PEPKOR
Holdings Limited

INTERIM RESULTS

for the six months
ended 31 March 2022

Highlights

3.3%
growth in revenue to
R42.0 billion

+3.7% excluding the disposal of John Craig

189 basis points
market share expansion across product categories[1]

19.1%
growth in operating profit[2] to
R5.7 billion

+10.1% on a normalised basis[3]

28.3%
increase in headline earnings per share to
91.5 cents

+12.1% on a normalised basis[3]

R4.1 billion
cash generated from operations

144
new stores opened

Acquisition of Brazilian value retailer, Grupo Avenida, completed

[1] *Over a two-year period. Sources: Retailers' Liaison Committee (RLC), Growth from Knowledge (GfK)*

[2] *Before capital items*

[3] *Normalised results exclude the non-recurring benefit as a result of the Steinhoff global settlement – refer to page 2 for further information*

Pepkor's growth strategy delivers strong results

Despite a high base in the comparable period, Pepkor achieved another commendable set of results for the six-month period ended 31 March 2022. The group's defensive business model and unparalleled position within the South African discount and value sectors continue to drive growth and underpin resilient performance in an increasingly challenging operating environment.

Revenue growth was muted, impacted by a high base and a product mix change in the Flash business. Revenue growth, however, strengthened during the second quarter. On a two-year comparable basis* the group achieved exceptional sales growth of 15.4%, underpinned by substantial market share gains across various product categories. This further entrenched Pepkor's leading position in the discount and value sectors.

Profitability remained strong with **headline earnings per share (HEPS) increasing by 28.3% to 91.5 cents**. This includes a non-recurring benefit from the implementation of the Steinhoff International Holdings N.V. (Steinhoff) global settlement, as described in more detail on page 2. **Normalised HEPS, which excludes this non-recurring benefit, increased by 12.1% to 79.9 cents**.

The group generated cash of R4.1 billion during the period, with cash sales accounting for 93% of group sales.

The group's ability to achieve ongoing organic growth is evidenced by its robust store expansion programme. During the period under review, 144 new stores were opened (108 stores on a net basis). The group retail footprint comprised 5 708 stores at 31 March 2022.

** Compared to the six months ended 31 March 2020*

Normalised results – Steinhoff global settlement

A very positive development during the period was the recovery of Pepkor's exposure to the management investment company, Business Venture Investments 1499 (RF) Proprietary Limited (BVI). As reported to shareholders in 2018, BVI was invested in Steinhoff shares and Pepkor fully provided for its exposure in terms of a financial guarantee on behalf of BVI and associated employee loans. The guarantee was converted to a loan between BVI and Pepkor in 2020.

The successful implementation of the Steinhoff global settlement resulted in the recovery of this exposure. In addition, all related claims and litigation, as previously reported in Pepkor's annual financial statements since 2018, were settled.

On a net basis, this benefited results of the current period by R429 million or 12 cents per share. The group is pleased to honour its commitment to shareholders in 2018 to recover the funds and to conclude this matter. As at the reporting date, 26 May 2022, Steinhoff's shareholding in Pepkor amounts to 50.6%.

Acquisition of Grupo Avenida

The acquisition of an interest of approximately 87% in the well-established Brazilian value retailer, Grupo Avenida (Avenida), was completed in February 2022. The remaining 13% was retained by the founders and management of Avenida. This represents Pepkor's entry into the Brazilian value retail market, which holds enormous long-term growth potential for the group. The Avenida business was recapitalised as part of the acquisition and the total cost was less than 4% of Pepkor's market capitalisation at the time.

Operating performance since February 2022 has exceeded expectations. Good progress was made in preparing the business for growth, while improved working capital, in particular inventory levels, supported sales performance. Avenida currently operates 130 stores.

Update on July 2021 civil unrest impact

To date, the group has reopened 479 (87%) of the 549 stores looted and damaged in the civil unrest that erupted in the KwaZulu-Natal and Gauteng provinces of South Africa during July 2021. The reopening of the remaining 70 stores is delayed due to the need for property owners to rebuild stores or shopping centres.

As previously reported, the group carries comprehensive insurance cover in terms of South African Special Risks Insurance Association (SASRIA) for material damage and business interruption. The final SASRIA claim for material damage was revised to c.R1.0 billion and an interim payment of R500 million (net of VAT) was received and accounted for in the FY21 results.

The business interruption claim was revised to an estimated R440 million, with an interim payment of R171 million (net of VAT) received and accounted for in the FY21 results. A second interim payment for the business interruption claim of R132 million (net of VAT) was received during April 2022 and accounted for in this reporting period.

The revised claims are based on the outcome of the insurance claims process and the earlier than anticipated reopening of affected stores. It is expected that the final insurance payments will be received during the remainder of this financial year.

KwaZulu-Natal flooding impact

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 and has not been operational since.

Contingency plans were put in place for stock to flow through PEP's unaffected distribution facilities in Johannesburg and Cape Town. This interruption, in addition to a very challenging supply chain environment at present, will have an impact on service levels in the business. It is anticipated that operations in PEP's Isipingo distribution centre will resume by the end of May 2022, albeit on a limited basis initially.

The group is currently not in a position to quantify the full extent of losses suffered in terms of merchandise, infrastructure and disruption of operations. The losses incurred are expected to fall within the group's insurance cover for material damage and business interruption and the claims process has been initiated.

Financial performance

Group revenue increased by 3.3% to R42.0 billion during the period. Excluding the disposal of John Craig, revenue increased by 3.7%. On a two-year comparable basis, group revenue increased by 12.7%.

Cash sales increased by 4.2%, while credit sales increased by 16.7%.

The group's gross profit margin increased by 100 basis points to 35.3%. From a retail perspective, gross profit margin increased by 10 basis points while higher interest rates and increased credit granting benefited the group's gross profit margin.

Other income increased by 47.7% to R551 million, including a second business interruption insurance payment received of R132 million. Excluding this, other income increased by 12.3%.

Operating expenses (excluding debtors' costs, depreciation, amortisation and the non-recurring benefit from the Steinhoff settlement) remain well under control, increasing by 5.0%. Debtors' costs increased by 15.9% to R506 million, following the reduction in provision levels during the comparable period.

Operating profit (before capital items) increased by 19.1% to R5.7 billion. On a normalised basis, excluding the non-recurring benefit from the Steinhoff settlement, operating profit increased by 10.1%.

Net finance costs increased by 0.1% to R1.1 billion. Excluding the IFRS 16 lease component, net finance costs increased by 13.5% based on increased interest rates and increased net debt.

Pepkor's effective tax rate amounted to 26.8%, benefiting from the non-recurring Steinhoff global settlement, which is not taxable.

HEPS increased by 28.3% to 91.5 cents for the period. Excluding the non-recurring Steinhoff global settlement benefit, HEPS increased by 12.1% to 79.9 cents. In line with Pepkor's dividend policy, no dividend was declared for the interim period.

Inventory levels increased by 16.6% to R15.4 billion due to normalisation from reduced levels and measures implemented to mitigate supply chain disruption and advance merchandise inflows ahead of the Chinese New Year. The acquisition of Avenida further contributed to increased inventory levels, which consequently had a negative impact on the group's cash conversion for the period.

