PEPKOR
Holdings Limited

24

Interim results

for the six months ended 31 March 2024

Pepkor delivers **strong performance** in a challenging operating environment

Performance driven by robust sales growth, margin improvement and momentum gains in Pepkor's FinTech strategy

Highlights

from continuing operations

9.5%
growth in revenue to
R43.3 billion

+24.5%
growth in
FinTech revenue
to R5.8 billion

200 bps
increase in gross profit
margin to 38.1%

4.0%
growth in operating
profit[1] to **R5.1 billion**

+13.0% on
a normalised[2]
basis

3.1%
decrease in HEPS[3] to
75.0 cents

+7.8% on
a normalised[2]
basis

85.0%
cash conversion
achieved

Rolling 12-month
basis

Investment case

1. Defensive, cash-generative group with a track record of healthy returns
2. Closest to customers with unparalleled scale and capabilities
3. Significant growth opportunities

1 Before capital items.
2 Refer to page 3 for further detail on Normalised results.
3 Headline earnings per share.

Overview – continuing operations

Robust sales growth with improved margins in Traditional Retail

Sales growth strengthened

Market share expansion

Recovery in retail gross profit margin

Repositioning of the Women's standalone retail concept

Accelerated expansion in Avenida

More than 5 800 stores – 111 new stores opened

Strong revenue growth of 9.5% was achieved, driven by robust trading in Traditional Retail which strengthened further into the second quarter. The Easter trading period was successful on a comparable basis with double-digit sales growth achieved by PEP, Ackermans and Speciality, and high single-digit sales growth in JD Group. The group's overall market share expanded on a three-, six-, and 12-month basis (RLC[1] March 2024 data).

This performance was achieved in the context of a challenging operating environment. Consumers remain financially constrained and unemployment remains high. While there has been some reprieve from electricity load shedding in recent months, the group continues to build resilience in renewable solar capacity and through collaborative initiatives such as electricity load curtailment achieved in PepClo at the Parow campus in Cape Town. Import supply chain disruption adversely impacted in-store product availability during the period.

Retail gross profit margins benefited from improved full-price sales with lower markdown activity in PEP and Ackermans. Lower shipping costs in PEP further improved gross profit margins.

Retail store expansion continued with a total of 111 new stores opened by the group during the period, expanding the total retail store base to 5 823 stores.

The group's ambition to expand its underrepresented share of the adult apparel market led to the decision to reposition the Women's standalone retail concept in Speciality as a mid-market retail brand.

New store openings in Avenida accelerated to 22 during the period, up from six new stores opened in the same period last year. The Avenida store network expanded to 163 stores.

[1] Retailers' Liaison Committee

Momentum builds in FinTech strategic execution – focused on solving customer needs

Retail credit interoperability:
More than 550 000 new accounts opened

Accessible connectivity:
More than 200 000 active cellular handset rentals with growing demand

Affordable insurance products and leveraging insurance capability:
650 000 Abacus insurance policies written

Building digital capability:
+more launched

Expand informal market reach:
165 000 traders

Good progress was made during the period in the execution of the group's FinTech strategy, supporting growth in revenue and gross profit margins.

The strategic expansion of retail credit interoperability continued in a conservative and responsible manner, with the health of the credit books maintained. The A+ retail credit base now includes 2.5 million customer accounts.

The FoneYam cellular handset rental product, which makes smartphones affordable and accessible to customers, was rolled out further with more than 200 000 active FoneYam customers at the end of the period. Customer demand remains strong, fuelling activation rates.

Affordable insurance products provided to customers was enabled through Abacus with the number of written policies nearly doubling to 650 000. The group continues to leverage its insurance capability, capitalising on its trusted retail brands, store network, and ability to collect premiums.

The +more customer value platform was successfully launched and is tracking ahead of expectations, building the group's digital and data capability.

The group expanded its reach into the bustling informal market in South Africa. Throughput value in Flash increased by 28% during the period, enabled by the 165 000 trader network.

Commendable earnings growth, supplemented by solid cash generation

Focused cost reductions bolstered the group's low cost of doing business and resulted in commendable operating profit and earnings growth on a normalised basis. The execution of strategic initiatives such as credit interoperability and FoneYam resulted in significant customer acquisition costs incurred during the period, weighing on profitability and returns in the short term.

Notwithstanding this, solid cash generation continued, with 85% cash conversion achieved on a 12-month rolling basis.

Portfolio review and capital allocation

Disposal of The Building Company announced

The disposal of The Building Company (TBCo) was announced on 29 February 2024. The disposal will streamline Pepkor's portfolio of businesses, enhancing the group's return on capital and optimising shareholder returns. Proceeds will be used to reduce debt and fund strategic growth and value-accretive initiatives.

Financial results

Results from continuing operations

Group revenue for the six months ended 31 March 2024 (H1FY24) increased by 9.5% to R43.3 billion. The Avenida business in Brazil increased its contribution to group revenue for the current period to 5.5% from 4.4% in the comparable period (H1FY23).

Revenue growth by segment	H1FY24 Rm	H1FY23 Rm	Growth %	Contribution %
TRADITIONAL RETAIL SEGMENTS	**37 426**	**34 837**	**7.4%**	**87%**
Clothing and general merchandise segment	**31 488**	29 157	8.0%	73%
Furniture, appliances and electronics segment	**5 938**	5 680	4.5%	14%
FINTECH SEGMENT	**5 838**	**4 689**	**24.5%**	**13%**
GROUP	**43 264**	**39 526**	**9.5%**	**100%**

Traditional Retail segments

Group merchandise sales (sales) for the period increased by 7.0% and like-for-like sales growth amounted to 5.1%.

Group cash sales increased by 3.8% and credit sales increased by 34.0%, driven by the group's credit interoperability strategy in the South Africa-based clothing and general merchandise retail brands.

The overall group credit sales mix increased to 13% (H1FY23: 10%). Management remains comfortable with the credit sales mix, and credit continues to be granted on a prudent basis within the group's conservative credit methodologies.

Retail selling price inflation in PEP, Ackermans and Speciality (in aggregate) amounted to 6.2% for the period, influenced by lower markdown activity.

FinTech segment

Revenue from the FinTech segment increased by 24.5% to R5.8 billion, driven by strong growth in the Flash and Financial services businesses. The FinTech segment continued to increase its contribution to group revenue, contributing 13% in the current period (H1FY23: 12%).

Normalised results[1]

Normalised results exclude the following non-recurring item in the comparable period:

Non-recurring IFRS 16 lease modification gain pertaining to termination of lease – H1FY23

As reported during the group's H1FY23 results published on 30 May 2023, the termination of the PEP distribution centre lease in the KwaZulu-Natal province and commissioning of the newly constructed distribution centre in Hammarsdale (which is owner-occupied) resulted in a lease modification gain of R392 million. This non-recurring gain contributed c. 8 cents per share to earnings and headline earnings per share (HEPS) in H1FY23.

Discontinued operations

As announced on 29 February 2024, Pepkor entered into a sale agreement to dispose of The Building Company. The Building materials segment in its entirety is classified as discontinued operations held for sale in the results and commentary focuses on continuing operations. A loss on sale of R396 million was recognised and is classified as a capital item within discontinued operations.

[1] The normalised results constitute pro forma financial information in terms of the JSE Limited Listings Requirements. For a full appreciation of the pro forma financial information, please refer to pages 28 to 29.

Group gross profit margin increased by 200 basis points to 38.1% (H1FY23: 36.1%) based on lower markdown activity, improved shipping rates, and the continued recovery in Ackermans. High interest rates and increased credit granting resulted in higher margins achieved in the Financial services businesses.

Other income decreased by 30.5% to R373 million. This includes insurance proceeds of R150 million in the comparable period for the damage caused by the April 2022 KwaZulu-Natal floods, as previously reported.

Operating expenses increased by 18.9% and are inflated by the non-recurring IFRS 16 lease modification gain of R392 million included in the comparable period. Additionally, substantial customer acquisition expenses were incurred to implement the group's credit interoperability and cellular handset rental strategies.

Debtors' costs increased by 47.7% to R1.2 billion. Provision charges amounted to R430 million, driven by the initial recognition of expected credit loss provisions on new credit extended. Bad debts written off for the period amounted to R771 million, in line with expectations.

Operating profit (before capital items) increased by 4.0% to R5.1 billion. On a normalised basis, operating profit increased by 13.0%.

Cellular ongoing revenue earned from mobile network operators (MNOs) increased by 8.8% to R1.0 billion.

Net finance costs increased by 12.1% to R1.5 billion due to higher interest rates, which increased by 150 basis points compared to the comparable period.

Pepkor's effective tax rate (from continuing operations) increased to 23.6% (H1FY23: 20.3%) and continues to normalise following the settlement of a South African Revenue Service (SARS) dispute.

