Reviewed Rm
Clothing and general merchandise		
South Africa	44 091	41 980
Other countries	8 598	6 607
Furniture, appliances and electronics		
South Africa	9 749	9 054
Other countries[3]	653	711
Building materials		
South Africa	8 159	8 027
Other countries	299	389
FinTech		
South Africa	6 573	7 773
Other countries	111	103
	78 233	74 644

2.1.2 Financial services revenue

	Year ended 30 September 2022 Reviewed Rm	Year ended 30 September 2021 Reviewed Rm
Finance income earned	1 812	1 529
Loan origination fees	338	269
	2 150	1 798

2.1.3 Insurance revenue

	Year ended 30 September 2022 Reviewed Rm	Year ended 30 September 2021 Reviewed Rm
Gross premiums written	333	352
Change in provision for unearned premium	(2)	(29)
	331	323

[1] 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.

[2] 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 time of the contract entered into with the customer. The non-South African split is not deemed to be material for the group.

[3] Revenue from other countries includes the Brazilian market revenue from Avenida, which was acquired during the current financial year. The Brazilian contribution to total revenue is not deemed to be material for the current financial year and is therefore not separately disclosed.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *continued*

for the year ended **30 September 2022**

		Year ended 30 September 2022 Reviewed Rm	Year ended 30 September 2021 Reviewed Rm
3	**CAPITAL ITEMS**		
	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:		
	Impairment	128	228
	Goodwill	–	13
	Intangible assets	5	–
	Property, plant and equipment	5	27
	Property, plant and equipment – social unrest and floods	–	32
	Right-of-use assets	118	156
	Loss/(profit) on disposal of property, plant and equipment and intangible assets	59	(18)
	Scrapping of property, plant and equipment – social unrest and floods	14	44
	Insurance claim received of property, plant and equipment – social unrest and floods	(297)	–
	FCTR released to profit/(loss) on liquidation of foreign subsidiaries	(50)	(89)
	Loss on sale of subsidiaries	–	(1)
		(146)	164
4	**FINANCE COSTS**		
	Interest-bearing loans and borrowings	755	650
	Bank	169	162
	Lease liability finance cost	1 383	1 400
	Put option liability	52	–
	Other	153	122
		2 512	2 334
	Interest capitalised to property, plant and equipment	(44)	–
		2 468	2 334
		%	%
5	**TAXATION**		
	Total taxation for the year		
	Reconciliation of rate of taxation		
	South African standard rate of taxation	28.0	28.0
	Foreign taxation rate differential	(0.2)	0.1
	Irrecoverable foreign taxes	0.6	0.7
	Unrecognised taxation losses net of prior year unrecognised taxation losses utilised	(1.0)	(0.4)
	Prior year adjustments	0.8	2.5
	Tax-exempt income[1]	(3.1)	(1.2)
	Change in South African corporate taxation rate to 27%	(0.7)	0.0
	Special allowances	(0.4)	0.0
	Non-deductible expenses[2]	2.8	1.7
	FCTR release through profit and loss	(0.1)	(0.4)
	Other	(0.5)	0.2
	Effective rate of taxation	26.2	31.2

[1] Tax-exempt income mainly relates to non-recurring income of a capital nature, franchise fees and tax incentives.
[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 2022**

	30 September 2022 Reviewed Rm	30 September 2021 Reviewed Rm
6 EARNINGS AND HEADLINE EARNINGS PER SHARE		
6.1 WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES		
Issued ordinary shares at beginning of the period	3 697	3 660
Treasury shares[1]	–	–
Shares vested under Pepkor Executive Share Rights Scheme	7	4
Shares issued as properties purchase consideration[1]	–	12
Share buy-back and cancellation of share	(8)	(2)
Weighted average number of ordinary shares at end of the period for the purpose of basic earnings per share and headline earnings per share	3 696	3 674
Effect of dilution due to share rights issues in terms of share scheme	55	54
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	3 751	3 728
Number of shares in issue	3 678	3 697
6.2 EARNINGS AND HEADLINE EARNINGS		
Profit for the period	6 109	4 876
Attributable to non-controlling interests	5	(1)
Earnings attributable to ordinary shareholders	6 114	4 875
Capital items (note 3)	(146)	164
Taxation effect of capital items	41	(67)
Headline earnings attributable to ordinary shareholders	6 009	4 972