Net debt (excluding IFRS 16 lease liabilities) increased to R8.9 billion from R6.1 billion a year ago. This follows the acquisition of Avenida during the period and remains well within targeted levels. The net debt-to-EBITDA ratio of 0.9 times and interest cover ratio of 13.4 times remain substantially within contractual funding covenants, which exclude the adoption of IFRS 16.

In March 2022, the group refinanced R5.0 billion in funding, replacing this with funding repayable over three to five years at substantially lower rates, ranging between three-month JIBAR plus 140 to 155 basis points.

The group repurchased another 1.8 million ordinary shares during the period from the open market on the JSE. Since September 2021, the total number of ordinary shares repurchased and cancelled amounts to 39.8 million shares at a total cost of R796 million (average price of R19.98).

Discontinued operations

The results of the comparable period were remeasured and restated to reclassify The Building Company as a continuing operation following the termination of the transaction to dispose of the business, as announced on 12 August 2021 on SENS.

CLOTHING AND GENERAL MERCHANDISE

PEP
ACKERMANS
PEP | Africa
PEPKOR Speciality

Tekkie Town
ShoeCity
REFINERY
CODE
DUNNS
S.P.C.C SERGEANT PEPPER CLOTHING CO

AVENIDA

The clothing and general merchandise segment **increased revenue by 4.9% to R27.6 billion, contributing 65.7%** to group revenue for the period.

Operating profit increased by 6.1% to R4.3 billion, representing 81.8% of the group's normalised operating profit.

The segment's store base increased to 4 711 stores at 31 March 2022, driven by 115 new store openings and 130 stores added as part of the Avenida acquisition. A total of 27 stores were closed locally, resulting in a net increase of 218 stores since 30 September 2021.

PEP and Ackermans

PEP and Ackermans in aggregate increased sales by 3.4% and like-for-like sales increased by 2.4%. On a two-year comparable basis, sales increased by 12.5% and market share expanded by 111 basis points (RLC).

Retail space expansion in PEP and Ackermans amounted to 3.2% year-on-year and included 102 new store openings during the period – exceeding expectations.

PEP

PEP is the leading discounter in South Africa by providing the lowest prices to customers on basic and essential products. Best price leadership (BPL) was maintained, with 97% of products sold being either equally priced or cheaper than the competition. Examples of PEP's pricing power include maintaining prices on 21% of products sold at 2020 levels and offering a complete school uniform at a 22% lower price compared to two years ago. PEP had a successful back-to-school campaign during the period, achieving 18.4% growth. This is enabled through unrivalled scale and obsession with cost.

The PEP HOME stand-alone format achieved 27.2% sales growth and the retail footprint was expanded to 332 stores through 38 new store openings. Performance in Cellular was softer, affected by the high base in the comparable period. Consumers continue to favour smartphones over feature phones with 62% of sales volumes reflecting this. PEP MONEY transactions, such as bill payments and money transfers, increased by 4.0% and PAXI parcel volumes increased by 19.8% – successfully leveraging PEP's expansive store footprint and close proximity to customers.

PEP opened 73 new stores during the period, expanding its retail store base to 2 542 stores.

Ackermans

Ackermans provides the best value to 'women with kids in their lives', dominating in baby and children's clothing through its 'famous for' product categories and attractive value-for-money offers.

The stand-alone Ackermans Woman format is expanding aggressively and achieved sales growth of 58.9%. The store base was expanded to 42 stores through eight new store openings during the period.

The credit sales mix decreased marginally to 16% from 17% in the comparable period and remains well within the optimal range.

The Ackermans click-and-collect capability performed well with encouraging indications in terms of basket sizes and conversion rates. The capability effectively leverages the brand's extensive brick-and-mortar infrastructure and customer proximity to provide customers with the full Ackermans range in outlying areas.

Ackermans opened 29 new stores during the period and expanded its retail store base to 916 stores.

PEP Africa

PEP Africa performed well, increasing sales by 3.1% and like-for-like sales by 4.9% in constant currency terms. In South African rand terms, sales increased by 13.3% due to the strengthening of local currencies and the business improved profitability. The retail store footprint of 283 stores remained stable.

Speciality

The Speciality value retail brands performed pleasingly, growing sales by 7.6% and like-for-like sales by 7.3%, excluding John Craig, which was disposed of in February 2021. On a two-year comparable basis, sales increased by 25.3%.

Tekkie Town expanded its market share in branded footwear by 243 basis points (GfK) and achieved improved margins and stockholding. Shoe City successfully adapted its product range to changes in consumer trends, delivering strong performance and higher trading densities. Dunns closed six unprofitable stores and increased trading densities with progress made to improve profitability and prospects for the future. Refinery improved profitability by nearly 30% as it continues its stellar performance. S.P.C.C opened its fourth store as part of its omnichannel strategy, while CODE achieved strong like-for-like sales growth and opened three new stores, expanding its retail footprint to 23 stores. The Speciality store base was expanded to 840 stores following the opening of 13 new stores during the period.

Tenacity

The Tenacity credit book, which facilitates credit sales in the clothing and general merchandise retail brands, remained stable compared to the prior year at R3.2 billion, and the provision level was maintained at 21%. Collections were positive during the period.

FURNITURE, APPLIANCES AND ELECTRONICS

JD GROUP

JD Home

Russells

Bradlows

Sleepmasters

Rochester

JD Tech

HiFiCorp

Incredible Connection

everyshop.

abacus

The furniture, appliances and electronics segment **increased revenue by 8.8% to R6.2 billion. Operating profit increased by 64.6% to R344 million.**

Sales in the JD Group increased by 8.1% and like-for-like sales by 7.2% from a strong base in the comparable period. Consumer demand for household goods and consumer electronics underpinned performance during the period, driven by digitisation, technology upgrades, work/school-from-home and home improvement trends. On a two-year comparable basis, sales increased by 25.8% and market share in consumer electronics was expanded.

In the JD Tech division online sales increased by 48.9%, increasing its contribution to 10% of divisional sales for the period. The performance of Everyshop, the online platform launched in 2021, is encouraging with good progress made in establishing itself in the market.

Credit granting was expanded on a conservative basis during the period and resulted in the total credit sales mix increasing to 12% from 9% a year ago. In the JD Home division in particular, where credit is a significant sales enabler, the credit sales mix increased to 20% from 16% a year ago. As a result, the Connect credit book, which facilitates credit sales in the JD Group, increased to R1.6 billion from R1.5 billion a year ago. The credit book provision level decreased to 33% from 40% a year ago, based on the improved quality and continued positive collections performance.

The JD Group store base was expanded to 883 stores and includes 27 new stores opened during the period. New store openings were predominantly driven by the expansion of the Sleepmasters bedding brand.

BUILDING MATERIALS

The Building Company's (TBCo's) **performance was satisfactory** during the period.

This was despite a lacklustre South African construction industry with continued slowdown in the rural and informal sectors – proving the value of TBCo's diversified portfolio through its retail, specialist and wholesale divisions.

Sales in TBCo decreased by 1.6% and like-for-like sales decreased by 0.5% during the period. The business has successfully rationalised and consolidated its operations and taking this into consideration, sales increased by 0.2% off this new base. On a two-year comparable basis, sales increased by 13.1%

The store base was expanded to 114 retail stores and included two new store openings during the period. Operating profit increased by 26.4% to R220 million.

