



# ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2023

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# Approval of the annual financial statements

The preparation and presentation of the consolidated and separate annual financial statements, and all information included in this report, is the responsibility of the directors. The consolidated and separate annual financial statements were prepared in accordance with the provisions of the South African Companies Act, No. 71 of 2008, as amended (Companies Act) and comply with International Financial Reporting Standards (IFRS). In discharging their responsibilities, the directors rely on the internal controls and risk management procedures applied by management for both the integrity and fairness of these statements, and are satisfied that the controls and procedures are in operation.

The directors of the group and company are responsible for the controls over and the security of the website and, where applicable, for establishing and controlling the process for electronically distributing annual reports and other financial information to shareholders and to the Companies and Intellectual Property Commission.

Based on the information and explanations provided by management and the internal auditors, the directors are of the opinion that:

- the internal controls are adequate;
- the financial records may be relied upon in the preparation of the annual financial statements;
- appropriate accounting policies, supported by reasonable judgements and estimates, have been applied;
- the annual financial statements fairly present the results and the financial position of the company and the group; and
- the board of directors has executed its responsibilities under the evaluation policy.

The annual financial statements are prepared on the going concern basis and nothing has come to the attention of the directors to indicate that the company and the group will not remain a going concern.

These annual financial statements as at 30 September 2023, which appear on pages 4 to 133, have been prepared under the supervision of the chief financial officer, Mr RG Hanekom CA(SA). The consolidated and separate financial statements have been audited by PricewaterhouseCoopers Inc. in compliance with the Companies Act. The annual financial statements of the company and the group were approved by the board on 13 December 2023, and are signed on its behalf by PJ Erasmus (chief executive officer) and RG Hanekom (chief financial officer).

*PJ Erasmus*

**PJ Erasmus**  
Chief executive officer

*RG Hanekom*

**RG Hanekom**  
Chief financial officer

# Statement of chief executive officer and chief financial officer responsibility

Each of the directors, whose names are stated below, hereby confirm that:

- the annual financial statements set out on pages 4 to 133 fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- where we are not satisfied, we have disclosed to the audit and risk committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and
- we are not aware of any fraud involving directors.

*PJ Erasmus*

**PJ Erasmus**

*Chief executive officer*

*RG Hanekom*

**RG Hanekom**

*Chief financial officer*

# Secretary certification

I certify, in accordance with section 88(2)(e) of the Companies Act, that the company has lodged with the Companies and Intellectual Properties Commission all such returns as are required for a public company in terms of the Act and that all such returns are true, correct and up to date.

*M Allie*

**M Allie**

*Company secretary*

13 December 2023

# Report of the directors

for the year ended 30 September 2023

## Nature of business

The group is a diversified retailer of significant size and scale operating across four segments. The retail brands within the segments focus on discount, value and specialised goods and retail clothing, general merchandise, household goods, furniture, appliances, consumer electronics, building materials, cellular products and services and financial services in Angola, Botswana, Brazil, Eswatini, Lesotho, Malawi, Mozambique, Namibia, South Africa and Zambia.

The four operating segments, which has been revised by the group's chief operating decision-maker (CODM) during the current financial year, include the following brands:

## Clothing and general merchandise

This segment includes all clothing, footwear and homeware (CFH) retail brands.

- PEP
- PEP Africa
- Ackermans
- Pepkor Speciality, CODE, Dunns, Refinery, Shoe City, S.P.C.C and Tekkie Town
- Avenida

Other components included in this segment:

- Club Mais supports the Avenida brand in terms of credit sales through store cards to customers.
- The Pepkor central office cost, including IT cost, property management cost and internal audit cost, are allocated to individual segments where appropriate.

In the current year, the group exited its Nigerian operations, closed the Dealz discount variety business, and closed and converted the stand-alone Giovanna footwear stores in the Avenida business.

## Furniture, appliances and electronics

This segment includes the JD Group retail business. The JD Group provides value-conscious mass market customers in Southern Africa with the opportunity and means to create a comfortable lifestyle through its diversified retail brands:

- Bradlows
- Russells
- Rochester
- Sleepmasters
- Incredible Connection
- HiFi Corp

## Building materials

This segment includes The Building Company and comprises retail, wholesale and specialised divisions that serve the full spectrum of the construction industry, including the residential, commercial and industrial markets. The retail brands include:

- BUCO
- Timbercity

The wholesale division comprises:

- Brands 4 Africa
- Citiwood

Specialist building material brands, servicing both the retail and wholesale market, include Handles Hinges & Locks, B-One and Tiletoria.

## FinTech

This segment includes unique businesses that are complimentary to Pepkor's retail brands' performance. These businesses utilise certain parts of the Pepkor retail store footprint to varying degrees in terms of interaction with their respective consumer markets.