6.3 DILUTED EARNINGS AND DILUTED HEADLINE EARNINGS PER SHARE

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

	Cents	Cents
6.4 HEADLINE AND DILUTED HEADLINE EARNINGS PER SHARE		
Headline earnings per share	162.6	135.4
Diluted headline earnings per share	160.2	133.4
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	1 706.5	1 573.8

[1] Less than 500 000 shares in the 2022 financial year

7 NET CASH FLOW ON ACQUISITION OF SUBSIDIARY

The group acquired the following subsidiary during the financial period. The board is of the opinion that this acquisition presents an attractive investment opportunity that is aligned with the group's strategy to grow through value accretive acquisitions.

Effective 3 February 2022, 81.7% of the issued share capital of Avenida was acquired for a purchase price of R1.899 billion. On the same day, the group further injected R969 million into the business, which increased its shareholding to 87.1%. The purchase price and capital injection were settled in cash from existing borrowings and cash reserves in the group. Avenida is a leading and recognised brand with a successful value and discount business model. It has a highly regarded management team with a proven track record and a culture that resonates with the group's own values and beliefs. Between the two organisations there is opportunity for synergies and for Avenida to leverage off the core assets and competencies of Pepkor. This platform allows Pepkor the ideal opportunity to enter the Brazilian market and enable Avenida to fulfil its potential over time.

The remaining 12.9% non-controlling interests measured in the net assets (excluding goodwill) of Avenida are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination (the proportionate share method). The group entered into put/call arrangements as part of the purchase agreement to acquire and the minority holders of Avenida have the right to sell the minority shareholding in three tranches of which the arrangements differ with each tranche. As these put/call arrangements are a consequence of the business combination, they are accounted for as a financial liability in the statement of financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *continued*

for the year ended **30 September 2022**

	Year ended 30 September 2022 Reviewed Rm
7 NET CASH FLOW ON ACQUISITION OF SUBSIDIARY continued	
7.1 THE FAIR VALUE OF ASSETS AND LIABILITIES ASSUMED AT DATE OF ACQUISITION	
Assets	
Intangible assets	745
Property, plant and equipment	398
Right-of-use assets	360
Long-term investments and loans	81
Deferred taxation assets	264
Trade and other receivables	733
Inventories	213
Short-term investments and loans	136
Current income taxation assets	21
Cash on hand	1 025
Non-controlling interest	(172)
Liabilities	
Long-term interest-bearing loans and borrowings	(320)
Long-term provisions	(191)
Long-term lease liabilities	(256)
Employee benefits	(29)
Non-current income taxation liabilities	(61)
Deferred taxation liabilities	(208)
Trade and other payables	(756)
Short-term interest-bearing loans and borrowings	(657)
Current income taxation liabilities	(16)
Short-term lease liabilities	(136)
Total assets and liabilities acquired	1 174
Goodwill attributable to acquisition	1 694
Total consideration paid in cash	2 868
Cash on hand at date of acquisition	(1 025)
Net cash outflow on acquisition of subsidiary	1 843
Trade and other receivables consist of the following:	
Trade receivables	30
Credit sales through store cards	637
Less: provision for expected credit losses relating to credit sales through store cards	(153)
Prepayments	35
Value-added taxation receivable	167
Other amounts due	17
	733

The goodwill arising on the acquisition of the company is attributable to the strategic business advantages acquired, principal retail locations, as well as 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 R176 million.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *continued*

for the year ended **30 September 2022**

	Land and buildings Reviewed Rm	Other assets Reviewed Rm	Total Reviewed Rm
8 RIGHT-OF-USE ASSETS			
Balance at 30 September 2020	11 349	4	11 353
Additions	3 460	–	3 460
Remeasurement due to lease modifications	(1 899)	–	(1 899)
Depreciation	(2 457)	(2)	(2 459)
Impairment (note 3)	(156)	–	(156)
Exchange differences on consolidation of foreign subsidiaries	(69)	–	(69)
Balance at 30 September 2021	10 228	2	10 230
Additions	5 587	–	5 587
Acquired on acquisition of subsidiary	360	–	360
Remeasurement due to lease modifications	(2 270)	–	(2 270)
Depreciation	(2 816)	(1)	(2 817)
Impairment (note 3)	(118)	–	(118)
Exchange differences on consolidation of foreign subsidiaries	129	–	129
Balance at 30 September 2022	11 100	1	11 101