THE BUILDING COMPANY

General building material

BUCO

Timbercity

Wholesale

MACNEIL

CACHET

Citiwood

Brands 4 Africa

Specialised building material

B ONE

Buchel

V&B

Bildware

tiletoria

FINTECH

flash

capfin

Revenue in the FinTech segment decreased by 8.7% to R4.1 billion.

This was impacted by lower revenue recognised in the Flash business due to a change in product mix and resultant accounting treatment. Profitability, however, remains intact, and operating profit increased by 17.0% to R393 million.

Flash's strategy to develop and grow its basket of products in an attempt to ensure continuity and loyalty of traders and customers has proven to be successful. The business continues to show impressive growth in virtual turnover (at face value of products sold), increasing by 15.3% for the period. As determined by International Financial Reporting Standards and due to the deliberate change in product mix to include more products where income is recognised as 'net commission' versus the 'full transaction value', statutory revenue declined for the period. Flash remains focused on growing its basket of products and options to improve trader and customer retention as well as increase the number of transactions and total sales processed at the trader. The number of informal traders increased to 205 000 while the average turnover per device continues to show double-digit growth.

Capfin reported healthy growth in the total number of accounts to 251 000 from 214 000 a year ago. Prudent credit granting criteria were maintained and the gross credit book increased to R2.1 billion from R1.9 billion a year ago. A conservative provision level of 18% was maintained and collection performance remains positive.

Outlook

The group is pleased with the solid performance for the first half of the 2022 financial year, based on a stronger second quarter and even more so when considering performance on a two-year comparable basis, which eliminates volatility caused by COVID-19.

The operating environment remains challenging as unemployment levels and the cost of living continue to increase. The extension of the monthly R350 COVID-19 Social Relief of Distress (SRD) grant to March 2023, as announced in the recent State of the Nation Address (SONA) by the President, will provide much needed relief for many consumers in South Africa who need to survive on a small budget. The increased momentum in events and industries such as tourism is encouraging and should alleviate some of the pressure consumers face.

Higher levels of price inflation are expected for the next summer season starting in August 2022. While challenging, this operating environment motivates operations teams to develop innovative new ways to ensure that products remain affordable for consumers – thereby redefining and solidifying the group's position in the South African discount and value sectors.

Supply chain disruption and uncertainty have continued. The group's merchandise teams have done exceptionally well to mitigate the impact of disruption on merchandise inflows and in-store availability. While global supply chain uncertainties persist, it seems that shipping costs have stabilised and may trend downwards.

Strong trading is expected during the second half of the year, supported by the lower base in the comparable period, which was affected by the civil unrest. Trading in April 2022 was strong across most businesses, with softer trading in May 2022.

The growth mindset embedded within the group's culture and management continues to drive performance. In line with our strategy, plans to open more than 300 stores in the 2022 financial year remain on track.

Board appointment

Pieter Erasmus was appointed as a non-executive director to the board with effect from 12 January 2022 and serves as a member on the human resources and remuneration committee and the investment committee. His appointment enhances the retail industry experience of the board.

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 chairman

LEON LOURENS
Chief executive officer

RIAAN HANEKOM
Chief financial officer

26 May 2022

Unaudited condensed consolidated interim financial statements

for the six months ended **31 March 2022**

Condensed consolidated income statement

	Notes	Six months ended 31 March 2022 Unaudited Rm	Six months ended 31 March 2021[1] Restated Unaudited Rm	% change	Twelve months ended 30 September 2021 Audited Rm
Revenue	2	**42 010**	40 665	3.3	77 329
Retail revenue		**40 811**	39 680	2.9	75 208
Financial services revenue		**975**	830	17.5	1 798
Insurance revenue		**224**	155	44.5	323
Cost of sales		**(27 191)**	(26 725)	(1.7)	(50 795)
Cost of merchandise sold		**(27 191)**	(26 725)	(1.7)	(50 622)
Cost of merchandise written off – civil unrest		**–**	–	100	(673)
Insurance claim recovery – civil unrest		**–**	–	100	500
Gross profit		**14 819**	13 940	6.3	26 534
Other income		**551**	373	47.7	1 052
Other income excluding insurance claim recovery – civil unrest		**419**	373	12.3	881
Business interruption insurance claim recovery – civil unrest		**132**	–	100	171
Steinhoff global settlement net recovery	1.1	**429**	–	100	–
Operating expenses		**(7 535)**	(7 177)	(5.0)	(13 697)
Debtors' costs		**(506)**	(436)	(15.9)	(785)
Operating profit before depreciation, amortisation and capital items		**7 758**	6 700	15.8	13 104
Depreciation and amortisation		**(2 077)**	(1 931)	(7.6)	(3 799)
Operating profit before capital items		**5 681**	4 769	19.1	9 305
Capital items	3	**(71)**	1	(>100)	(164)
Operating profit		**5 610**	4 770	17.6	9 141
Finance costs	4	**(1 197)**	(1 162)	(3.0)	(2 334)
Finance income		**134**	100	34.0	275
Profit before associated income		**4 547**	3 708	22.6	7 082
Share of net profit of associate		**1**	2	(50.0)	2
Profit before taxation		**4 548**	3 710	22.6	7 084
Taxation	5	**(1 218)**	(1 102)	(10.5)	(2 208)
Profit for the period		**3 330**	2 608	27.7	4 876
Profit attributable to:					
Owners of the parent		**3 334**	2 612	27.6	4 875
Non-controlling interests		**(4)**	(4)	0.0	1
Profit for the period		**3 330**	2 608	27.7	4 876
Earnings per share (cents)					
Total basic earnings per share	6	**90.2**	71.4	26.3	132.7
Total diluted earnings per share	6	**88.8**	70.4	26.2	130.8

[1] *Prior period comparatives have been restated for the effect of the reclassification of The Building Company from a discontinued operation to a continuing operation. Due to the reclassification, the prior year provision on the loss on the sale of The Building Company of R264 million was released and depreciation and amortisation of R134 million was raised in order to reflect the carrying value of the assets, had it never been classified as held for sale. Refer to note 11.*

Unaudited condensed consolidated interim financial statements *continued*

for the six months ended **31 March 2022**

Condensed consolidated statement of comprehensive income

	Six months ended 31 March 2022 Unaudited Rm	Six months ended 31 March 2021[1] Restated Unaudited Rm	Twelve months ended 30 September 2021 Audited Rm
Profit for the period	**3 330**	2 608	4 876
Other comprehensive income/(loss) (OCI)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**79**	(117)	(77)
Net fair value gain/(loss) on cash flow hedges	**155**	(597)	(740)
Deferred taxation on cash flow hedges	**43**	148	52
Foreign currency translation reserve released to profit or loss on liquidation of foreign subsidiary	**–**	–	(89)
Total other comprehensive income/(loss) for the period, net of taxation	**277**	(566)	(854)
Total comprehensive income for the period	**3 607**	2 042	4 022
Total comprehensive income attributable to:			
Owners of the parent	**3 611**	2 046	4 021
Non-controlling interests	**(4)**	(4)	1
Total comprehensive income for the period	**3 607**	2 042	4 022

[1] *Prior period comparatives have been restated for the effect of the reclassification of The Building Company from a discontinued operation to a continuing operation. The prior year comparatives have further been restated in order to directly account for the net fair value loss on cash flow hedges transferred to inventory directly in reserves, and not OCI as previously disclosed in error, in terms of IFRS 9:* Financial Instruments. *Refer to note 11.*