- Flash is a technology-driven company committed to adding value to the lives of traders in the informal retail market. Using smart technology, traders are able to offer their customers greater convenience, providing access to mobile data and airtime, prepaid water and electricity, entertainment and gaming vouchers, money transfers, bill payments and National Lottery.
- Capfin provides unsecured credit to customers under the Capfin brand.
- Tenacity Financial Services supports the Ackermans, PEP and Pepkor Speciality CFH brands in terms of credit sales through store cards to customers.
- Connect Financial Solutions provides credit through instalment sale receivables to the Furniture, appliances and electronics brands.
- Abacus provides insurance products via its subsidiaries to customers of the JD Group and other group businesses.

## Retail footprint

The group sold its products across a retail footprint consisting of 5 917 (2022: 5 786) stores at 30 September 2023. This excludes 38 (2022: 44) stores from discontinued operations in Nigeria.

## Financial review

The financial results are set out in the attached annual financial statements.

## Share capital

The authorised and issued share capital of the company as at 30 September 2023 is set out in note 20 of the annual financial statements.

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

- The group issued 17.1 million (2022: 11.8 million) ordinary shares during the current financial year for share rights that vested under the Pepkor Executive Share Rights Scheme.
- The group repurchased and cancelled 27.8 million (2022: 32.2 million) ordinary shares during the current financial year from the open market on the JSE.
- A company within the group purchased 523 619 (2022: 427 651) ordinary shares during the current financial year from the open market on the JSE which is classified as treasury shares in the annual financial statements.

## Share rights

During the course of the year, 17.1 million share rights (2022: 15.3 million) were granted in terms of the Pepkor Executive Share Rights Scheme (Pepkor Scheme). Refer to note 27 for more details.

## Corporate activity

### Ultimate holding company

On 8 February 2023, Ibex Topco B.V. (Ibex Group or Ibex), formerly Steinhoff International Holdings N.V. (Steinhoff Group), reduced its shareholding in Pepkor to 43.898%. Subsequent to this transaction, the Ibex Group no longer has control over Pepkor and is therefore no longer considered to be the ultimate holding company of the group.

### Discontinued operations in Nigeria

The decision was taken to sell the group's operations in Nigeria which forms part of the PEP Africa operations. The decision was made as part of the group's ongoing strategic review of the PEP Africa business on a country-by-country basis in addition to the increasing difficulty of trading in Nigeria as result of adverse macroeconomic conditions. The group has disposed of PEP Nigeria by 30 September 2023. Refer to note 7 for more details.

### Interest-bearing loans and borrowings

On 1 March 2023, the group replaced floating rate notes of R800 million (PEP01), which carried interest at three-month Jibar plus 159 bps, with the following two floating rate notes:

- PEP05: three-year floating rate notes of R348 million at three-month Jibar plus 123 bps
- PEP06: five-year floating rate notes of R850 million at three-month Jibar plus 138 bps

The group effected a margin amendment from 1 April 2023 on the following loans:

- Term Loan E: three-year margin reduced to 120 bps (previously at 159 bps)
- Term Loan F: four-year margin reduced to 130 bps (previously at 168 bps)
- Term Loan G: five-year margin reduced to 140 bps (previously at 174 bps)
- Bridge RCF: margin reduced to 120 bps (previously at 140 bps)

The group effected a further margin amendment from 1 July 2023 on the following loans:

- RCF C: three-year margin reduced to 125 bps (previously at 140 bps)
- Term Loan H: four-year margin reduced to 130 bps (previously at 150 bps)
- Term Loan I: five-year margin reduced to 137 bps (previously at 155 bps)

In order to secure the lower margins across Term Loan H, I and RCF C as well as to reduce the overall cost of funding, the group repaid an amount of R295 million against Term Loan I. Refer to note 21 for more details.

### Significant lease modification

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. The group developed a new distribution centre which was commissioned in the current 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.

### Impairment of goodwill and trade and brand names

The outcome of the annual impairment assessment process on goodwill and trade and brand names with an opening carrying value of R57.5 billion, as required by IFRS, resulted in a total impairment of R6.6 billion recognised in the current financial year. The impairment is allocated to the respective cash-generating units (CGUs) as follows:

- R5.9 billion of the impairment is attributable to the Clothing and general merchandise CGU, which includes Ackermans, Dunns, PEP, PEP Africa, Refinery and Shoe City. The methodology applied in the impairment assessment is consistent with prior years, however a higher weighted average cost of capital ("WACC") was applied. The WACC rate increased from 14.4% in the prior year to 15.7% this year and is attributed to increased market volatility and higher interest rates.



- An impairment of R703 million is attributable to the Tekkie Town CGU with 90% of this due to softer performance in a highly competitive branded footwear market. The remaining 10% is attributable to the higher WACC. R606 million is attributable to goodwill and R97 million relates to trade and brand names.
- The impairment impacted basic earnings from continuing operations but is excluded from headline earnings from continuing operations. Refer to note 4 and 9 for more details.