Significant investment in net working capital was made during the period. Inventory levels (excluding The Building Company) increased by 3.4% year-on-year and R3.1 billion was invested in credit books.

Net debt (excluding IFRS 16 lease liabilities) remained relatively stable at R11.7 billion (H1FY23: R11.6 billion). Net debt-to-EBITDA increased to 1.2 times due to early creditor payments. Excluding this, net debt-to-EBITDA amounts to 1.0 times. Gearing remains within targeted levels and contractual funding covenants.

HEPS decreased by 3.1% to 75.0 cents. On a normalised basis, HEPS increased by 7.8%.

Segmental performance

Traditional Retail segments

87% of group revenue

90% operating profit

CLOTHING AND GENERAL MERCHANDISE SEGMENT

PEP, ACKERMANS, PEPKOR Speciality, PEP Africa, AVENIDA

FURNITURE, APPLIANCES AND ELECTRONICS SEGMENT

JD GROUP, Russells, Bradlows, HiFiCorp, incredible, ROCHESTER, Sleepmasters The Bed Experts

Sales growth	Total sales growth H1FY24	Like-for-like sales growth H1FY24
TRADITIONAL RETAIL SEGMENTS	**7.0%**	**5.1%**
Clothing and general merchandise segment	7.5%	5.3%
PEP	5.4%	4.1%
Ackermans	6.2%	2.5%
Speciality	8.5%	4.6%
PEP Africa[1]	22.8%	24.7%
Avenida[1]	23.4%	9.3%
Furniture, appliances and electronics segment		
JD Group	4.3%	3.9%

[1] Constant currency

8.0% revenue growth to R31.5 billion

CLOTHING AND GENERAL MERCHANDISE SEGMENT

PEP

Sales performance in PEP was underpinned by a successful back-to-school campaign, which strengthened sales growth in the second quarter. RLC market share was expanded overall on a three-, six- and 12-month basis. PEP was awarded brand of the year in the MMA Smarties Awards, highlighting PEP's commitment to innovation, creativity, and impactful marketing strategies that deeply resonate with customers.

PEP's credit sales mix increased to 7% (3% in the prior period) based on consumer demand for credit and enabled by the group's credit interoperability strategy.

Four million cellular handsets were sold during the period, 50% of which were smartphones.

The PEP retail footprint was expanded to 2 597 stores. 25 new stores were opened during the period, driven by the PEP HOME format.

The PAXI parcel distribution service, which leverages the retail footprint of PEP and other Pepkor brands in more than 2 800 locations, increased parcel volumes by 17% to 2.7 million during the period.

Ackermans

Trading in Ackermans continued to recover during the period. Like-for-like sales growth strengthened to 3.3% in the second quarter from 1.9% in the first quarter. Full-price sales improved by 660 basis points, improving gross profit margins and profitability.

Positive RLC market share trends have emerged on a three- and six-month basis, indicating a recovery of market share in babies' and kids' wear.

Good performance was achieved in back-to-school and girls' wear with a recovery in boys' wear. The recently launched CUBE range, which targets older kids, is performing well.

Ackermans sold 1.3 million cellular handsets during the period, 80% of which were smartphones.

The credit sales mix increased slightly to 19% from 18% in the prior year.

Ackermans opened 16 new stores, growing the retail footprint to 1 037 stores.

The decision was made to reposition the Women's standalone store concept within Speciality to enable dedicated focus and strategic execution aimed at growing the group's market share in the adult apparel category.

Speciality

The Speciality apparel brands expanded overall RLC market share on a three-, six- and 12-month basis. Strong like-for-like sales growth was achieved in Refinery, Dunns, CODE and S.P.C.C. Refinery was expanded to 131 stores as expansion accelerated.

Performance in Tekkie Town was impacted by availability challenges of key brand franchises and an extremely competitive branded footwear market. Trading performance in Shoe City showed recovery during the second quarter.

The introduction of CODE apparel in Tekkie Town stores was successful. Refinery and CODE ranges were also successfully introduced in PEP Africa stores, demonstrating the group's ability to build strong brands that are not only dependent on retail store expansion.

The credit mix improved to 13% from 11%, supported by the group's interoperability strategy.

The Speciality store base was expanded to 905 stores with 23 new stores opened during the period.

PEP Africa

PEP Africa reported strong trading across most countries of operation in local currencies. The adult category increased sales by 38%. CODE and Refinery merchandise was also introduced in 44 stores with promising initial results. Good gross profit margin management and cost control continued. Pick-and-pack distribution capability was implemented in the Durban distribution centre, which will create efficiencies in product distribution to the various countries of operation. The store base remained stable at 228 stores.

Avenida

Avenida achieved strong trading results for the period, with strong volume growth. Trading densities improved by 9.0%. The strategy to implement lower-priced key value items in the product range was successfully completed, yielding significant volume growth (49%) and strengthening Avenida's competitive positioning.

New store openings accelerated to 22 during the period, compared to six new stores opened last year. The Avenida retail footprint comprises 163 stores.

4.5% revenue growth to R5.9 billion

FURNITURE, APPLIANCES AND ELECTRONICS SEGMENT

JD Group achieved good performance in a weak durables market, underpinned by successful Black Friday and festive season campaigns.

The Home division delivered strong sales growth supported by a lower base and increased promotional activity. The Tech division did well to maintain sales levels from a high base in the prior period in a very competitive market.

Market share was expanded in the period under review (Stats SA segmental data).

Overall, JD Group's credit sales mix was slightly up at 12% (H1FY23: 11%). The credit sales mix in the Home division remained stable at 20%.

The Bradlows retail brand refresh is well underway and nearing completion.

In addition to the Sleepmasters bedding brand, two new private label brands were successfully launched with good customer acceptance and strong sales growth. The Orion brand includes consumer electronics and appliance products, and the Steel & Rose brand includes home decor and furniture products.

The JD Group store base comprises 893 stores with 23 new stores opened during the period. New store openings were predominantly driven by the expansion of the Sleepmasters specialist bedding brand.

FinTech segment

24.5% revenue growth to R5.8 billion

13% of group revenue

10% operating profit

FINANCIAL SERVICES

INFORMAL MARKET

FINANCIAL SERVICES

Retail credit

The group's credit interoperability strategy, which enables cross-shopping across Pepkor's South Africa-based clothing retail brands, continues to gain momentum. 552 000 new A+ accounts were opened during the period, expanding the base to 2.5 million accounts. Among the total new accounts opened, 27% of customers are new to credit, and 44% of customers have never previously had a retail credit clothing account.

The group is more conservative compared to peers, and customers are not allowed to make further purchases if one payment is missed. Under this definition, 71% (H1FY23: 74%) of customers were able to make purchases at the end of March 2024. This metric was influenced by unprecedented growth in new business and has shown improvement since March 2024.

The approval rate decreased to 33% from 38% in the prior period and new account limits are 10% lower compared to the prior period.

The Tenacity A+ gross credit book increased to R5.6 billion (H1FY23: R4.0 billion) with a 21% provision level (H1FY23: 21%).

The Connect credit book, which supports the JD Group business, increased moderately to R2.0 billion (H1FY23: R1.9 billion) with a provision level of 33% (H1FY23: 33%).

Lending

Capfin's loan base expanded to 318 000 loans and includes a shift to longer term loans. The gross unsecured credit loan book increased to R3.1 billion (H1FY23: R2.5 billion) with a 18% provision level (H1FY23: 18%).

Cellular

The group sells seven out of 10 prepaid smartphones in South Africa (GfK[1] data) and 5.6 million cellular handsets were sold during the period, 58% of which were smartphones. Private label cellular handsets such as Stylo and Premio contribute 18% to the product mix and achieve higher gross profit margins.

FoneYam, the newly developed cellular handset rental product designed to make smartphones affordable for customers, was rolled out to 1 000 stores by the end of March 2024, with 202 000 handsets sold. The monthly customer activation rate reached 60 000 handsets and continues to accelerate.

The FoneYam cellular rental book amounts to R258 million (gross) with an initial provision level of 16%.

Insurance

Abacus increased the number of written insurance policies by 96% to 650 000. Credit life was rolled out in Capfin with 87% coverage of Capfin loans and a 95% take-up rate on new loans. Parcel cover embedded in PAXI covered 2.7 million parcels during the period.

Digital channels

The +more customer value platform was successfully launched in April 2024 across more than 15 Pepkor retail brands, covering more than 5 000 stores. Despite its infancy, +more is already expanding the group's known customer base, with 24% of current registrations coming from customers who were previously unknown to the group.

[1] Growth from Knowledge

INFORMAL MARKET

Flash performed well and increased profitability by more than 20% for the period. Total throughput (virtual turnover based on face value of products sold) increased by 27.6% to R23.3 billion for the period.

The average throughput across the informal market trader base of 165 000 increased by 25.7%.