Unaudited condensed consolidated interim financial statements *continued*

for the six months ended **31 March 2022**

Condensed consolidated statement of changes in equity

	Six months ended 31 March 2022 Unaudited Rm	Six months ended 31 March 2021[1] Restated Unaudited Rm	Twelve months ended 30 September 2021 Audited Rm
Balance at beginning of the period	**58 188**	53 388	53 388
Changes in reserves			
Total comprehensive income for the period attributable to owners of the parent	**3 611**	2 046	4 021
Shares issued under Pepkor Executive Share Rights Scheme	**231**	118	118
Shares issued as properties purchase consideration	**–**	–	1 031
Share buy-back and cancellation	**(36)**	–	(762)
Dividends paid	**(1 634)**	–	–
Share-based payment expense	**129**	97	111
Transfer from share-based payment reserve	**(231)**	(118)	–
Transfers to retained earnings	**23**	–	37
Recognition of put option liability	**(575)**	–	–
Transactions with non-controlling equity holders	**–**	–	(10)
Net fair value (gain)/loss on cash flow hedges transferred to inventory	**(390)**	(199)	263
Changes in non-controlling interests			
Total comprehensive income for the period attributable to non-controlling interests	**(4)**	(4)	1
Non-controlling interest recognised on acquisition of subsidiaries	**167**	–	–
Transactions with non-controlling equity holders	**–**	2	(1)
Dividends paid	**–**	(4)	(9)
Balance at end of period	**59 479**	55 326	58 188
Comprising			
Ordinary stated capital	**67 816**	67 352	67 621
Common control reserve	**(11 755)**	(11 755)	(11 755)
Retained earnings	**4 548**	522	2 825
Share-based payment reserve	**278**	248	380
Hedging reserve	**(151)**	(182)	41
Foreign currency translation reserve	**(836)**	(866)	(915)
Other reserves	**(584)**	1	(9)
Non-controlling interests	**163**	6	–
	59 479	55 326	58 188

[1] *Prior period comparatives have been restated for the effect of releasing the provision for the loss on sale of The Building Company due to it being reclassified from a discontinued operation to a continuing operation. The prior period comparatives have further been restated in order to directly account for the net fair value loss on cash flow hedges transferred to inventory directly to reserves, and not OCI as previously disclosed in error, in terms of IFRS 9:* Financial Instruments. *Refer to note 11.*

Unaudited condensed consolidated interim financial statements *continued*

for the six months ended **31 March 2022**

Condensed consolidated statement of financial position

	Notes	31 March 2022 Unaudited Rm	31 March 2021[1] Restated Unaudited Rm	30 September 2021 Audited Rm
ASSETS				
Non-current assets				
Goodwill	7	**39 012**	37 280	37 280
Intangible assets		**18 810**	17 961	18 090
Property, plant and equipment		**7 552**	5 463	6 874
Right-of-use assets		**10 905**	10 600	10 230
Interest in associated companies		**56**	55	55
Investments and loans		**90**	81	69
Loans to customers		**2**	4	1
Deferred taxation assets		**2 844**	2 773	2 764
		79 271	74 217	75 363
Current assets				
Inventories		**15 444**	13 250	13 347
Trade and other receivables		**7 979**	6 477	6 984
Loans to customers		**1 735**	1 587	1 534
Insurance and reinsurance receivables		**18**	3	16
Current income taxation assets		**244**	234	233
Investments and loans		**161**	–	31
Cash and cash equivalents		**4 577**	4 956	6 174
		30 158	26 507	28 319
Total assets		**109 429**	100 724	103 682
EQUITY AND LIABILITIES				
Capital and reserves				
Ordinary stated capital		**67 816**	67 352	67 621
Reserves		**(8 500)**	(12 032)	(9 433)
Total equity attributable to equity holders of the parent		**59 316**	55 320	58 188
Non-controlling interests	7	**163**	6	–
Total equity		**59 479**	55 326	58 188
Non-current liabilities				
Interest-bearing loans and borrowings		**10 191**	10 520	10 720
Lease liabilities		**12 319**	12 895	11 952
Employee benefits		**131**	107	146
Deferred taxation liabilities		**4 403**	4 117	4 152
Provisions		**284**	91	91
Non-current income taxation liabilities		**65**	–	–
Put option liability	7	**575**	–	–
		27 968	27 730	27 061
Current liabilities				
Trade and other payables		**13 172**	12 130	12 235
Insurance and reinsurance payables		**65**	55	74
Lease liabilities		**2 572**	2 181	2 377
Employee benefits		**827**	873	1 268
Provisions		**65**	142	73
Current income taxation liabilities		**1 968**	1 780	1 975
Interest-bearing loans and borrowings		**1 434**	–	–
Bank overdrafts and short-term facilities		**1 879**	507	431
		21 982	17 668	18 433
Total equity and liabilities		**109 429**	100 724	103 682

[1] *Prior period comparatives have been restated for the effect of the reclassification of The Building Company from a discontinued operation to a continuing operation. Due to the reclassification, the prior year provision on the loss on the sale of The Building Company of R264 million was released and depreciation and amortisation of R134 million was raised in order to reflect the carrying value of the assets, had it never been classified as held for sale. Refer to note 11.*

Unaudited condensed consolidated interim financial statements *continued*

for the six months ended **31 March 2022**

Condensed consolidated statement of cash flows

	Notes	Six months ended 31 March 2022 Unaudited Rm	Six months ended 31 March 2021[1] Restated Unaudited Rm	Twelve months ended 30 September 2021 Audited Rm
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating profit		**5 610**	4 770	9 141
Adjusted for:				
Debtors' write-offs and movement in provision		**696**	614	1 159
Depreciation and amortisation		**2 077**	1 931	3 799
Non-cash capital items	3	**71**	(1)	164
Inventories written down to net realisable value		**343**	276	810
Share-based payment expense		**129**	97	229
Profit on lease modification		**(279)**	(236)	(903)
Non-working capital provisions releases and other non-cash adjustments		**307**	323	320
		8 954	7 774	14 719
Working capital changes				
Increase in inventories		**(2 822)**	(1 721)	(1 854)
(Increase)/decrease in trade and other receivables		**(657)**	154	(212)
Increase in instalment sale receivables and credit sales through store cards		**(719)**	(643)	(930)
Increase in loans to customers		**(416)**	(304)	(569)
Decrease in trade and other payables		**(258)**	(222)	(121)
Net changes in working capital		**(4 872)**	(2 736)	(3 686)
Cash generated from operations		**4 082**	5 038	11 033
Net dividends paid		**(1 634)**	(3)	–
Finance cost paid		**(1 182)**	(1 115)	(2 221)
Finance income received		**164**	88	252
Taxation paid		**(1 002)**	(1 055)	(1 953)
Net cash inflow from operating activities		**428**	2 953	7 111
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment and intangible assets		**(949)**	(612)	(1 851)
Proceeds on disposal of property, plant and equipment and intangible assets		**22**	9	26
Acquisition of business, net of cash and cash equivalents acquired	7	**(1 843)**	–	–
Settlement of BVI loan		**609**	–	–
Decrease in investments and loans		**59**	17	17
Increase in investments and loans		**–**	–	(16)
(Increase)/decrease in investments and loans in equity-accounted companies		**–**	(11)	1
Disposal of business, net of cash and cash equivalents acquired		**–**	–	63
Net cash outflow from investing activities		**(2 102)**	(597)	(1 760)
CASH FLOWS FROM FINANCING ACTIVITIES				
Amount paid on share buy-back		**(36)**	–	(762)
Transactions with non-controlling interests		**–**	(2)	(20)
Amounts repaid on long-term interest-bearing loans and borrowings		**(5 000)**	(2 000)	(6 500)
Amounts received on long-term interest-bearing loans and borrowings		**5 000**	–	4 700
Amounts repaid on short-term interest-bearing loans and borrowings		**(32)**	(1)	–
Principal lease liability repayments		**(1 310)**	(1 207)	(2 403)
Net cash outflow from financing activities		**(1 378)**	(3 210)	(4 985)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(3 052)**	(854)	366
Effects of exchange rate translations on cash and cash equivalents		**7**	(149)	(75)
Cash and cash equivalents at beginning of the period		**5 743**	5 452	5 452
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**2 698**	4 449	5 743