## Effective tax rate

Pepkor's effective tax rate for 2023 is impacted by the impairment of goodwill which is disclosed as part of non-deductible expenses in the tax rate reconciliation. Excluding the impact of the goodwill impairment, the normalised effective tax rate is 18.5% as a result of the recognition of deferred tax assets related to the JD Group business and the settlement of a South African Revenue Service (SARS) dispute. Refer to note 6.2 for more details.

## Put option liability

As part of the Avenida acquisition in 2022, a put option liability was recognised as Pepkor Brazil has the option to purchase the remaining shares from the non-controlling shareholders in tranches over the next six years (2022: seven years). A remeasurement is performed annually on the put option liability. In the current year, the value of the put option has increased as a result of the accelerated business plan, growth anticipated in the business and reduced debt levels as a result of the additional capital injection into Avenida. The impact of the devaluation of the South African rand to the Brazilian real has also had an impact on the translation of the put option, as well as the unwinding of the interest over the past 12 months. Refer to note 22 for more details.

## Directors

There were no changes to the board of directors during the current financial year.

Subsequent to year-end, an additional independent non-executive director, Nunu Ntshingila, was appointed to the board of directors with effect from 15 November 2023.

Particulars of the present directors are provided in note 31.3 of the annual financial statements. None of the directors have long-term service contracts with the company or any of its controlled entities.

## Directors' shareholding

Directors' shareholding was 792 497 (2022: 2 786 920) shares. From 1 October 2023 to the date of approval of the company's consolidated financial statements, there were no dealings by directors in the company's ordinary shares.

Details of individual direct and indirect holdings are disclosed in note 31.4.

## Events subsequent to the reporting date

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.

## Distribution to ordinary shareholders

The board has declared a dividend to shareholders in respect of the year ended 30 September 2023 of 48.1 cents (2022: 55.2 cents). The dividend will be payable to the holders of ordinary shares in the share capital of the company recorded in the securities register of the company on 22 January 2024. The last date to trade in order to be eligible to receive the dividend will be 16 January 2024, and the ex-dividend date will be 17 January 2024. The dividend will be paid and broker accounts updated, as the case may be, on 22 January 2024.

## Going concern

The board of directors have evaluated the going concern assumption as at 30 September 2023, taking into account the current financial position and existing borrowing facilities, the directors are satisfied that the group is a going concern and have continued to adopt the going concern basis in preparing the annual financial statements.

The cash flows and liquidity projections of the group have been prepared for a period exceeding 12 months from the reporting date and included performing sensitivity analyses based on various scenarios.

## Litigation report

Except to the extent referred to under note 29.5 Contingent liabilities, the directors are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or had in the recent past, being at least the previous 12 months, a material effect on the group's financial results.

## Corporate governance

The group complies with the Listings Requirements of the JSE and, in all material respects, with the Code of Corporate Practice and Conduct published in the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™)\*.

## Auditor

The group's auditor, PricewaterhouseCoopers Inc., will continue in office in accordance with section 90(6) of the Companies Act.

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## Secretary

The group company secretary's responsibilities are fulfilled by Mr M Allie. The board is satisfied that the company secretarial role is carried out by a person who has the necessary competence, qualifications and experience, and that there is an arm's-length relationship between the company secretarial function and the board members as required by JSE Listings Requirement 3.84(h).

## Closing

Despite a challenging operating environment in the current financial year, the group delivered solid cash generation, driven by a compelling second-half performance. The retail market remains constrained under prevailing global and local macroeconomic conditions.

Pepkor remains dedicated to fulfilling customer needs and making a positive difference in the lives of our customers and the communities in which we operate by providing convenient access to everyday products and services at affordable prices.

The Pepkor board and management wish to thank our stakeholders for their continued support.

### **Business address**

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7493

### **Postal address**

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Parow East  
7501

# Audit and risk committee report

for the year ended 30 September 2023

## Introduction

The audit and risk committee ('the audit committee' or 'the committee') is established as a statutory committee in terms of section 94(2) of the Companies Act, No. 71 of 2008, as amended (the Companies Act). The committee oversees audit and risk matters for Pepkor Holdings Limited and all its subsidiaries (the group), as permitted by section 94(2)(a) of the Companies Act.

The operation of the audit committee is guided by a formal Terms of Reference (ToR) that is in line with the Companies Act, the JSE Limited Listings Requirements (JSE Listings Requirements) and Debt Listings Requirements and the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™). The ToR has been approved by the company's board. During the period under review, the committee has discharged its responsibilities as required by the ToR.

The committee is pleased to present its report for the financial year ended 30 September 2023.