Cellular base spend benefited from growth in key strategic mobile network operators and the SIM activation rate improved.

Aggregation turnover increased by 42.6%, driven by airtime and 1Voucher sales.

Flash contributed 65% to the FinTech segment's revenue for the period.

Outlook

Since March 2024, trading has continued to fluctuate but remains resilient. Trading strengthened across most brands in April but weakened in May. The second half of the 2024 financial year will be contending with a higher base as the prior year included a 53rd trading week.

The ongoing import supply chain disruption continues to adversely affect merchandise inflows to stores in addition to fluctuating shipping rates. Logistics teams are making good progress in flexing the group's distribution capability to deal with supply backlogs, prioritising stock freshness to minimise the risk of markdowns.

The uncertainty caused by the national elections on 29 May 2024 in South Africa is noted and the group will respond to any potential disruption, should this be necessary.

Strategic execution is progressing according to plan with initial success demonstrated in the current reporting period. This provides confidence in the group's ability to execute and monetise opportunities that genuinely solve customer needs, driving significant and sustainable growth well in excess of opportunities provided by the macro environment.

The potential for expansion in Brazil remains compelling, allowing the group to build international scale and once again establish itself as a global leader in discount and value retail.

Changes to the board

Mr TL de Klerk retired from the board in terms of the company's memorandum of incorporation and was eligible for re-election but did not offer himself for re-election at the annual general meeting held on 7 March 2024. The company notes his resignation with effect from the conclusion of the annual general meeting. The board would like to thank Mr de Klerk for his dedicated service as a director and wishes him well in his future endeavours.

Wendy Luhabe
Independent non-executive chair

Pieter Erasmus
Chief executive officer

Riaan Hanekom
Chief financial officer

27 May 2024

Unaudited condensed consolidated interim financial statements

for the six months ended 31 March 2024

Condensed consolidated income statement

	Notes	Six months ended 31 March 2024 Unaudited Rm	Six months ended 31 March 2023[1] Restated Rm	% change	Twelve months ended 30 September 2023[1] Restated Rm
Revenue	2	**43 264**	39 526	9.5	78 960
Retail revenue		**41 249**	37 992	8.6	75 788
Financial services revenue		**1 771**	1 357	30.5	2 801
Insurance revenue		**244**	177	37.9	371
Cost of sales		**(26 768)**	(25 256)	(6.0)	(50 226)
Cost of merchandise sold		**(26 768)**	(25 313)	(5.7)	(50 300)
Insurance claim recovery – social unrest and floods		**–**	57	(100.0)	74
Gross profit		**16 496**	14 270	15.6	28 734
Other income		**373**	537	(30.5)	1 174
Other income excluding insurance claim recovery – social unrest and floods		**373**	387	(3.6)	899
Insurance claim recovery – social unrest and floods		**–**	150	(100.0)	275
Operating expenses		**(8 267)**	(6 954)	(18.9)	(14 808)
Debtors' costs		**(1 201)**	(813)	(47.7)	(1 689)
Operating profit before depreciation, amortisation and capital items		**7 401**	7 040	5.1	13 411
Depreciation and amortisation		**(2 286)**	(2 123)	(7.7)	(4 367)
Operating profit before capital items		**5 115**	4 917	4.0	9 044
Capital items	3	**21**	15	40.0	(6 828)
Capital items excluding insurance claim recovery – social unrest and floods		**21**	(28)	> 100	(6 873)
Insurance claim recovery – social unrest and floods		**–**	43	(100.0)	45
Operating profit		**5 136**	4 932	4.1	2 216
Finance costs	4	**(1 646)**	(1 472)	(11.8)	(2 997)
Finance income		**134**	124	8.1	272
Profit/(loss) before associated income		**3 624**	3 584	1.1	(509)
Share of net profit of associate		**–**	3	(100.0)	7
Profit/(loss) before taxation		**3 624**	3 587	1.0	(502)
Taxation	5	**(856)**	(727)	(17.7)	(1 083)
Profit/(loss) for the period from continuing operations		**2 768**	2 860	(3.2)	(1 585)
(Loss)/profit for the period from discontinued operations	7	**(294)**	125	(> 100)	295
Profit/(loss) for the period		**2 474**	2 985	(17.1)	(1 290)

[1] Prior year comparatives have been restated for the effect of the discontinued operation as detailed in note 7.

Condensed consolidated income statement *continued*

	Notes	Six months ended 31 March 2024 Unaudited Rm	Six months ended 31 March 2023[1] Restated Rm	% change	Twelve months ended 30 September 2023[1] Restated Rm
Profit/(loss) attributable to:					
Owners of the parent		**2 471**	2 980	(17.1)	(1 298)
Non-controlling interests		**3**	5	(40.0)	8
Profit/(loss) for the period		**2 474**	2 985	(17.1)	(1 290)
Earnings per share (cents)					
Basic earnings per share from continuing operations		**75.4**	77.7	(3.0)	(43.4)
Basic earnings per share from discontinued operations		**(8.0)**	3.4	(> 100)	8.0
Total basic earnings per share	6	**67.4**	81.1	(16.9)	(35.4)
Diluted earnings per share from continuing operations		**74.5**	76.5	(2.7)	(42.8)
Diluted earnings per share from discontinued operations		**(7.9)**	3.4	(> 100)	7.9
Total diluted earnings per share	6	**66.6**	79.9	(16.7)	(34.9)

[1] Prior year comparatives have been restated for the effect of the discontinued operation as detailed in note 7.

Condensed consolidated statement of comprehensive income

	Six months ended 31 March 2024 Unaudited Rm	Six months ended 31 March 2023[1] Restated Rm	Twelve months ended 30 September 2023[1] Restated Rm
Profit/(loss) from continuing operations	**2 768**	2 860	(1 585)
(Loss)/profit from discontinued operations	**(294)**	125	295
	2 474	2 985	(1 290)
Other comprehensive income (OCI) from continuing operations			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**(73)**	10	188
Net fair value gain on cash flow hedges	**348**	412	666
Deferred taxation on cash flow hedges	**9**	105	61
Foreign currency translation reserve released to profit or loss on liquidation of foreign subsidiary	**(6)**	–	(3)
Other comprehensive income for the period, net of taxation	**278**	527	912
Other comprehensive loss from discontinued operations			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**–**	(3)	(34)
Foreign currency translation reserve released to profit or loss on sale of foreign subsidiary	**–**	–	32
Other comprehensive loss for the period, net of taxation	**–**	(3)	(2)
Total comprehensive income/(loss) for the period	**2 752**	3 509	(380)
Total comprehensive income/(loss) attributable to:			
Owners of the parent	**2 749**	3 504	(388)
Non-controlling interests	**3**	5	8
Total comprehensive income/(loss) for the period	**2 752**	3 509	(380)
Total comprehensive income/(loss) for the period attributable to equity holders of the parent arises from:			
Continuing operations	**3 043**	3 382	(681)
Discontinued operations	**(294)**	122	293
Total comprehensive income/(loss) for the period attributable to equity holders of the parent	**2 749**	3 504	(388)

[1] Prior year comparatives have been restated for the effect of the discontinued operation as detailed in note 7.

Condensed consolidated statement of changes in equity

	Six months ended 31 March 2024 Unaudited Rm	Six months ended 31 March 2023 Unaudited Rm	Twelve months ended 30 September 2023 Audited Rm
Balance at beginning of the period	**59 053**	62 945	62 945
Changes in reserves			
Total comprehensive income/(loss) for the period attributable to owners of the parent	**2 749**	3 504	(388)
Profit/(loss) for the period	**2 471**	2 980	(1 298)
Recognised in other comprehensive income from total operations	**278**	524	910
Shares issued under Pepkor Executive Share Rights Scheme	**234**	206	226
Share buy-back and cancellation	**–**	(416)	(511)
Treasury shares repurchased by a subsidiary company of the group	**(14)**	(11)	(8)
Dividends paid	**(1 763)**	(2 025)	(2 025)
Net movement in share-based payment reserve	**(114)**	(46)	(5)
Transfers from/(to) retained earnings	**10**	(15)	(20)
Recognition of put option reserve	**–**	–	(183)
Net fair value loss on cash flow hedges transferred to inventory	**(442)**	(537)	(1 007)
Transfer from common control reserve due to ultimate holding company loss of control	**–**	11 755	11 755
Transfer to retained earnings due to ultimate holding company loss of control	**–**	(11 755)	(11 755)
Changes in non-controlling interests			
Total comprehensive income for the period attributable to non-controlling interests	**3**	5	8
Non-controlling interest recognised on acquisition of subsidiaries	**2**	–	–
Exchange differences on consolidation of foreign subsidiaries	**13**	10	21
Balance at end of the period	**59 731**	63 620	59 053
Comprising			
Ordinary stated capital	**67 177**	67 018	66 943
Treasury shares	**(31)**	(20)	(17)
Retained earnings	**(7 088)**	(3 523)	(7 806)
Share-based payment reserve	**290**	363	404
Hedging reserve	**181**	526	266
Foreign currency translation reserve	**(263)**	(360)	(184)
Put option reserve	**(789)**	(606)	(789)
Other reserves	**24**	24	24
Non-controlling interests	**230**	198	212
	59 731	63 620	59 053