The remeasurement of the right-of-use assets and relating lease liability remeasurement of R3.0 billion (2021: R2.8 billion) led to the recognition of R769 million (2021: R903 million) profit on modification and is mainly due to the following:

- Favourable lease renewals
- Retail footprint consolidation in specific retail brand
- The acquisition of certain Steinhoff properties in the prior year (2021: R265 million profit on modification effect)

	Year ended 30 September 2022 Reviewed Rm	Year ended 30 September 2021 Reviewed Rm
9 FINANCING		
Unutilised banking and debt facilities consist of the following:		
Short-term cash facilities	5 947	5 755
Letters of credit, forex facilities and asset-based finance facilities	2 492	2 240
Total	8 439	7 995

During March 2022, the group replaced Term Loan D of R2.5 billion, which carried interest at three-month JIBAR plus 205 bps, and revolving credit facility B of R2.5 billion, which carried interest at three-month JIBAR plus 210 bps, with the following two term loans and revolving credit facility:

- Revolving credit facility C: three-year facility of R1.5 billion at three-month JIBAR plus 140 bps
- Term loan H: four-year term loan of R1 billion at three-month JIBAR plus 150 bps
- Term loan I: five-year term loan of R2.5 billion at three-month JIBAR plus 155 bp

This further strengthens the group's liquidity and debt repayment profile and reduces the group's cost of funding.

10 CONTINGENT LIABILITIES

All claims and litigation of former Tekkie Town owners and management against Steinhoff and Pepkor, as previously reported in Pepkor's annual financial statements since 2018, were settled as part of the Steinhoff global settlement. The net impact of the settlement was R180 million. There were no other significant changes in the contingent liabilities disclosed in the consolidated annual financial statements as at 30 September 2021.

11 RELATED PARTIES

During the period, 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 2021. There were no material movements in the balances for the 12 months ended 30 September 2022 and 2021.

Pro forma financial information

The pro forma financial information, which is the responsibility of the group's directors, is presented in accordance with the JSE Listings Requirements and the SAICA Guide on Pro Forma Financial Information. The pro forma financial information includes the impact of the Steinhoff global settlement net recovery, the insurance claim and constant currency disclosure and is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present the group's financial position, change in equity, 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 auditor, PricewaterhouseCoopers Inc., in respect of the pro forma financial information included in this announcement. The pro forma financial information should be read in conjunction with this assurance report.

Pro forma earnings and headline earnings per share

The pro forma financial information has been prepared in order to illustrate the impact of the Steinhoff global settlement net recovery and the insurance claim received relating to the replacement of property, plant and equipment damaged during the social unrest on earnings and headline earnings per share.

	As reported Year ended 30 September 2022 Reviewed[1] Rm	Steinhoff global settlement net recovery and property insurance claim adjustments Year ended 30 September 2022 Reviewed[2] Rm	Pro forma after adjustments Year ended 30 September 2022 Reviewed Rm	Year ended 30 September 2021 Reviewed[1] Rm	% change on prior year
Revenue	81 396	–	81 396	77 329	5.3
Cost of sales	(52 583)	–	(52 583)	(50 795)	(3.5)
Gross profit	28 813	–	28 813	26 534	8.6
Operating income	1 448	–	1 448	1 052	37.6
Steinhoff global settlement net recovery	439	(439)	–	–	100.0
Operating expenses	(14 989)	–	(14 989)	(13 697)	(9.4)
Debtors' costs	(1 085)	–	(1 085)	(785)	(38.2)
Operating profit before depreciation, amortisation and capital items	14 626	(439)	14 187	13 104	8.3
Depreciation and amortisation	(4 293)	–	(4 293)	(3 799)	(13.0)
Operating profit before capital items	10 333	(439)	9 894	9 305	6.3
Capital items	146	(297)	(151)	(164)	7.9
Operating profit	10 479	(736)	9 743	9 141	6.6
Finance costs	(2 468)	–	(2 468)	(2 334)	(5.7)
Finance income	262	–	262	275	(4.7)
Profit before associated income	8 273	(736)	7 537	7 082	6.4
Share of net profit of associate	4	–	4	2	> 100
Profit before taxation	8 277	(736)	7 541	7 084	6.5
Taxation	(2 168)	80	(2 088)	(2 208)	5.4
Profit for the year	6 109	(656)	5 453	4 876	11.8