## Membership

The committee consists of four (4) members, who all are independent non-executive directors of the company:

Director	Designation	Date appointed	Qualifications
HH Hickey	Chair	1 June 2021	BCompt (Hons), CA(SA)
ZN Malinga	Member	1 June 2021	BAcc (Hons), CA(SA)
SH Müller	Member	15 March 2018	BAcc, BAcc (Hons), CA(SA), Sanlam EDP, IoDSA
F Petersen-Cook	Member	16 April 2018	BBusSc (Act.Sc.), FIFoA, Certificate in Climate Change and Sustainability, FASSA, PGDip Global Business OXON, PGDip (MgtPrac) UCT GSB, CD(SA) IoDSA

The nomination committee and the board are satisfied that these members have the required knowledge and experience as set out in section 94(5) of the Companies Act and regulation 42 of the Companies Regulations, 2011. The re-appointment of committee members will be a matter for consideration by shareholders at the next annual general meeting (AGM).

The chief executive officer (CEO), chief financial officer (CFO), internal and external auditors, group risk manager, specialist members of the group finance function and the financial directors of the main group businesses attend the audit committee meetings by invitation. The group company secretary is the secretary to the committee.

## Meetings of the audit committee

The committee performs the duties required of it by section 94(7) of the Companies Act. It holds regular meetings with key role players and has unrestricted access granted to the external auditor. The committee's ToR requires it to convene at least twice per annum. During the year under review the committee held four (4) scheduled meetings. After the financial year-end, the committee held two additional meetings. The attendance of the committee members at scheduled meetings for the year under review is recorded below:

Meeting date	Nature of meeting	HH Hickey	ZN Malinga	SH Müller	F Petersen-Cook
16 November 2022	Scheduled	✓	✓	✓	✓
13 February 2023	Scheduled	✓	✓	✓	✓
22 May 2023	Scheduled	✓	✓	✓	✓
14 August 2023	Scheduled	✓	✓	✓	✓

Note: A representative quorum for meetings shall be a majority of members present, which was attained at all meetings.

## Responsibilities of the audit committee

The audit committee has the following specific responsibilities, which must be undertaken in compliance with all applicable legislation, regulations and accounting practices and to ensure the application by the committee of the relevant principles of King IV™:

- Oversee **integrated reporting** and, in particular:
  - have regard to all known factors and risks that may impact the integrity of the integrated report;
  - review the annual financial statements, interim and condensed financial statements results announcements, summarised integrated information and prospectuses, trading statements and similar documents;
  - review the principles, policies and practices adopted in the preparation of the financial statements of the group and ensure that the financial statements of the group and any other formal announcements relating to the financial performance comply with all regulatory requirements as may be required;
  - review the effectiveness of the internal financial controls; and
  - in co-operation with the group social and ethics committee, oversee the disclosure of sustainability issues in the integrated report to ensure that it does not conflict with the financial information.
- Ensure that a **combined assurance (CA)** model is effectively applied to provide a coordinated approach to all assurance activities and, in particular, ensure that the combined assurance received is appropriate to address all the significant risks facing the group. The committee also monitors the relationship between the external assurance providers and the group.
- Review the expertise, resources and experience of the company's **finance function**, and satisfy itself annually as to the suitability of the expertise and experience of the CFO.
- Monitor and review the effectiveness of the **internal audit function** and, in particular, review and approve the annual internal audit plan, ensure that the internal audit function is subject to an independent quality review, as and when appropriate, and obtain assurance as to whether the internal audit function has adequate resources, skills and qualifications and appropriate access to information to enable it to perform its function effectively.
- Oversee **risk management** and, in particular:
  - consider financial reporting risks, internal financial controls, fraud risks as they relate to financial reporting, information technology (IT) risks as they relate to financial reporting and the risk of cybercrime;
  - oversee the development and regular review of a policy and plan for risk management and, recommending the same to the board for approval, monitor implementation of the policy and plan by means of risk management systems and processes;
  - review the group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial or other matters and receive reports on the investigation of such matters and the appropriate follow-up action; and
  - ensure that risk management assessments are performed on a regular basis and that management implements appropriate risk responses.
- Set the direction on the management of technology and information, while overseeing management's governance of information technology, including cyber security, value delivered from IT investments, responsible use of information and compliance with applicable laws.
- External audit review and, in particular:**
  - assess the suitability of the audit firm and designated individual partner both when they are appointed for the first time and thereafter annually for every re-appointment;
  - consider and make recommendations to the board, to be tabled for shareholder approval at the company's AGM, in relation to the appointment, re-appointment and removal of the company's independent external registered auditor in compliance with the provisions of the Companies Act;
  - review and approve the terms of engagement and audit plan and approve the fee for the external audit;
  - meet with the external auditors and review the findings of the audit, including but not limited to any major issues that arose during the audit, accounting and audit judgements and the level of errors identified during the audit;
  - verify and report on the independence of the external auditor in the annual financial statements;
  - establish and implement a policy for non-audit services provided by the external auditor and determine the level of non-audit

services provided by the external auditor that will require pre-approval by the committee, and reviewed non-audit services rendered by the auditors for impact on independence; and

- ensure that there is a process for the committee to be informed of any reportable irregularities (as identified in the Auditing Profession Act, 2005) identified and reported by the external auditor.
8. To perform duties which are attributed to it by its mandate from the board, the Companies Act, the JSE Limited and regulatory requirements, and such other oversight functions as may be determined by the board.