Condensed consolidated statement of financial position

	Notes	31 March 2024 Unaudited Rm	31 March 2023 Unaudited Rm	30 September 2023 Audited Rm
ASSETS				
Non-current assets				
Goodwill		**33 145**	39 303	32 937
Intangible assets		**19 227**	19 032	19 104
Property, plant and equipment		**9 124**	8 736	9 329
Right-of-use assets		**10 117**	10 899	10 864
Interest in associated companies	8	**–**	68	71
Investments and loans		**44**	48	46
Unsecured loans		**605**	6	298
Deferred taxation assets		**2 468**	2 600	2 835
		74 730	80 692	75 484
Current assets				
Inventories		**16 081**	17 250	16 974
Trade and other receivables		**9 785**	9 234	9 242
Unsecured loans		**1 938**	2 017	1 792
Insurance and reinsurance receivables		**41**	54	37
Current income taxation assets		**162**	627	284
Investments and loans		**7**	89	48
Cash and cash equivalents		**4 526**	3 449	4 879
		32 540	32 720	33 256
Assets classified as held for sale	7	**3 356**	–	–
Total assets		**110 626**	113 412	108 740
EQUITY AND LIABILITIES				
Capital and reserves				
Ordinary stated capital		**67 177**	67 018	66 943
Reserves		**(7 676)**	(3 596)	(8 102)
Total equity attributable to equity holders of the parent		**59 501**	63 422	58 841
Non-controlling interests		**230**	198	212
Total equity		**59 731**	63 620	59 053
Non-current liabilities				
Interest-bearing loans and borrowings	9	**9 813**	11 955	9 395
Lease liabilities		**9 945**	10 969	10 871
Employee benefits		**364**	209	388
Deferred taxation liabilities		**4 081**	4 274	4 277
Provisions		**183**	326	245
Put option liability		**1 106**	763	1 068
		25 492	28 496	26 244
Current liabilities				
Trade and other payables		**12 036**	12 633	15 095
Insurance payables		**74**	43	73
Lease liabilities		**2 792**	2 964	3 078
Employee benefits		**967**	916	1 337
Provisions		**129**	91	112
Current income taxation liabilities		**568**	1 600	693
Interest-bearing loans and borrowings	9	**3 263**	484	2 121
Put option liability		**41**	–	–
Bank overdrafts and short-term facilities		**3 349**	2 565	934
		23 219	21 296	23 443
Liabilities classified as held for sale	7	**2 184**	–	–
Total equity and liabilities		**110 626**	113 412	108 740

Condensed consolidated statement of cash flows

	Notes	Six months ended 31 March 2024 Unaudited Rm	Six months ended 31 March 2023 Unaudited Rm	Twelve months ended 30 September 2023 Audited Rm
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating profit		**4 912**	5 138	2 697
Operating profit from continuing operations		**5 136**	4 932	2 216
Operating (loss)/profit from discontinued operations		**(224)**	206	481
Adjusted for:				
Debtors' write-offs and movement in provision		**1 467**	1 089	2 163
Depreciation and amortisation		**2 452**	2 293	4 680
Non-cash capital items	3	**372**	(16)	6 830
Inventories written down to net realisable value		**326**	378	603
Share-based payment expense		**128**	160	221
Profit on lease modification		**(210)**	(646)	(789)
Non-working capital provisions releases and other non-cash adjustments		**145**	(287)	9
		9 592	8 109	16 414
Working capital changes				
Increase in inventories		**(1 585)**	(1 137)	(1 529)
Decrease/(Increase) in trade and other receivables		**39**	(160)	(77)
Increase in instalment sale receivables and credit sales through store cards		**(2 256)**	(1 184)	(2 442)
Increase in unsecured loans		**(886)**	(516)	(918)
(Decrease)/increase in trade and other payables		**(2 274)**	(1 887)	1 514
Net changes in working capital		**(6 962)**	(4 884)	(3 452)
Cash generated from operations		**2 630**	3 225	12 962
Net dividends paid		**(1 763)**	(2 025)	(2 025)
Finance cost paid	4	**(1 495)**	(1 434)	(2 866)
Finance income received		**126**	117	252
Taxation paid	5	**(875)**	(1 259)	(2 537)
Net cash (outflow)/inflow from operating activities		**(1 377)**	(1 376)	5 786
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment and intangible assets		**(1 080)**	(1 171)	(2 712)
Proceeds on disposal of property, plant and equipment and intangible assets		**18**	35	73
Payment for acquisition of subsidiary, net of cash and cash equivalents acquired	8	**(76)**	–	–
Decrease in investments and loans		**35**	78	151
Increase in investments and loans		**(1)**	(51)	(84)
Net cash outflow from investing activities		**(1 104)**	(1 109)	(2 572)
CASH FLOWS FROM FINANCING ACTIVITIES				
Amount paid on share buy-back		**–**	(416)	(511)
Treasury shares purchased		**(23)**	(11)	(8)
Amounts paid on long-term interest-bearing loans and borrowings		**(608)**	(963)	(1 950)
Amounts received on long-term interest-bearing loans and borrowings	9	**2 168**	1 884	1 896
Principle lease liability repayments		**(1 574)**	(1 504)	(3 057)
Net cash outflow from financing activities		**(37)**	(1 010)	(3 630)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(2 518)**	(3 495)	(416)
Effects of exchange rate translations on cash and cash equivalents		**(41)**	10	(8)
Cash and cash equivalents at beginning of the period		**3 945**	4 369	4 369
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**1 386**	884	3 945
Consisting of:				
Cash and cash equivalents		**4 526**	3 449	4 879
Cash and cash equivalents classified as assets held for sale	7	**209**	–	–
Bank overdrafts		**(3 349)**	(2 565)	(934)
		1 386	884	3 945

Notes to the condensed consolidated interim financial statements

for the six months ended 31 March 2024

Statement of compliance

The condensed consolidated interim financial statements are prepared in accordance with IFRS Accounting Standards, IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the JSE Limited Listings Requirements and Debt Listings Requirements (collectively the JSE Listings Requirements) and the Companies Act of South Africa.

The accounting policies applied in the preparation of these interim financial statements are in terms of the IFRS and are consistent with those applied in the previous consolidated annual financial statements, except for the adoption of IFRS 17: Insurance Contracts. New and revised accounting standards became effective during the reporting period, including the adoption of IFRS 17 (R8.5 million retained earnings and relating insurance payables impact if the Statement of Financial Position was adjusted for restrospectively). The implementation had no significant impact on the group's current or previous reporting periods and therefore the prior period comparatives have not been restated.

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 2024 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 27 May 2024.

Significant events

Share capital

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

- The group issued 17.3 million ordinary shares during the current financial year for share rights that vested under the Pepkor Executive Share Rights Scheme.
- A company within the group transferred 443 095 ordinary shares for share rights that vested under the Pepkor Executive Share Rights Scheme and purchased a further 1.2 million ordinary shares during the current financial period from the open market on the JSE which are classified as treasury shares in the annual financial statements.
- Refer to note 6 for the total number of shares in issue.

Discontinued operations – The Building Company

The group entered into a sale agreement to dispose of the entire share capital of The Building Company for a purchase consideration of R1.2 billion, adjusted for transaction costs and allowable leakages, to Capitalworks Private Equity and selected members of The Building Company's management. The purchase price is subject to 8.5% interest per annum from 1 October 2023 until all conditions precedent are met.

Under the group's ownership, The Building Company has continued to expand its value proposition which includes an attractive portfolio of well-known brands, while refining its strategy and consolidating its operational structure. The disposal of The Building Company will streamline the group's portfolio of businesses, enhancing the group's return on capital and optimise shareholder returns.

Included in the six-month results is a loss on sale of the subsidiary of R396 million, which is classified as a capital item within discontinued operations.

Refer to note 7 for more detail.

Interest-bearing loans and borrowings

The group successfully raised R2.2 billion in the bond market following an auction held on 4 March 2024 at lower margins than expected. The new floating rate notes issued effective from 7 March 2024 are:

- PEP07: three-year floating rate notes of R878 million at three-month Jibar plus 114 bps; and
- PEP08: five-year floating rate notes of R1.29 billion issued at three-month Jibar plus 124 bps.

The proceeds from the issuance replaces the floating rate notes of R1.435 billion (PEP03: three-year) due and paid in May 2024, which carried interest at three-month Jibar plus 152 bps, and was further used to settle Term Loan E (three-year) of R500 million due June 2024, which carried interest at three-month Jibar plus 120 bps.