[1] Prior period comparatives have been restated for the effect of the reclassification of The Building Company from a discontinued operation to a continuing operation. The prior period comparatives have further been restated between cash flows from financing activities and cash and cash equivalents to better reflect the nature of the bank overdraft facilities. The group is of the view that the facilities are operational in nature and not financial as previously reported in error. Refer to note 11.

Notes to the condensed consolidated financial statements

for the six months ended **31 March 2022**

Statement of compliance

The condensed consolidated interim financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements and Debt Listings Requirements (collectively, the Listings Requirements) for condensed financial statements and the provisions of the South African Companies Act, No. 71 of 2008, as amended (Companies Act) applicable to condensed financial statements. The Listings Requirements require condensed financial statements 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 consolidated interim financial statements from which the condensed consolidated interim financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the annual consolidated financial statements for the year ended 30 September 2021. New and revised accounting standards became effective during the reporting period, but their implementation had no significant impact on the results of either the current of previous reporting period.

Basis of preparation

The condensed consolidated interim 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 interim financial statements for the six months ended 31 March 2022 was supervised by RG Hanekom CA(SA), the group's chief financial officer (CFO).

These results have not been reviewed or reported on by the group's auditors. All forward-looking information is the responsibility of the board of directors and has not been reviewed or reported on by the group's auditors. The results were approved by the board of directors on 26 May 2022.

Significant events

Share capital

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

- 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 repurchased 1.8 million ordinary shares during March 2022 from the open market on the JSE.

Refer to note 6 for the total number of shares in issue.

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:

- 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
- Revolving credit facility C: three-year facility of R1.5 billion at three-month JIBAR plus 140 bps

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

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 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 R80 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.

Refer to notes 1 and 9 for further detail regarding the Steinhoff global settlement net recovery and contingent liabilities.

Notes to the condensed consolidated financial statements *continued*

for the six months ended **31 March 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. 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 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. Refer to note 7 for further detail.

Discontinued operations – The Building Company

During the prior year, 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. The transaction was terminated as approval of the transaction by the Competition Authorities was not fulfilled by the transaction long stop date of 16 August 2021 and the parties could not reach agreement on an extension to the long stop date. The Building Company has performed well and has made substantial progress to restructure and consolidate the business while improving its strategic alignment, performance and profitability. While the disposal of The Building Company would have enabled the group to streamline its portfolio of businesses in order to focus on its core business of discount and value retail, the group believes this outcome to be in the best interest of value creation for the group's shareholders and note holders. Prior year comparatives have been restated to account for The Building Company as a continuing operation, where it was previously classified as a discontinued operation. Refer to note 11.

Event subsequent to reporting period

KwaZulu-Natal floods

During April 2022, KwaZulu-Natal experienced severe weather conditions which led to wide-scale flooding across the region. PEP's Isipingo distribution centre in Durban sustained significant damage, while the PEP Africa distribution centre was damaged to a lesser extent due to the flooding. Supply chain operations were also adversely affected. Further trading in a number of stores was temporarily disrupted due to inaccessibility. The group is not currently in a position to quantify the full extent of the losses suffered in terms of merchandise, infrastructure and disruption of operations. Adequate insurance cover is, however, in place and the claims process has been initiated.

The board is not aware of any significant events after the reporting period date, other than the KwaZulu-Natal floods as mentioned above, that would 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 six months ended **31 March 2022**

	Six months ended 31 March 2022 Unaudited Rm	Six months ended 31 March 2021[1] Restated Unaudited Rm	% change	Twelve months ended 30 September 2021 Audited Rm
1. SEGMENTAL ANALYSIS				
REVENUE				
Clothing and general merchandise[2]	**27 613**	26 314	4.9	49 267
Furniture, appliances and electronics	**6 205**	5 705	8.8	10 763
Building materials	**4 130**	4 196	(1.6)	8 416
FinTech[2]	**4 062**	4 450	(8.7)	8 883
	42 010	40 665	3.3	77 329
OPERATING PROFIT BEFORE CAPITAL ITEMS				
Clothing and general merchandise[3]	**4 295**	4 050	6.1	7 786
Furniture, appliances and electronics	**344**	209	64.6	447
Building materials	**220**	174	26.4	371
FinTech[3]	**393**	336	17.0	701
	5 252	4 769	10.1	9 305
RECONCILIATION BETWEEN OPERATING PROFIT				
Operating profit per segmental analysis	**5 252**	4 769	10.1	9 305
Capital items (note 3)	**(71)**	1	(100.0)	(164)
Steinhoff global settlement net recovery (note 1.1)	**429**	–	100.0	–
Operating profit per income statement	**5 610**	4 770	17.6	9 141
Share of net profit of associate	**1**	2	(50.0)	2
Finance costs	**(1 197)**	(1 162)	(3.0)	(2 334)
Finance income	**134**	100	34.0	275
Profit before taxation per income statement	**4 548**	3 710	22.6	7 084
SEGMENTAL ASSETS	**104 601**	95 687	9.4	97 408
RECONCILIATION BETWEEN TOTAL ASSETS AND SEGMENTAL ASSETS				
Total assets per statement of financial position	**109 429**	100 724	8.7	103 682
Less: Cash and cash equivalents	**(4 577)**	(4 956)	7.6	(6 174)
Less: Long-term investments and loans	**(90)**	(81)	(11.1)	(69)
Less: Short-term investments and loans	**(161)**	–	100.0	(31)
Segmental assets	**104 601**	95 687	9.4	97 408
1.1 Steinhoff global settlement net recovery				
BVI impairment reversal	**529**	–	100.0	–
Employee loans impairment reversal	**80**	–	100.0	–
Settlement of litigation disputes	**(180)**	–	(100.0)	–
Total Steinhoff global settlement net recovery	**429**	–	100.0	–

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 2021. The board of directors identifies and monitors segments in relation to differences in products and services.

SEGMENTAL ANALYSIS

Geographical analysis

The revenue, operating profit and assets are all classified as one geographical region. The acquisition of Avenida (refer to note 7), does not have a material effect on these disclosures for the period ended 31 March 2022.