## Overview of activities of the audit committee

During the year under review, the committee's general activities included the following:

- evaluated the performance and independence of the external auditors and executed its responsibilities in terms of paragraphs 3.84 (g), 22.15 (h) and 7.3 (e) of the JSE Listings Requirements and Debt Listings Requirements, respectively. The committee recommended the re-appointment of the external auditors and audit partner at the company's AGM;
- reviewed quarterly business performance reports, assessing group and divisional operating performances, key financial indicators and considered indications of unmitigated business risk;
- monitored compliance with the group's foreign exchange forward cover policy, the board-approved borrowings limits and external debt covenants;
- monitored the status regarding completion of tax returns and assessments for the group and its subsidiaries;
- reviewed the appropriateness and ongoing adequacy of tax provisions raised by the group;
- considered the effectiveness of internal audit, approved the three-year internal audit plan and monitored the adherence of internal audit to its annual plan;
- received and reviewed reports from both internal and external auditors concerning the effectiveness of the internal control environment, systems and processes;
- reviewed the key audit matters in the audit opinion and are in agreement that the issues raised are areas of key risk;
- considered the independence and objectivity of the external auditors and ensured that the scope of any additional services provided was not such that they could be seen to have impaired their independence;
- reviewed the governance regarding group information and communication technology, including IT risk assessments;
- oversaw the integrated risk management process and the implementation of combined assurance. The committee assessed the risk governance structures and lines of defence to ensure roles, responsibilities and accountabilities for identifying and managing risks were appropriately defined;
- reviewed risk registers and material risks the group is exposed to;
- reviewed the solvency and liquidity of the group, as required, for the declaration of dividends and financial assistance to subsidiaries;
- reviewed the group's dividend policy, and made recommendations to the board in this regard;

- reviewed and recommended for adoption by the board, such financial information that is publicly disclosed which, for the year, included the interim reports and consolidated financial statements for the year ended 30 September 2023;
- considered the group's liquidity and debt repayment profile and reviewed the company's replacement of its term loans; and
- reviewed the audit and risk activities of the insurance subsidiary of the group.

In the sections that follow, more information is provided on the specific areas of responsibility of the committee.

## Reporting

### Matters and risk areas pertaining to the 2023 consolidated annual financial statements

With reference to the group's results for the current financial year, the committee, among others, paid specific attention to the matters highlighted below:

- Consideration was given to the implications on reporting, given the change in the company's shareholding. On 8 February 2023, Ainsley Holdings Proprietary Limited, an indirect wholly owned subsidiary of Steinhoff International Holdings N.V. (Steinhoff Group) reduced its shareholding in the group to 43.898%. Subsequent to this transaction the Steinhoff Group no longer has control over the group and is therefore no longer considered to be the ultimate holding company of the group. On 29 June 2023, Steinhoff Group transferred substantially all of its assets and liabilities to a newly incorporated company, Ibex Topco B.V. (Ibex Group or Ibex).
- Pepkor's reporting segments were updated to reflect the strategic view going forward of how the group's reportable segments operate. The operations of Tenacity, Abacus and Connect, which support the Clothing and general merchandise and Furniture, appliances and electronics segments through their credit facilities and insurance products to customers, have been reclassified to the FinTech segment. This is due to these businesses supporting strategic growth in financial services and telecommunications.
- The methodology of the annual impairment assessment process on goodwill and intangibles (trade and brand names), as required by IFRS, which resulted in a total impairment of R6.6 billion to be recognised in FY23.
- The IFRS 9-based expected credit loss models and the resultant provisioning on instalment sales, credit sales through store cards and loans to customer books, as disclosed in the annual financial statements.
- The non-recurring IFRS 16 lease modification gain pertaining to termination of the PEP distribution centre lease in KwaZulu-Natal and commissioning of the newly constructed distribution centre in Hammarsdale.
- Provision for taxation, including deferred taxation, the factors impacting the effective rate of taxation, and remedial measures possible within the scope of taxation regulations of the countries within which the group is doing business.

- The committee considered the insurance recovery of capital items from the group's insurers.
- Provision for slow-moving and obsolete stock, as well as ongoing levels of shrinkage.
- The scope and extent of other general and specific provisions recognised.
- Considered transactions for related-party disclosure, and the adequacy of the disclosure.
- PEP Nigeria was disposed of at year-end and has been reclassified as a discontinued operation. All comparative information has been restated to reflect the restatement of PEP Nigeria as a discontinued operation.
- Having oversight of and considering the reporting, monitoring and communication process regarding the CEO and CFO attestation regarding internal financial controls.
- Considering the content of reports released by the JSE during 2023 on the proactive monitoring of financial statements for compliance with IFRS and ensuring that the annual financial statements contain the required disclosure.