Secondary listing on the A2X

The group listed its shares for trade on A2X effective 2 April 2024. The group retained its listing on the JSE Limited and its issued capital will be unaffected by this secondary listing.

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.

1. Segmental analysis

1.1 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 executive members of the Pepkor Holdings Limited board of directors have been identified as the CODM.

Identification of segments

The composition of the previously reported segments, as per the annual consolidated financial statements for the period ended 31 March 2023, has been amended to reflect how the CODM reviews the segments during the current financial period and the latter part of the previous financial year. This is due to the change in executive members of the board of directors during the 2023 financial year. The executive members of the board of directors have identified and monitor segments in relation to differences in products and services. Refer to note 1.3 for the restatement of the operating segments.

Geographical analysis

The CODM reviews revenue, operating profit and assets as one geographical region. However, due to South Africa being the group's primary country of operation, the geographical segments have been split between South Africa and other foreign countries. In presenting information on the basis of geographical segments, segment revenue is based on the location of the customers, while segment assets are based on the location of the asset.

Major customers

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

1.2. Segmental analysis

	Clothing and general merchandise[1,2] Unaudited Rm	Furniture, appliances and electronics Unaudited Rm	Building materials[2] Unaudited Rm	FinTech[1] Unaudited Rm	Total Unaudited Rm	Discon-tinued operation[2] Unaudited Rm	Total from continuing operations Unaudited Rm
Six months ended 31 March 2024							
Revenue	31 488	5 938	4 148	5 838	47 412	(4 148)	43 264
Total revenue	31 488	5 938	4 148	6 800	48 374	(4 148)	44 226
Intersegmental revenue	–	–	–	(962)	(962)	–	(962)
Significant expenses							
Depreciation and amortisation	(2 019)	(226)	(166)	(41)	(2 452)	166	(2 286)
Personnel expenses (recognised in operating expenses)	(3 656)	(621)	(521)	(484)	(5 282)	521	(4 761)
Debtors' costs	(157)	–	(6)	(1 044)	(1 207)	6	(1 201)
Operating profit before capital items	4 246	374	169	495	5 284	(169)	5 115
Reconciliation of operating profit							
Operating profit per segmental analysis							5 115
Capital items (note 3)							21
Operating profit per income statement							5 136
Finance costs (note 4)							(1 646)
Finance income							134
Profit before taxation per income statement							3 624
Geographical split of revenue	31 488	5 938	4 148	5 838	47 412	(4 148)	43 264
South Africa	25 217	5 552	4 024	5 733	40 526	(4 024)	36 502
Other foreign countries[3]	6 271	386	124	105	6 886	(124)	6 762
Geographical split of sale of goods and related revenue (note 2.1.1)	31 099	5 821	4 148	3 777	44 845	(4 148)	40 697
South Africa	25 171	5 438	4 024	3 729	38 362	(4 024)	34 338
Other foreign countries	5 928	383	124	48	6 483	(124)	6 359

Notes to the condensed consolidated interim financial statements *continued*
for the six months ended 31 March 2024

1. Segmental analysis *continued*

1.2 Segmental analysis *continued*

	Clothing and general merchandise[1,2] Unaudited Rm	Furniture, appliances and electronics Unaudited Rm	Building materials[2] Unaudited Rm	FinTech[1] Unaudited Rm	Total Unaudited Rm	Discontinued operation[2] Unaudited Rm	Total from continuing operations Unaudited Rm
Six months ended 31 March 2023[2,5]							
External revenue	29 295	5 680	4 141	4 689	43 805	(4 279)	39 526
Total revenue	29 295	5 680	4 141	5 643	44 759	(4 279)	40 480
Intersegmental revenue	–	–	–	(954)	(954)	–	(954)
Significant expenses							
Depreciation and amortisation	(1 873)	(226)	(156)	(38)	(2 293)	170	(2 123)
Personnel expenses (recognised in operating expenses)	(3 257)	(630)	(543)	(411)	(4 841)	555	(4 286)
Debtors' costs	(113)	–	(8)	(700)	(821)	8	(813)
Operating profit before capital items	4 160	303	201	458	5 122	(205)	4 917
Reconciliation of operating profit							
Operating profit per segmental analysis							4 917
Capital items (note 3)							15
Operating profit per income statement							4 932
Share of net profit of associate							3
Finance costs (note 4)							(1 472)
Finance income							124
Profit before taxation per income statement							3 587
Geographical split of revenue	29 295	5 680	4 141	4 689	43 805	(4 279)	39 526
South Africa	23 790	5 320	3 984	4 589	37 683	(3 984)	33 699
Other foreign countries[3]	5 505	360	157	100	6 122	(295)	5 827
Geographical split of sale of goods and related revenue (note 2.1.1)	29 133	5 563	4 141	3 053	41 890	(4 279)	37 611
South Africa	23 790	5 207	3 984	3 003	35 984	(3 984)	32 000
Other foreign countries	5 343	356	157	50	5 906	(295)	5 611

1. Segmental analysis *continued*

1.2 Segmental analysis *continued*

	Clothing and general merchandise[1,2] Unaudited Rm	Furniture, appliances and electronics Unaudited Rm	Building materials[2] Unaudited Rm	FinTech[1] Unaudited Rm	Total Unaudited Rm	Discontinued operation[2] Unaudited Rm	Total from continuing operations Unaudited Rm
Twelve months ended 30 September 2023[2]							
External revenue	58 663	10 541	8 448	9 998	87 650	(8 690)	78 960
Total revenue	58 663	10 541	8 448	11 896	89 548	(8 690)	80 858
Intersegmental revenue	–	–	–	(1 898)	(1 898)	–	(1 898)
Significant expenses							
Depreciation and amortisation	(3 845)	(464)	(294)	(77)	(4 680)	313	(4 367)
Personnel expenses (recognised in operating expenses)	(6 489)	(1 184)	(1 079)	(1 108)	(9 860)	1 101	(8 759)
Debtors' costs	(276)	–	(18)	(1 413)	(1 707)	18	(1 689)
Operating profit before capital items	7 613	531	468	915	9 527	(483)	9 044
Reconciliation of operating profit							
Operating profit per segmental analysis							9 044
Capital items (note 3)[4]							(6 828)
Operating profit per income statement							2 216
Share of net profit of associate							7
Finance costs (note 4)							(2 997)
Finance income							272
Loss before taxation per income statement							(502)
Geographical split of revenue	58 663	10 541	8 448	9 998	87 650	(8 690)	78 960
South Africa	47 370	9 847	8 134	9 800	75 151	(8 134)	67 017
Other foreign countries[3]	11 293	694	314	198	12 499	(556)	11 943
Geographical split of sale of goods and related revenue (note 2.1.1)	58 136	10 334	8 448	6 692	83 610	(8 690)	74 920
South Africa	47 370	9 648	8 134	6 596	71 748	(8 134)	63 614
Other foreign countries	10 766	686	314	96	11 862	(556)	11 306

[1] FinTech segment revenue is disclosed net of intergroup revenue earned relating to the sale of virtual vouchers and airtime, and insurance cover provided on PAXI products, to the Clothing and general merchandise segment.
[2] Prior year comparatives have been restated for the effect of the discontinued operation as detailed in note 7, which relates to the Clothing and general merchandise and Building materials segments.
[3] Revenue from other foreign countries includes the Brazilian market revenue from Avenida of R2.4 billion (30 March 2023: R1.7 billion, 30 September 2023: R3.8 billion). The Brazilian contribution to total revenue is not deemed to be material and is therefore not separately disclosed.
[4] Capital items of R6.8 billion include the impairment of goodwill (R6.5 billion) and trade and brand names (R97 million) relating to the Clothing and general merchandise segment.
[5] During the 2023 financial year the CODM amended the composition of the previously reported segments to reflect how the CODM reviews the segments during the current financial period and the latter part of the previous financial year. This is due to the change in executive members of the board of directors and a change in their strategic view of the group's reportable segments during the 2023 financial year. Refer to note 1.3 for the restatement of revenue and expenses between segments for the 2023 financial period.