Major customers

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

[1] Prior period comparatives have been restated for the effect of the reclassification of The Building Company from a discontinued operation to a continuing operation. Refer to note 11.
[2] FinTech segment revenue is disclosed net of intergroup revenue of R938 million (31 March 2021: R1.1 billion, 30 September 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.
[3] The FinTech segment operating profit is disclosed net of intersegment expenses of R25 million (31 March 2021: R18 million, 30 September 2021: R10 million) paid to the clothing and general merchandise segment relating to the use of its footprint.

Notes to the condensed consolidated financial statements *continued*

for the six months ended **31 March 2022**

		Six months ended 31 March 2022 Unaudited Rm	Six months ended 31 March 2021[1] Restated Unaudited Rm	Twelve months ended 30 September 2021 Audited Rm
2.	**REVENUE**			
	Revenue from contracts with customers			
	Sale of goods and related revenue (note 2.1.1)[2]	**40 528**	39 464	74 644
	Service fee income	**207**	194	397
	Other revenue[2]	**76**	22	167
	Other sources of revenue			
	Financial services revenue (note 2.1.2)[3]	**975**	830	1 798
	Insurance revenue (note 2.1.3)[3]	**224**	155	323
		42 010	40 665	77 329
2.1	**Disaggregation of revenue from contracts**			
2.1.1	***Sale of goods and related revenue***			
	Clothing and general merchandise			
	South Africa	**23 407**	22 496	41 980
	Other countries	**3 827**	3 478	6 607
	Furniture, appliances and electronics			
	South Africa	**5 334**	4 934	9 054
	Other countries	**348**	383	711
	Building materials			
	South Africa	**3 980**	3 969	8 027
	Other countries	**150**	227	389
	FinTech			
	South Africa	**3 423**	3 923	7 773
	Other countries	**59**	54	103
		40 528	39 464	74 644
2.1.2	***Financial services revenue***			
	Finance income earned	**814**	704	1 529
	Loan origination fees	**161**	126	269
		975	830	1 798
2.1.3	***Insurance revenue***			
	Gross premiums written	**242**	157	352
	Less: Gross premiums ceded to reinsurers	**(24)**	–	–
	Change in provision for unearned premium	**6**	(2)	(29)
		224	155	323

[1] Prior period comparatives have been restated for the effect of the reclassification of The Building Company from a discontinued operation to a continuing operation. Refer to note 11.

[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.

Notes to the condensed consolidated financial statements *continued*

for the six months ended **31 March 2022**

	Six months ended 31 March 2022 Unaudited Rm	Six months ended 31 March 2021[1] Restated Unaudited Rm	Twelve months ended 30 September 2021 Audited 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:			
Impairment/(Impairment reversal)	**74**	–	228
Goodwill	**–**	–	13
Intangible assets	**3**	–	–
Property, plant and equipment	**16**	29	27
Property, plant and equipment – civil unrest	**–**	–	32
Right-of-use assets	**55**	(29)	156
Profit on disposal of property, plant and equipment and intangible assets	**(3)**	(1)	(18)
Scrapping of property, plant and equipment and intangible assets – civil unrest	**–**	–	44
FCTR released to profit or loss on liquidation of foreign subsidiary	**–**	–	(89)
Loss on sale of subsidiaries	**–**	–	(1)
	71	(1)	164
4. FINANCE COSTS			
Interest-bearing loans and borrowings	**329**	323	650
Bank overdraft	**128**	57	162
Lease liability finance cost	**685**	729	1 400
Other	**55**	53	122
	1 197	1 162	2 334
5. TAXATION			
Total taxation for the period	**(1 218)**	(1 102)	(2 208)
Reconciliation of rate of taxation			
South African standard rate of taxation	**28.0%**	28.0%	28.0%
Foreign tax rate differential and irrecoverable foreign taxes	**1.5 %**	1.3%	0.8%
Unrecognised tax losses	**(0.4%)**	(0.1%)	(0.4%)
Prior year adjustments	**0.1%**	(0.5%)	2.5%
Steinhoff global settlement net recovery	**(2.0%)**	0.0%	0.0%
Other	**(0.4%)**	1.0%	0.3%
Effective rate of taxation	**26.8%**	29.7%	31.2%

[1] *Prior period comparatives have been restated for the effect of the reclassification of The Building Company from a discontinued operation to a continuing operation. Refer to note 11.*

Notes to the condensed consolidated financial statements *continued*

for the six months ended **31 March 2022**

	Six months ended 31 March 2022 Million	Six months ended 31 March 2021[1] Million	Twelve months ended 30 September 2021 Million
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	3 660
Shares vested under share scheme	**1**	1	4
Shares issued as properties purchase consideration	**–**	–	12
Share buy-back and cancellation of shares	**–**	–	(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	**3 698**	3 661	3 674
Effect of dilution due to share rights issues in terms of share scheme	**57**	52	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	**3 755**	3 713	3 728
Number of shares in issue	**3 707**	3 667	3 697

	Six months ended 31 March 2022 Unaudited Rm	Six months ended 31 March 2021[1] Restated Unaudited Rm	Twelve months ended 30 September 2021 Audited Rm
6.2 Earnings and headline earnings			
Profit for the period	**3 330**	2 608	4 876
Attributable to non-controlling interests	**4**	4	(1)
Earnings attributable to ordinary shareholders	**3 334**	2 612	4 875
Capital items (note 3)	**71**	(1)	164
Taxation effect of capital items	**(20)**	5	(67)
Headline earnings attributable to ordinary shareholders	**3 385**	2 616	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.

	Six months ended 31 March 2022 Cents	Six months ended 31 March 2021[1] Cents	Twelve months ended 30 September 2021 Cents
6.4 Headline and diluted headline earnings per share			
Headline earnings per share	**91.5**	71.3	135.4
Diluted headline earnings per share	**90.1**	70.3	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 period-end.			
Net asset value per share	**1 600.1**	1 508.6	1 573.8

[1] *Prior period comparatives have been restated for the effect of the reclassification of The Building Company from a discontinued operation to a continuing operation. Refer to note 11.*

Notes to the condensed consolidated financial statements *continued*

for the six months ended **31 March 2022**

7. NET CASH FLOW ON ACQUISITION OF BUSINESS

The group acquired the following business 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. The group further injected R969 million into the business which increased its shareholding to 87.1%. 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 group entered into put/call arrangements as part of the purchase agreement. The group has the right to acquire and the minority holders of Avenida has 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.

Certain fair values are provisional and subject to further review for a period of up to one year from the acquisition date. Provisional at-acquisition values are presented below:

	Six months ended 31 March 2022 Unaudited Rm
7.1 The fair value of assets and liabilities assumed at date of acquisition	
Assets	
Intangible assets	**743**
Property, plant and equipment	**422**
Right-of-use assets	**360**
Long-term investments and loans	**81**
Deferred taxation assets	**264**
Trade and other receivables	**734**
Inventories	**213**
Short-term investments and loans	**136**
Current income taxation assets	**21**
Cash on hand	**1 025**
Non-controlling interest	**(167)**
Liabilities	
Long-term interest-bearing loans and borrowings	**(320)**
Long-term provisions	**(194)**
Long-term lease liabilities	**(256)**
Employee benefits	**(29)**
Non-current income taxation liabilities	**(72)**
Deferred taxation liabilities	**(275)**
Trade and other payables	**(741)**
Short-term interest-bearing loans and borrowings	**(657)**
Current income taxation liabilities	**(16)**
Short-term lease liabilities	**(136)**
Total assets and liabilities acquired	**1 136**
Goodwill attributable to acquisition	**1 732**
Total consideration	**2 868**
Cash on hand at date of acquisition	**(1 025)**
Net cash outflow on acquisition of business	**1 843**

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 six months ended **31 March 2022**

	Six months ended 31 March 2022 Unaudited Rm	Six months ended 31 March 2021 Unaudited Rm	Year ended 30 September 2021 Audited Rm
8. FINANCING			
Unutilised banking and debt facilities consist of the following:			
Short-term cash facilities	**5 005**	5 856	5 755
Letters of credit, forex facilities and asset-based finance facilities	**2 555**	1 970	2 240
Total	**7 560**	7 826	7 995

9. 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.