The committee, in forming a view of the specific matters highlighted, considered the opinion of the external auditors on all of these matters, in addition to that of management. No differences of opinion were noted by the committee.

The committee accordingly considers the group's accounting policies, accounting practices and financial disclosures, as amended, to be appropriate.

## Internal controls

Internal controls and systems have been designed to provide reasonable assurance as to the integrity and reliability of the financial information represented in the financial statements, and to safeguard, verify and maintain the assets of the group.

The systems of internal control are based on established organisational structures, together with written policies and procedures, and provide for suitably qualified employees, segregation of duties, clearly defined lines of authority and accountability. They also include cost and budgeting controls, and comprehensive management reporting.

Nothing has come to the attention of the committee to indicate that any material breakdown in the functioning of the group's key internal control systems has occurred during the period under review.

## Combined assurance model

The committee provides oversight that the assurance arrangements in place are effective. The combined assurance model comprises management, the group risk management function, the internal audit function, external audit services and other specialists contributing to combined assurance. The committee is satisfied that these arrangements are effective in providing a robust control environment which enables the provision of reliable information for decision-making purposes.

## Evaluation of the CFO and finance function

As required by the JSE Listings and Debt Listings Requirements, as well as the recommended practices as per King IV™, the committee formally assessed the competence and performance of the CFO and believes that he possesses the appropriate expertise and experience to meet his responsibilities.

The capacity, roles and responsibilities, qualifications and experience of senior members of the group finance function, including the financial directors of the main group businesses, were also considered. Based on this assessment, the audit committee is satisfied with the expertise and adequacy of resources within the finance function and the experience of financial staff in this function.

The committee believes the group has appropriate financial reporting procedures and is satisfied that these procedures are operating adequately.

## Internal audit

The group's internal audit function operates in terms of an internal audit charter (which was reviewed by the committee during the year) and under the direction of the committee, which approves the scope of the work to be performed. Internal audit's activities are measured against that approved scope and an approved annual internal audit plan. The head of internal audit tables a progress report in this regard to the audit committee at each meeting.

Internal audit is independent of all other organisational functions and reports functionally to the audit and risk committee and administratively to the CFO. Internal audit has direct access to the audit and risk committee, primarily through the chair of the committee, as well as unrestricted access to all areas within the group.

The internal audit function maintains general conformance to the Institute of Internal Auditors' (IIAs) International Standards for the Professional Practice of Internal Auditing (Standards) and Code of Ethics. The internal audit function adopts leading internal control frameworks, including COSO, COBIT, NIST and the ISO/IEC 27001 series. An audit quality assessment review (QAR) programme is in place and is maintained by the head of internal audit. Internal audit conducted a QAR self-assessment during the year. Based on the results of this assessment, an overall 'Generally Conforms' rating was maintained, which is in line with previous financial years.

The centralised group internal audit function adopts a risk-based audit approach and is responsible for providing assurance and consulting services on the adequacy of the internal control environment across all the operating and support divisions of the group. The internal audit scope covers the significant financial, regulatory, operational and IT areas of each operating division, and group support functions. The internal audit plan has been informed by the group strategies, risk registers, comprehensive risk assessments, compliance requirements and input from management, the audit committee and external audit.

The efforts of internal audit are aligned with those of the external auditor in order to integrate assurance activities for the group. Internal audit regularly interacts with the external auditor on matters such as sharing audit plans, working papers and reports. The external auditor, as permitted, places some reliance on internal audit work performed.

Significant findings are reported to both executive management and the committee, and corrective action is taken to address identified internal control deficiencies. Internal audit follows up on any significant audit findings to assess implementation of such agreed corrective actions.

## Financial year overview

During the year, the group internal audit department determined whether the group's network of risk management, control and governance processes, as designed and represented by management, is adequate and functioning in a manner that ensures that risks are appropriately identified and managed, information is accurate and reliable, compliance with policies and applicable laws and regulations is maintained, and resources and assets are adequately protected.

Pepkor's internal audit function completed audits of key financial controls as well as business processes, focusing on known or anticipated areas of business risk. In addition, the function completed several unique projects and consulting engagements, including reviews of new computer systems, internal controls consulting on major business initiatives, and audits of contracts and expenditures.