Notes to the condensed consolidated interim financial statements *continued*
for the six months ended 31 March 2024

1. Segmental analysis *continued*

1.3 Restatement of segmental revenue and expenses for the period ended 31 March 2023

	Clothing and general merchandise[1,2] Restated Rm	Furniture, appliances and electronics Restated Rm	Building materials[2] Restated Rm	FinTech[1] Restated Rm	Total Restated Rm	Discontinued operation[2] Restated Rm	Total from continuing operations Restated Rm
Revenue							
Previously reported	29 809	6 109	4 141	3 746	43 805	(4 279)	39 526
Reallocation from Clothing and general merchandise to the FinTech segment	(514)	–	–	514	–	–	–
Reallocation from Furniture, appliances and electronics to the FinTech segment	–	(429)	–	429	–	–	–
	29 295	5 680	4 141	4 689	43 805	(4 279)	39 526
Significant expenses							
Depreciation and amortisation							
Previously reported	(1 879)	(229)	(156)	(29)	(2 293)	170	(2 123)
Reallocation from Clothing and general merchandise to the FinTech segment	6	–	–	(6)	–	–	–
Reallocation from Furniture, appliances and electronics to the FinTech segment	–	3	–	(3)	–	–	–
	(1 873)	(226)	(156)	(38)	(2 293)	170	(2 123)
Personnel expenses (recognised in operating expenses)							
Previously reported	(3 334)	(682)	(543)	(282)	(4 841)	555	(4 286)
Reallocation from Clothing and general merchandise to the FinTech segment	77	–	–	(77)	–	–	–
Reallocation from Furniture, appliances and electronics to the FinTech segment	–	52	–	(52)	–	–	–
	(3 257)	(630)	(543)	(411)	(4 841)	555	(4 286)
Debtors' costs							
Previously reported	(420)	(136)	(8)	(257)	(821)	8	(813)
Reallocation from Clothing and general merchandise to the FinTech segment	307	–	–	(307)	–	–	–
Reallocation from Furniture, appliances and electronics to the FinTech segment	–	136	–	(136)	–	–	–
	(113)	–	(8)	(700)	(821)	8	(813)
Operating profit before capital items							
Previously reported	4 156	327	201	438	5 122	(205)	4 917
Reallocation from Clothing and general merchandise to the FinTech segment	4	–	–	(4)	–	–	–
Reallocation from Furniture, appliances and electronics to the FinTech segment	–	(24)	–	24	–	–	–
	4 160	303	201	458	5 122	(205)	4 917

1. Segmental analysis *continued*

	Six months ended 31 March 2024 Unaudited Rm	Six months ended 31 March 2023 Unaudited Rm	% change	Twelve months ended 30 September 2023 Audited Rm
1.4 Segmental assets	105 840	109 826	(3.4)	103 767
Reconciliation between total assets and segmental assets				
Total assets per statement of financial position	110 626	113 412	(2.5)	108 740
Less: Cash and cash equivalents	(4 735)	(3 449)	(31.2)	(4 879)
Less: Long-term investments and loans	(44)	(48)	8.3	(46)
Less: Short-term investments and loans	(7)	(89)	92.1	(48)
Segmental assets	105 840	109 826	(3.4)	103 767
1.5 Geographical split of non-current assets				
South Africa	65 363	72 368	(9.7)	66 118
Other foreign countries	6 250	5 602	11.8	6 116
Non-current assets	71 613	77 970	(8.2)	72 234

Non-current assets consist of goodwill, intangible assets, property, plant and equipment and right-of-use assets from continuing operations.

	Six months ended 31 March 2024 Unaudited Rm	Six months ended 31 March 2023[1] Restated Rm	Twelve months ended 30 September 2023[1] Restated Rm
2. Revenue			
Revenue from contracts with customers			
Retail revenue	**41 249**	37 992	75 788
Sale of goods and related revenue (note 2.1.1)	**40 697**	37 611	74 920
Service fee income	**392**	263	662
Other revenue	**160**	118	206
Other sources of revenue			
Financial services revenue (note 2.1.2)	**1 771**	1 357	2 801
Insurance revenue (note 2.1.3)	**244**	177	371
	43 264	39 526	78 960
2.1 Disaggregation of revenue from contracts			
2.1.1 Sale of goods and related revenue			
Sale of goods and related revenue excluding ongoing revenue	**39 695**	36 690	73 035
Ongoing revenue	**1 002**	921	1 885
	40 697	37 611	74 920
2.1.2 Financial services revenue			
Finance income earned	**1 574**	1 169	2 424
Loan origination fees	**197**	188	377
	1 771	1 357	2 801
2.1.3 Insurance revenue			
Gross premiums written	**246**	177	371
Change in provision for unearned premium	**(2)**	–	–
	244	177	371

[1] Prior year comparatives have been restated for the effect of the discontinued operation as detailed in note 7.

Notes to the condensed consolidated interim financial statements *continued*
for the six months ended 31 March 2024

	Six months ended 31 March 2024 Unaudited Rm	Six months ended 31 March 2023[1] Restated Rm	Twelve months ended 30 September 2023[1] Restated Rm
3. Capital items			
Capital items are required to be reported by the JSE. The effect of capital items should be excluded from earnings when determining headline earnings per share.			
Expenses of a capital nature are included in the 'capital items' line in the income statement. These expense items are:			
From continuing operations:			
3.1 Impairment/(impairment reversal)	**(19)**	26	6 796
Goodwill	**–**	–	6 516
Intangible assets	**–**	–	101
Property, plant and equipment	**3**	5	(22)
Right-of-use assets	**(22)**	21	201
3.2 Loss on disposal of property, plant and equipment and intangible assets	**4**	2	72
3.3 Insurance claim received of property, plant and equipment – social unrest and floods	**–**	(43)	(37)
3.4 Foreign currency translation reserve released to profit on liquidation of foreign subsidiary	**(6)**	–	(3)
	(21)	(15)	6 828
From discontinued operations:			
3.5 Foreign currency translation reserve released to profit or loss on sale of foreign subsidiary	**–**	–	32
3.6 Loss/(profit) on sale of subsidiaries (note 7.1.2)	**396**	–	(29)
3.7 Impairment/(impairment reversal)	**–**	–	9
Property, plant and equipment	**–**	–	(1)
Right-of-use assets	**–**	–	10
3.8 Profit on disposal of property, plant and equipment and intangible assets	**(3)**	(1)	(2)
3.9 Insurance claim received of property, plant and equipment – social unrest and floods	**–**	–	(8)
	393	(1)	2
Capital items from continuing operations	**(21)**	(15)	6 828
Capital items from discontinued operations	**393**	(1)	2
Total capital items	**372**	(16)	6 830
4. Finance costs			
Interest-bearing loans and borrowings	**594**	511	1 123
Bank overdraft	**133**	178	255
Lease liability finance cost	**702**	676	1 356
Put option liability	**70**	45	100
Other	**147**	101	250
	1 646	1 511	3 084
Interest capitalised to property, plant and equipment	**–**	(39)	(87)
	1 646	1 472	2 997
Finance cost cash flow reconciliation			
Finance cost recognised in profit or loss	**1 646**	1 472	2 997
Amortisation of debt raising fees	**–**	(4)	(4)
Discounting of trade payables	**(139)**	(89)	(221)
Accrued interest cost	**6**	–	–
Put option liability recognised at amortised cost	**(70)**	(45)	(100)
Interest capitalised to property, plant and equipment	**–**	39	87
Finance costs from discontinued operations	**52**	61	107
	1 495	1 434	2 866

[1] Prior year comparatives have been restated for the effect of the discontinued operation as detailed in note 7.

5. Taxation

	Six months ended 31 March 2024 Unaudited Rm	Six months ended 31 March 2023[1] Restated Rm	Twelve months ended 30 September 2023[1] Restated Rm
Taxation from continuing operations	**856**	727	1 083
Taxation from discontinued operations	**35**	35	103
Total taxation for the year	**891**	762	1 186
Reconciliation of rate of taxation[2]	**%**	%	%
South African standard rate of taxation	**27.0**	27.0	27.0
Foreign tax rate differential	**(0.2)**	0.7	(30.5)
Irrecoverable foreign taxes	**0.3**	0.2	(51.3)
Unrecognised tax losses net of prior year unrecognised taxation losses utilised	**(0.1)**	(1.3)	17.0
Prior year adjustments[3]	**(4.8)**	(4.2)	444.5
Tax-exempt income[4]	**(0.7)**	(0.6)	82.4
Change in foreign corporate taxation rates	**0.0**	0.0	2.3
Special allowances	**(0.5)**	(0.5)	56.8
Non-deductible expenses[5]	**2.2**	1.5	(90.6)
Non-deductible expenses relating to the impairment of goodwill	**0.0**	0.0	(1 697.9)
Foreign currency translation reserve release through profit and loss	**(0.1)**	0.0	(28.4)
Previously unrecognised deferred tax assets relating to timing differences[6]	**0.0**	0.0	117.6
Loss recognised due to remeasurement of disposal group to fair value less cost to sell	**3.2**	0.0	0.0
Other	**0.2**	(2.5)	6.9
Effective rate of taxation (including discontinued operations)	**26.5**	20.3	(1 144.2)
Taxation paid cash flow reconciliation			
Opening balance of current taxation payable and receivable	**409**	2 011	2 011
Opening balance of withholding taxation included in trade and other payables	**16**	35	35
Normal taxation charge for the year	**876**	223	918
Acquisition of subsidiary	**1**	–	–
Disposal of subsidiary	**–**	–	(1)
Exchange differences on consolidation of foreign subsidiaries	**2**	1	(1)
Other taxation charges	**(22)**	(18)	–
Closing balance of current taxation payable and receivable	**(406)**	(973)	(409)
Closing balance of withholding taxation included in trade and other payables	**(1)**	(20)	(16)
Taxation paid	**875**	1 259	2 537

1 Prior year comparatives have been restated for the effect of the discontinued operation as detailed in note 7.
2 The reconciliation of rate of taxation items are impacted by the goodwill impairment which has a nil taxation impact.
3 Prior year adjustments include the remeasurement of provisions raised for uncertain taxation positions in terms of IFRIC 23.
4 Tax-exempt income mainly relates to income of a capital nature and exempt tax incentives received.
6 Non-deductible expenses mainly relates to expenses of a capital nature expenses not incurred in the production of income and depreciation on leasehold improvements.
6 Deferred taxation assets recognised related to the JD Group business.