10. 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 period ended 31 March 2022.

11. RESTATEMENT OF PRIOR PERIOD COMPARATIVES

11.1 The Building Company reclassified as a continuing operation

During the prior year, 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. The transaction was terminated as approval of the transaction by the Competition Authorities was not fulfilled by the transaction long stop date of 16 August 2021 and the parties could not reach agreement on an extension to the long stop date.

The Building Company has performed well and has made substantial progress to restructure and consolidate the business while improving its strategic alignment, performance and profitability. While the disposal of The Building Company would have enabled the group to streamline its portfolio of businesses in order to focus on its core business of discount and value retail, the group believes this outcome to be in the best interest of value creation for the group's shareholders and note holders. Prior year comparatives have been restated to account for The Building Company as a continuing operation, where it was previously classified as a discontinued operation.

Notes to the condensed consolidated financial statements *continued*

for the six months ended **31 March 2022**

	Previously reported Period ended 31 March 2021 Rm	Reclassification of discontinued operations to continuing Period ended 31 March 2021 Rm	Release of provision to fair value less cost to sell[1] Period ended 31 March 2021 Rm	Restated Period ended 31 March 2021 Rm
11. RESTATEMENT OF PRIOR PERIOD COMPARATIVES continued				
Consolidated income statement				
Revenue	36 469	4 196	–	**40 665**
Cost of sales[2]	(23 609)	(3 116)	–	**(26 725)**
Gross profit	12 860	1 080	–	**13 940**
Other income	351	22	–	**373**
Operating expenses[2]	(6 391)	(786)	–	**(7 177)**
Debtors' costs	(428)	(8)	–	**(436)**
Operating profit before depreciation, amortisation and capital items	6 392	308	–	**6 700**
Depreciation and amortisation	(1 797)	–	(134)	**(1 931)**
Operating profit before capital items	4 595	308	(134)	**4 769**
Capital items	(1)	(262)	264	**1**
Operating profit	4 594	46	130	**4 770**
Finance costs	(1 103)	(59)	–	**(1 162)**
Finance income	97	3	–	**100**
Profit before associated income	3 588	(10)	130	**3 708**
Share of net profit of associate	2	–	–	**2**
Profit before taxation	3 590	(10)	130	**3 710**
Taxation	(1 079)	(60)	37	**(1 102)**
Profit from continuing operations	2 511	(70)	167	**2 608**
Loss from discontinued operations	(70)	70	–	**–**
Profit for the period	2 441	–	167	**2 608**
Owners of the parent	2 441	–	171	**2 612**
Non-controlling interests	–	–	(4)	**(4)**
Profit for the period	2 441	–	167	**2 608**
Earnings per share (cents)				
Total basic earnings per share from continuing operations	68.6	–	2.8	**71.4**
Total basic earnings per share from discontinued operations	(1.9)	–	1.9	**–**
Total basic earnings per share	66.7	–	4.7	**71.4**
Total headline earnings per share from continuing operations	67.6	–	3.7	**71.3**
Total headline earnings per share from discontinued operations	(1.9)	–	1.9	**–**
Total headline earnings per share operations	65.7	–	5.6	**71.3**
Total diluted earnings per share from continuing operations	68.8	–	1.6	**70.4**
Total diluted earnings per share from discontinued operations	5.3	–	(5.3)	**–**
Total diluted earnings per share	74.0	–	(3.6)	**70.4**
Total diluted headline earnings per share from continuing operations	67.8	–	2.5	**70.3**
Total diluted headline earnings per share from discontinued operations	5.2	–	(5.2)	**–**
Total diluted headline earnings per share	73.0	–	(2.7)	**70.3**

[1] *Due to the reclassification of The Building Company from a discontinued to a continuing operation, the prior period provision on the loss on the sale of The Building Company of R264 million was released and depreciation and amortisation of R134 million was raised in order to reflect the carrying value of the assets, had it never been classified as held for sale.*

[2] *R198 million was reclassified in the prior period from cost of sales to operating expenses of The Building Company to better reflect the nature of the costs.*

Notes to the condensed consolidated financial statements *continued*

for the six months ended **31 March 2022**

11. RESTATEMENT OF PRIOR PERIOD COMPARATIVES continued

Consolidated statement of financial position

	Previously reported Period ended 31 March 2021 Rm	Reclassification of discontinued operations to continuing Period ended 31 March 2021 Rm	Release of provision to fair value less cost to sell Period ended 31 March 2021 Rm	Restated Period ended 31 March 2021 Rm
ASSETS				
Non-current assets				
Goodwill	37 280	–	–	**37 280**
Intangible assets	17 958	3	–	**17 961**
Property, plant and equipment	5 113	396	(46)	**5 463**
Right-of-use assets	10 094	595	(89)	**10 600**
Interest in associate	55	–	–	**55**
Investments and loans	81	–	–	**81**
Loans to customers	4	–	–	**4**
Deferred taxation assets	2 363	410	–	**2 773**
	72 948	1 404	(135)	**74 217**
Current assets				
Trade and other receivables	5 688	789	–	**6 477**
Loans to customers	1 587	–	–	**1 587**
Insurance and reinsurance receivables	3	–	–	**3**
Inventories	11 740	1 510	–	**13 250**
Current income taxation assets	224	10	–	**234**
Cash and cash equivalents	4 285	671	–	**4 956**
	23 527	2 980	–	**26 507**
Assets classified as held for sale	3 948	(4 384)	436	**–**
	27 475	(1 404)	436	**26 507**
Total assets	100 423	–	301	**100 724**
EQUITY AND LIABILITIES				
Total equity attributable to equity holders of the parent	54 981	–	339	**55 320**
Non-controlling interests	6	–	–	**6**
Total equity	54 987	–	339	**55 326**
Non-current liabilities				
Interest-bearing loans and borrowings	10 520	–	–	**10 520**
Lease liabilities	12 157	738	–	**12 895**
Employee benefits	24	83	–	**107**
Deferred taxation liabilities	3 926	229	(38)	**4 117**
Provisions	91	–	–	**91**
	26 718	1 050	(38)	**27 730**
Current liabilities				
Trade and other payables	10 821	1 309	–	**12 130**
Insurance and reinsurance payables	55	–	–	**55**
Employee benefits	873	–	–	**873**
Current income taxation liabilities	1 780	–	–	**1 780**
Provisions	135	7	–	**142**
Lease liabilities	1 981	200	–	**2 181**
Bank overdrafts and short-term facilities	328	179	–	**507**
	15 973	1 695	–	**17 668**
Liabilities associated directly with non-current assets classified as held for sale	2 745	(2 745)	–	**–**
Total equity and liabilities	100 423	–	301	**100 724**

Notes to the condensed consolidated financial statements *continued*

for the six months ended **31 March 2022**

11. RESTATEMENT OF PRIOR PERIOD COMPARATIVES continued

11.2 Representation of bank overdraft as cash flow from financing activities

Prior period cash flows from financing activities and cash and cash equivalents have been restated to better reflect the nature of the bank overdraft facilities. The group is of the view that the facilities are operational in nature and not financial as previously reported in error.