Furthermore, the internal audit function covered, inter alia, the following:

- Reviewed compliance with legislation and good governance, and the JSE Listings Requirements 3.84(k): CEO/CFO sign-off on internal financial control in the Pepkor group;
- Reviewed Pepkor's integrated report before publication, specifically focusing on environmental and sustainability metrics;
- Tested and reviewed network access management, cyber security, incident management, disaster recovery processes and IT general controls in the operating businesses;
- Reviewed data governance principles and processes;
- Conducted post-implementation internal control and efficiency reviews for major system implementations;
- Performed audits on management's continuing systems of internal control that support the preparation of periodic financial statements and management accounts;
- Assisted with the coordination of the group's combined assurance efforts; and
- Performed follow-up reviews on audit findings previously raised.

The results of the reviews indicated that governance and internal control systems and processes were generally adequate and reliable across the group. No material instances of control breakdown were identified.

## Digital transformation and innovation

A digital strategy is in place for internal audit, which is continuously refined and improved. The function is fully digitally enabled with powerful analytical, process automation and visualisation tools at its disposal.

## Future trends

The integration of advanced data analytics and emerging technologies (like AI and machine learning) will continue to enhance the efficiency and effectiveness of internal audit processes. The automation of routine tasks and the analysis of big data sets provide deeper insights and improve risk assessment.

With the increasing threat of cyber-attacks and the growing importance of data privacy, the internal audit function will emphasise assessing and assuring the effectiveness of cybersecurity measures and data protection practices.

Furthermore, the adoption of agile methodologies in internal auditing allows for more flexibility and adaptability in responding to rapidly changing business environments. Agile auditing enables quicker risk identification and mitigation whilst responding to business priorities.

## Performance and independence

The committee is satisfied with the effectiveness and performance of the internal auditors and compliance with their mandate. The committee is further of the view that the internal auditors have the necessary resources, budget, standing and authority to enable them to effectively discharge their functions.

Internal audit reported that there were no undue scope limitations or impairments to its independence.

## Scope of risk-related oversight by the audit and risk committee

The committee is responsible for overseeing risk management in the group. This function includes regular review of:

- the group risk analysis and major business and operational risks reported, including actions to mitigate those risks, and opportunities inherent to such risks (reported on in more detail below);
- insurance strategy, adequacy and cost of insurance cover, and claims experience; material legal claims against and by the group, and potential exposure based on advice of the group's legal counsel, and taken in account in the assessment of provisions raised;
- reported occurrences of fraud; although occurrences were reported, no material frauds were brought to the attention of the committee, nor are the overall amounts reported viewed as material or significant;
- insurance risk exposure assumed by subsidiaries of the group, and the adequacy of the reinsurance thereof;
- regulatory compliance (reported on in more detail below); and
- IT governance and risk management (reported on in more detail below).



## Risk management

The focus of risk management is centred on establishing a common risk management framework to ensure that all significant risks facing the business are identified and proactively assessed, to manage the impact of these risks in relation to the group's key performance indicators and targets.

Risk management at Pepkor is prioritised at an operational level to ensure that risk management and control activities are effectively implemented, monitored and reported to the appropriate governance structures.

The Pepkor risk management framework provides a group-wide view of the operations' key risks, the strategic group risks, as well as interrelated risks that have a compounding effect on the overall group risk profile. A formal risk appetite and tolerance has been defined and each operation continues to develop and enhance their risk management activities. The group will continue to drive risk management initiatives to identify significant threats and opportunities.

During the past year, further development regarding the risk management methodology took place. Focus was on completing operational risk assessments in order to evaluate material risks. The company will continue to work on maturing combined assurance.

### Risk management oversight, implementation and assurance

The group risk management framework is designed to ensure that effective oversight, implementation and assurance of risk management and control systems are achieved throughout the group. The audit committee serves as a combined oversight structure mandated by the board to monitor risk management activities. Operational risk management forums are held regularly to discuss prevailing and emerging risks, as well as to consider effective risk treatment plans.

The committee is committed to improving risk management and achieving Pepkor's strategic objectives in accordance with the requirements of King IV™. Each operating entity is mandated to adopt and implement a risk management methodology to ensure risks are effectively identified, evaluated, mitigated, monitored and communicated. The methodology ensures that regular risk management assessments are completed by each operation.

This approach ensures that risk management is continuously being embedded in business activities and decision-making processes at all levels of the group. The Pepkor risk appetite and tolerance thresholds provide a common risk nomenclature and set impact guidelines for each category of risk (strategic, operational, financial, compliance, sustainability, health and safety, business continuity and disaster recovery). Executive management are held accountable for designing, implementing and monitoring the systems and processes underpinning risk management.

### Risk management approach

Risks are identified from both a bottom-up and top-down perspective. The primary output of the top-down approach is the annual identification, evaluation and reporting of the material group risks.

The bottom-up approach delivers the quarterly operational risk report, which presents the material risks per operating segment. The group prescribes strict minimum standards for the control environment and regularly deploys internal and independent audit teams to test control effectiveness across operating entities. Failure to implement significant/key controls within set time frames is escalated to the operational executive management and/or the group audit and risk committee.