Notes to the condensed consolidated interim financial statements *continued*
for the six months ended 31 March 2024

	Six months ended 31 March 2024 Unaudited Million	Six months ended 31 March 2023 Unaudited Million	Year ended 30 September 2023 Audited Million
6. Earnings and headline earnings per share			
6.1 Weighted average number of ordinary shares			
Issued ordinary shares at beginning of the period	**3 667**	3 678	3 678
Treasury shares	**(2)**	(1)	(1)
Shares vested under share scheme	**2**	1	9
Share buy-back and cancellation of shares	**–**	(3)	(17)
Weighted average number of ordinary shares at end of the period for the purpose of basic earnings per share and headline earnings per share	**3 667**	3 675	3 669
Effect of dilution due to share rights issues in terms of share scheme	**46**	56	46
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	**3 713**	3 731	3 715
Number of shares in issue	**3 683**	3 671	3 667

	Six months ended 31 March 2024			Six months ended 31 March 2023[1]			Year ended 30 September 2023[1]		
	Continuing Unaudited Rm	Discon-tinued Unaudited Rm	Total Unaudited Rm	Continuing Restated Rm	Discon-tinued Restated Rm	Total Restated Rm	Continuing Restated Rm	Discon-tinued Restated Rm	Total Restated Rm
6.2 Earnings and headline earnings									
Profit/(loss) for the period	**2 768**	**(294)**	**2 474**	2 860	125	2 985	(1 585)	295	(1 290)
Attributable to non-controlling interests	**(3)**	**–**	**(3)**	(5)	–	(5)	(8)	–	(8)
Earnings attributable to ordinary shareholders	**2 765**	**(294)**	**2 471**	2 855	125	2 980	(1 593)	295	(1 298)
Capital items (note 3)	**(21)**	**393**	**372**	(15)	(1)	(16)	6 828	2	6 830
Taxation effect of capital items	**4**	**1**	**5**	4	–	4	(69)	13	(56)
Headline earnings attributable to ordinary shareholders	**2 748**	**100**	**2 848**	2 844	124	2 968	5 166	310	5 476

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.

[1] Prior year comparatives have been restated for the effect of the discontinued operation as detailed in note 7.

	Six months ended 31 March 2024			Six months ended 31 March 2023[1]			Year ended 30 September 2023[1]		
	Continuing Unaudited cents	Discon-tinued Unaudited cents	Total Unaudited cents	Continuing Restated cents	Discon-tinued Restated cents	Total Restated cents	Continuing Restated cents	Discon-tinued Restated cents	Total Restated cents
6.4 Earnings per share									
Basic	**75.4**	**(8.0)**	**67.4**	77.7	3.4	81.1	(43.4)	8.0	(35.4)
Headline	**75.0**	**2.7**	**77.7**	77.4	3.4	80.8	140.8	8.4	149.2
Diluted basic	**74.5**	**(7.9)**	**66.6**	76.5	3.4	79.9	(42.8)	7.9	(34.9)
Diluted headline	**74.0**	**2.7**	**76.7**	76.2	3.4	79.6	139.1	8.3	147.4
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	**1 615.6**	**–**	**1 615.6**	1 727.6	–	1 727.6	1 604.9	–	1 604.9

[1] Prior year comparatives have been restated for the effect of the discontinued operation as detailed in note 7.

7. Discontinued operations

The Building Company

The group entered into a sale agreement to dispose of the entire share capital of The Building Company for a purchase consideration of R1.2 billion, adjusted for transaction costs and allowable leakages, to Capitalworks Private Equity and selected members of The Building Company's management. The purchase price is subject to 8.5% interest per annum from 1 October 2023 until all conditions precedent are met.

The Building Company discontinued operation was previously included under the Building materials segment.

Nigerian operations

The board decided to exit the group's Nigerian business during the latter part of the 2023 financial year. The decision was driven mainly by the increasing difficulty of trading in Nigeria as a result of adverse macroeconomic conditions. The group disposed of its Nigerian business by 30 September 2023.

The Nigeria discontinued operation was previously included under the Clothing and general merchandise segment.

	Six months ended 31 March 2024 Unaudited Rm	Six months ended 31 March 2023[1] Restated Rm	Year ended 30 September 2023[1] Restated Rm
7.1 Discontinued operations and sale of business			
7.1.1 Income statement			
Revenue	**4 148**	4 279	8 690
Retail revenue	**4 148**	4 279	8 690
Cost of sales	**(3 029)**	(3 072)	(6 253)
Cost of merchandise sold	**(3 029)**	(3 072)	(6 253)
Gross profit	**1 119**	1 207	2 437
Other income	**19**	20	51
Operating expenses	**(797)**	(844)	(1 674)
Debtors' cost	**(6)**	(8)	(18)
Operating profit before depreciation, amortisation and capital items	**335**	375	796
Depreciation and amortisation	**(166)**	(170)	(313)
Operating profit before capital items	**169**	205	483
Capital items (note 3)	**3**	1	1
Operating profit	**172**	206	484
Finance costs	**(52)**	(61)	(107)
Finance income	**17**	15	24
Profit before taxation	**137**	160	401
Taxation	**(35)**	(35)	(90)
Profit for the year	**102**	125	311

[1] Prior year comparatives have been restated for the effect of the discontinued operation as detailed in this note.

Notes to the condensed consolidated interim financial statements *continued*
for the six months ended 31 March 2024

	Six months ended 31 March 2024 Unaudited Rm	Six months ended 31 March 2023[1] Restated Rm	Year ended 30 September 2023[1] Restated Rm
7. Discontinued operations *continued*			
7.1 Discontinued operations and sale of business *continued*			
7.1.2 Details of the sale of The Building Company and Nigerian business			
Net consideration receivable	**1 172**	–	33
Carrying amount of net assets sold	**(1 568)**	–	(4)
(Loss)/profit on sale before taxation and reclassification of foreign currency translation reserve (note 3)	**(396)**	–	29
Reclassification of foreign currency translation reserve	**–**	–	(32)
Loss on sale before taxation	**(396)**	–	(3)
Taxation	**–**	–	(13)
Loss on sale after taxation	**(396)**	–	(16)
Total loss for the year from discontinued operations per the condensed consolidated income statement (total per note 7.1.1 and note 7.1.2 above)	**(294)**	125	295

[1] Prior year comparatives have been restated for the effect of the discontinued operation as detailed in this note.

	Six months ended 31 March 2024 Unaudited Rm	Six months ended 31 March 2023[1] Restated Rm	Year ended 30 September 2023[1] Restated Rm
7.1.3 Statement of cash flows			
Net cash inflow from operating activities	**(159)**	(145)	233
Net cash outflow from investing activities	**(34)**	(136)	327
Net cash outflow from financing activities	**(172)**	(80)	(383)
Net increase in cash and cash equivalents	**(365)**	(361)	177
Effects of exchange rate translations on cash and cash equivalents	**–**	(21)	(60)
Cash and cash equivalents at beginning of the year	**574**	119	502
Cash and cash equivalents at end of the year	**209**	(263)	619
7.2 Assets and liabilities of disposal group classified as discontinued operations			
Assets			
Intangible assets	**1**	–	–
Property, plant and equipment	**327**	–	–
Right-of-use assets	**593**	–	–
Deferred taxation assets	**349**	–	–
Inventories	**1 677**	–	–
Trade and other receivables	**596**	–	–
Cash and cash equivalents	**209**	–	–
Total gross assets	**3 752**	–	–
Loss recognised due to remeasurement of disposal group to fair value less cost to sell	**(396)**	–	–
Total assets post impairment	**3 356**	–	–
Liabilities			
Long-term interest-bearing loans and borrowings	**1**	–	–
Long-term lease liabilities	**542**	–	–
Deferred taxation liabilities	**214**	–	–
Trade and other payables	**993**	–	–
Provisions	**36**	–	–
Employee benefits	**118**	–	–
Short-term lease liabilities	**280**	–	–
Total liabilities	**2 184**	–	–
Net assets	**1 172**	–	–

[1] Prior year comparatives have been restated for the effect of the discontinued operation as detailed in this note.