PRO FORMA FINANCIAL INFORMATION *continued*

	Notes	As reported Year ended 30 September 2022 Reviewed[1] Rm	Steinhoff global settlement net recovery and property insurance claim adjustments Year ended 30 September 2022 Reviewed[2] Rm	Pro forma after adjustments Year ended 30 September 2022 Reviewed Rm	Year ended 30 September 2021 Reviewed[1] Rm	% change on prior year
Profit attributable to:						
Owners of the parent		6 114	(656)	5 458	4 875	12.0
Non-controlling interests		(5)	–	(5)	1	(> 100)
Profit for the year		6 109	(656)	5 453	4 876	11.8
Pro forma headline earnings are adjusted for the Steinhoff global settlement net recovery and insurance claim as follows:						
Earnings attributable to ordinary shareholders		6 114	(656)	5 458	4 875	12.0
Capital items (note 3 in the condensed consolidated financial statements)		(146)	–	(146)	164	(> 100)
Taxation effect on capital items (note 6 in the condensed consolidated financial statements)		41	–	41	(67)	> 100
Insurance claim received of property, plant and equipment – social unrest (note 3 in the condensed consolidated financial statements)		–	297	297	–	100
Taxation effect on insurance claim received of property, plant and equipment – social unrest		–	(80)	(80)	–	(100)
Headline earnings attributable to ordinary shareholders	3	6 009	(439)	5 570	4 972	12.0
Total basic earnings per share	3	165.5	(17.7)	147.8	132.7	11.3
Total diluted earnings per share	3	163.0	(17.5)	145.5	130.8	11.2
Total headline earnings per share	3	162.6	(11.9)	150.7	135.4	11.3
Total diluted headline earnings per share	3	160.2	(11.7)	148.5	133.4	11.3

Notes to the pro forma financial information

1. The current and prior year numbers were extracted without adjustments from the condensed consolidated financial statements of the group for the year ended 30 September 2022.
2. The adjustment represents excluding impact of the Steinhoff global settlement net recovery and the insurance claim received relating to the replacement of property, plant and equipment damaged during the social unrest.
3. Pro forma earnings and 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 of the group for the year ended 30 September 2022.

PRO FORMA FINANCIAL INFORMATION *continued*

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 rand is converted from local currency actuals into rand at the prior year's actual average exchange rates per country. The table below sets out the approximate average rand cost for one unit as well as 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.

	Average exchange rate		Reported	Constant
Change in sales on prior year (%)	2022	2021	currency	currency
Angola kwanza	**0.0321**	0.0236	17.49	(13.67)
Malawian kwacha	**0.0181**	0.0191	26.89	33.96
Mozambique metical	**0.2451**	0.2199	19.26	6.99
Nigeria naira	**0.0379**	0.0379	9.21	9.27
Zambian kwacha	**0.9107**	0.7163	31.83	3.69
Total			21.88	4.29

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)
(Resigned 30 September 2022)
PJ Erasmus (Chief executive officer)
(Appointed 1 October 2022)
RG Hanekom (Chief financial officer)

Non-executive directors
WYN Luhabe (Chair)*
TL de Klerk
P Disberry*
LJ du Preez
PJ Erasmus
(Appointed 12 January 2022 to 30 September 2022)
HH Hickey*
IM Kirk*
ZN Malinga*
LI Mophatlane*
SH Müller*
F Petersen-Cook*

* Independent

Registration number
2017/221869/06

Share code
PPH

Debt code
PPHI

ISIN
ZAE000259479

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Rosebank Towers, 15 Biermann Avenue, Rosebank 2196

Company secretary
M Allie

Auditor
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
22 November 2022

PEPKOR

Holdings Limited

www.pepkor.co.za