	Previously reported Period ended 31 March 2021 Rm	Restated Period ended 31 March 2021 Rm	Restated Period ended 31 March 2021 Rm
Consolidated statement of cash flows			
CASH FLOWS FROM FINANCING ACTIVITIES			
Transactions with non-controlling interests	(2)	–	**(2)**
Amounts received on bank overdrafts and short-term facilities	89	(89)	**–**
Amounts repaid on long-term interest-bearing loans and borrowings	(2 000)	–	**(2 000)**
Amounts repaid on short-term interest-bearing loans and borrowings	(1)	–	**(1)**
Principal lease liability repayments	(1 207)	–	**(1 207)**
Net cash outflow from financing activities	(3 121)	(89)	**(3 210)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	(764)	(89)	**(854)**
Effects of exchange rate translations on cash and cash equivalents	(149)	–	**(149)**
Cash and cash equivalents at beginning of the period	5 870	(418)	**5 452**
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	4 957	(507)	**4 449**

11.3 Representation of cash flow hedge movements from other comprehensive income to statement of changes in equity

The prior period comparatives have further been restated in order to directly account for the net fair value loss on cash flow hedges transferred to inventory directly in reserves, and not OCI as previously disclosed in error, in terms of IFRS 9 Financial Instruments.

	Previously reported Period ended 31 March 2021 Rm	Restated Period ended 31 March 2021 Rm	Restated Period ended 31 March 2021 Rm
Consolidated statement of comprehensive income			
Other comprehensive income from continuing operations			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	(117)	–	**(117)**
Net fair value loss on cash flow hedges	(597)	–	**(597)**
Net fair value loss on cash flow hedges transferred to inventory	(199)	199	**–**
Deferred taxation on cash flow hedges	148	–	**148**
Total other comprehensive income for the period, net of taxation	(765)	199	**(566)**
Consolidated statement of changes in equity			
Hedging reserve	(182)	–	**(182)**
Fair value loss on cash flow hedges transferred to inventory previously recognised in other comprehensive income	–	199	**199**
Fair value loss on cash flow hedges transferred to inventory directly accounted for in reserves	–	(199)	**(199)**

Pro forma financial information

The pro forma financial information, which is the responsibility of the group's directors, has been prepared in order to illustrate the impact of the Steinhoff global settlement net recovery had it not been recognised, as well as the impact of constant currency disclosure, and is presented for illustrative purposes only. The pro forma financial information is presented in accordance with the JSE Listings Requirements and 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, change in equity, results of operations, or cash flows. The pro forma financial information presented is the responsibility of the board and was not reviewed by Pepkor's auditors.

PRO FORMA HEADLINE EARNINGS PER SHARE

	Notes	As reported Six months ended 31 March 2022 Rm	Steinhoff global settlement net recovery adjustment Six months ended 31 March 2022 Rm	Pro forma after adjustment Six months ended 31 March 2022 Rm	Six months ended 31 March 2021 Restated[1] Rm	% change on prior year
Revenue		**42 010**	–	**42 010**	40 665	3.3
Cost of sales		**(27 191)**	–	**(27 191)**	(26 725)	(1.7)
Gross profit		**14 819**	–	**14 819**	13 940	6.3
Operating income		**551**	–	**551**	373	47.7
Steinhoff global settlement net recovery		**429**	(429)	**–**	–	0.0
Operating expenses		**(7 535)**	–	**(7 535)**	(7 177)	(5.0)
Debtors' costs		**(506)**	–	**(506)**	(436)	(15.9)
Operating profit before depreciation, amortisation and capital items		**7 758**	(429)	**7 329**	6 700	9.4
Depreciation and amortisation		**(2 077)**	–	**(2 077)**	(1 931)	(7.6)
Operating profit before capital items		**5 681**	(429)	**5 252**	4 769	10.1
Capital items		**(71)**	–	**(71)**	1	(>100)
Operating profit		**5 610**	(429)	**5 181**	4 770	8.6
Finance costs		**(1 197)**	–	**(1 197)**	(1 162)	(3.0)
Finance income		**134**	–	**134**	100	34.0
Profit before associated income		**4 547**	(429)	**4 118**	3 708	11.1
Share of net profit of associate		**1**	–	**1**	2	(50.0)
Profit before taxation		**4 548**	(429)	**4 119**	3 710	11.0
Taxation		**(1 218)**	–	**(1 218)**	(1 102)	(10.5)
Profit from continuing operations		**3 330**	(429)	**2 901**	2 608	11.2
Profit attributable to:						
Owners of the parent		**3 334**	(429)	**2 905**	2 612	11.2
Non-controlling interests		**(4)**	–	**(4)**	(4)	0.0
Profit for the year		**3 330**	(429)	**2 901**	2 608	11.2
Total basic earnings per share	3	**90.2**	(11.6)	**78.6**	71.4	10.1
Total diluted earnings per share	3	**88.8**	(11.4)	**77.4**	70.4	10.0
Total headline earnings per share	3	**91.5**	(11.6)	**79.9**	71.3	12.1
Total diluted headline earnings per share	3	**90.1**	(11.4)	**78.7**	70.3	12.0

[1] *Prior period comparatives have been restated for the effect of the reclassification of The Building Company from a discontinued operation to a continuing operation. Refer to note 11 of the condensed consolidated financial statements.*

NOTES TO THE PRO FORMA FINANCIAL INFORMATION

1. The current and prior year numbers were extracted without adjustments from the condensed consolidated financial statements for the period ended 31 March 2022.
2. The pro forma financial information excludes the impact of the Steinhoff global settlement net recovery recognised, as noted under significant events in the condensed consolidated financial statements.
3. 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 Steinhoff global settlement net recovery as below:

	Rm
Pro forma earnings attributable to ordinary shareholders	2 905
Capital items (note 3 in the condensed consolidated financial statements)	71
Taxation effect on capital items (note 6 in the condensed consolidated financial statements)	(20)
Pro forma headline earnings attributable to ordinary shareholders	2 956

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 period 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 per country. The table below sets out the percentage change in sales, based on the actual continuing results for the period, in reported currency and constant currency, for the basket of currencies in which PEP Africa operates, of which the Angola kwanza, Mozambique metical and Zambian kwacha are the most material.

Change in sales on prior year (%)	**Reported currency**	**Constant currency**
PEP Africa	13.3%	3.1%

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
WYN Luhabe (Chairman)*
TL de Klerk
P Disberry*
LJ du Preez
PJ Erasmus (appointed 12 January 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

Registered address
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Company secretary
M Allie

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
27 May 2022

PEPKOR

Holdings Limited

www.pepkor.co.za