8. Net cash flow on acquisition of business

The group acquired the following businesses during the financial period. The board is of the opinion that these acquisitions present attractive investment opportunities that are aligned with the group's strategy to grow through value accretive acquisitions:

- On 1 October 2023, the remaining shareholding of S'Ya Phanda Proprietary Limited (previously recognised as an associate) and its subsidiaries (Bradian Holdings Proprietary Limited and Bradian Logistics Proprietary Limited) for a purchase price of R2.5 million.
- On 1 November 2023, certain sales assets and liabilities from the Adapt group for R40 million plus additional contingent consideration of approximately R120 million based on the EBITDA of the entity over the next three financial years.
- On 1 February 2024, 100% interest in a newly established company that has a 50% undivided share in certain software from Glu Global Proprietary Limited for a purchase price of R55 million, which will allow for synergies within the Flash business.

9. Financing

	Six months ended 31 March 2024 Unaudited Rm	Six months ended 31 March 2023 Unaudited Rm	Year ended 30 September 2023 Audited Rm
Unutilised banking and debt facilities consist of the following:			
Short-term cash facilities	**4 797**	5 174	7 041
Letters of credit, forex facilities and asset-based finance facilities	**2 201**	2 336	2 309
Total	**6 998**	7 510	9 350

The group successfully raised R2.2 billion in the bond market following an auction held on 4 March 2024 at lower margins than expected. The new floating rate notes issued effective from 7 March 2024 are:

- PEP07: three-year floating rate notes of R878 million at three-month Jibar plus 114 bps; and
- PEP08: five-year floating rate notes of R1.29 billion issued at three-month Jibar plus 124 bps.

The proceeds from the issuance replaces the floating rate notes of R1.435 billion (PEP03: three-year) due and paid in May 2024, which carried interest at three-month Jibar plus 152 bps, and was further used to settle Term Loan E (three-year) of R500 million due June 2024, which carried interest at three-month Jibar plus 120 bps.

10. Contingent assets and liabilities

There were no significant changes in the contingent assets and liabilities to those disclosed in the consolidated annual financial statements as at 30 September 2023.

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 2023. There were no material movements in the balances for the period ended 31 March 2024.

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 modification of a significant distribution centre in terms of IFRS 16: Leases as detailed below and adjusted for in the pro forma financial information of the condensed consolidated financial statements for the period ended 31 March 2023 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. The pro forma financial information presented is the responsibility of the group's directors and was not reviewed by Pepkor's auditors.

Background

The group owns and rents various distribution centres across the group in order to meet its supply chain requirements, one of which is a key distribution centre in Durban that the group leases. During the course of January 2023, this distribution centre was modified in terms of IFRS 16: Leases, which led to a profit on modification of R392 million that is included in operating expenses in the income statement in the prior period. In the prior year the group was in the process of building a new distribution centre which was commissioned during the latter part of that financial year. Management therefore reassessed the use and lease term of the current distribution centre and concluded that it is reasonably certain that the current distribution centre will only be used for a limited period and not the full lease term, including the renewal option period as initially negotiated.

Pro forma earnings and headline earnings per share

The pro forma financial information has been prepared in order to illustrate the impact of the significant lease modification on earnings and headline earnings per share.

	As reported Six months ended 31 March 2024 Unaudited Rm	Six months ended 31 March 2023 Restated Rm	IFRS 16 adjustment Six months ended 31 March 2023 Restated Rm	Pro forma after adjustment Six months ended 31 March 2023 Restated Rm	% change on prior period
Revenue	**43 264**	39 526	–	39 526	9.5
Cost of sales	**(26 768)**	(25 256)	–	(25 256)	(6.0)
Gross profit	**16 496**	14 270	–	14 270	15.6
Other income	**373**	537	–	537	(30.5)
Operating expenses	**(8 267)**	(6 954)	(392)	(7 346)	(12.5)
Debtors' costs	**(1 201)**	(813)	–	(813)	(47.7)
Operating profit before depreciation, amortisation and capital items	**7 401**	7 040	(392)	6 648	11.3
Depreciation and amortisation	**(2 286)**	(2 123)	–	(2 123)	(7.7)
Operating profit before capital items	**5 115**	4 917	(392)	4 525	13.0
Capital items	**21**	15	–	15	40.0
Operating profit	**5 136**	4 932	(392)	4 540	13.1
Finance costs	**(1 646)**	(1 472)	–	(1 472)	(11.8)
Finance income	**134**	124	–	124	8.1
Profit before associated income	**3 624**	3 584	(392)	3 192	13.5
Share of net profit of associate	**–**	3	–	3	(100.0)
Profit before taxation	**3 624**	3 587	(392)	3 195	13.4
Taxation	**(856)**	(727)	106	(621)	(37.8)
Profit for the period from continuing operations	**2 768**	2 860	(286)	2 574	7.5
(Loss)/profit for the period from discontinued operations	**(294)**	125	–	125	(> 100)
Profit for the period	**2 474**	2 985	(286)	2 699	(8.3)
Profit attributable to:					
Owners of the parent	**2 471**	2 980	(286)	2 694	(8.3)
Non-controlling interests	**3**	5	–	5	(40.0)
Profit for the period	**2 474**	2 985	(286)	2 699	(8.3)

Pro forma financial information *continued*

for the six months ended 31 March 2024

	As reported Six months ended 31 March 2024 Unaudited Rm	Six months ended 31 March 2023 Restated Rm	IFRS 16 adjustment Six months ended 31 March 2023 Restated Rm	Pro forma after adjustment Six months ended 31 March 2023 Restated Rm	% change on prior period
Pro forma headline earnings are adjusted for the significant lease modification as follows:					
Earnings attributable to ordinary shareholders	**2 471**	2 980	(286)	2 694	(8.3)
Earnings attributable to discontinued operations	**294**	(125)	–	(125)	(> 100)
Capital items (note 3 in the condensed consolidated interim financial statements)	**(21)**	(15)	–	(15)	40.0
Taxation effect on capital items (note 6 in the condensed consolidated interim financial statements)	**4**	4	–	4	0.0
Headline earnings attributable to ordinary shareholders from continuing operations	**2 748**	2 844	(286)	2 558	7.4
Earnings per share from continuing operations (cents)					
Total basic earnings per share	**75.4**	77.7	(7.8)	69.9	7.9
Total diluted earnings per share	**74.5**	76.5	(7.7)	68.8	8.3
Total headline earnings per share	**75.0**	77.4	(7.8)	69.6	7.8
Total diluted headline earnings per share	**74.0**	76.2	(7.7)	68.5	8.0

Notes to the pro forma financial information

1 The current and prior period numbers were extracted without adjustments from the condensed consolidated financial statements of the group for the period ended 31 March 2024.

2 The adjustment represents excluding impact of the significant lease modification.

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 period ended 31 March 2024.

Pro forma constant currency disclosure

The Pepkor group discloses unaudited constant currency information to indicate PEP Africa and Avenida's performance in terms of sales growth, excluding the effect of foreign currency fluctuations. To present this information, current period turnover for these businesses reported in currencies other than rand is converted from local currency actuals into rand at the prior period'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 period, in reported currency and constant currency, for the basket of currencies in which these businesses operate.

	Average exchange rate			
Change in sales on prior period (%)	**31 March 2024**	**31 March 2023**	**Reported currency**	**Constant currency**
Angolan kwanza	**0.0229**	0.0363	**(13.9)**	**36.8**
Malawian kwacha	**0.0130**	0.0173	**30.4**	**73.0**
Mozambican metical	**0.2816**	0.2753	**(2.8)**	**(5.0)**
Zambian kwacha	**0.7955**	1.0132	**(1.8)**	**25.0**
Total PEP Africa			**(1.9)**	**22.8**
Brazilian real	**3.7994**	3.3839	**38.6**	**23.4**

Corporate information

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

Executive directors
PJ Erasmus (Chief executive officer)
RG Hanekom (Chief financial officer)

Non-executive directors
WYN Luhabe (Chair)*
TL de Klerk (retired 7 March 2024)
P Disberry*
LJ du Preez
HH Hickey*
IM Kirk*
ZN Malinga*
LI Mophatlane*
SH Müller*
NS Ntshingila (appointed 15 November 2023)*
F Petersen-Cook*

* *Independent*

Registration number
2017/221869/06

Share code
PPH

Debt code
PPHI

ISIN
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Equity sponsor
Investec Bank 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
28 May 2024

PEPKOR
Holdings Limited

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