### Risk retention and transfer strategy

The risk retention and transfer strategy is continually evaluated to identify opportunities for alternative risk transfer structures, which may improve risk retention and reduce risk transfer costs. This has become increasingly significant as corporates continue to experience rising insurance costs. Incident management by operations support the identification of potential exposures and emerging trends, and informs decision-making for enhanced mitigation activities for losses, where the frequency of incidents continues to rise. Incidents are investigated by operational management, internal and/or independent teams to identify and rectify any current and future exposure of the group.

### Significant events, resilience and future considerations

The consolidation of risk management information across a decentralised group provides valuable insights into the risk management and control activities. Material risks are consolidated and assessed to identify interconnected risks. Risk management is a key agenda point at the divisional executive committee meetings and the increased awareness is translating into increasing focus around business continuity initiatives.

### Risk management assurance

Risk management plays an important role in the combined assurance efforts of the group and serves as a second line of assurance to the board audit and risk committee. Internal audit regularly engages with operational management and group risk management to discuss current and emerging risks and use the operational risk registers and reports as an input for the internal audit requirements.

## Regulatory compliance

The group legal and compliance function is responsible for the day-to-day management of regulatory compliance, including coordinating the identification and management of compliance risk and identifying and assessing compliance obligations, including legislative updates and reporting. Each business manages its own specific regulatory compliance risk, with oversight and support from group legal and compliance. Reporting from the various business units on litigation and compliance takes place on at least a quarterly basis and is reported to the audit committee.

The group's compliance officer provides a regular written report to the audit committee as substantive compliance assurance. The business continues to focus on consumer data privacy rights. For the period under review, the regulatory compliance universe for the Pepkor group has been stable. There have been no material fines or penalties as a result of statutory or regulatory contraventions. Businesses across the group continue to resolve consumer complaints adequately and, where complaints are received from regulators and industry ombudsmen, it is dealt with in a timely manner and with acceptable outcomes.

The Prudential Authority has designated Pepkor Holdings as an insurance group. Pepkor Holdings, the ultimate holding company of Abacus, has therefore applied for an (insurance) controlling company licence, together with an application to be exempted from certain requirements of the Insurance Act (due to Pepkor Holdings being a listed entity), as well as an outsourcing notification in terms of which all insurance compliance functions will be outsourced to Abacus.

New regulatory developments are monitored by the group compliance function and presented for discussion and awareness at regular meetings with representation from all the businesses. This includes regulatory developments in countries besides South Africa.

## IT governance and IT risk management

IT governance in the group is premised on decentralised operating divisions being responsible for IT decisions within an agreed strategic framework, supported at group level through enablement and support, the building of capacity, and facilitation of initiatives where appropriate.

Divisional strategic IT projects and change portfolios are managed through IT steering committees in each division. IT risks are managed through continuous risk assessment and monitoring, and risk registers are updated quarterly within each division.

Pepkor IT, a business unit within the Group Strategic Services division provides IT services through a shared services model. Pepkor IT currently only manages the IT functions on behalf of the Clothing and general merchandise segment of the group. The Furniture, appliances and electronics, Building materials, and FinTech segments have their own integrated IT functions serving their respective businesses. The group has selected COBIT 5 as an overarching framework for IT governance and process maturity, which is at varying levels of implementation within each division. During the year, the committee received updates regarding the IT governance maturity self-

assessment on the identified focus areas against the governance framework. Changes to address shortcomings that were identified have been implemented.

Progress made during the year included the following:

- addressing vulnerabilities to mitigate cyber risk in the operating businesses and strengthening the internal environment. Network penetration tests were performed in the various businesses and user awareness programmes were conducted;
- conducting disaster recovery and business continuity testing and addressing constraints identified; and
- overseeing the development and implementation of key IT projects.

## External audit

### Audit fees

The committee, in consultation with executive management, has approved the audit fee for the 2023 financial year. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. A breakdown of the audit, audit-related and non-audit fees for the financial year is summarised as follows:

#### Description of service

Audit services and other assurance-related services (Rm)	<b>50</b>
Non-audit services (Rm)	<b>7</b>
<b>Total audit and non-audit services (Rm)</b>	<b>57</b>

### Non-audit services policy

There is a formal policy governing approval of non-audit services provided by the appointed external auditors. The policy outlines the procedure that governs the process whereby the external auditor is considered for the provision of non-audit services, and each engagement for such work is reviewed in accordance with this policy and approval procedures.

The non-audit services policy adopted clearly defines prohibited non-audit services, non-audit services permitted under general pre-approval, and non-audit services permissible only under specific pre-approval.

The committee is satisfied that the non-audit services provided by the external auditors are at a level and of a nature that has not compromised their independence.

### Effectiveness and quality of the external audit process

The committee assesses the effectiveness and quality of the external audit process by considering, among others:

- the extent and focus of the external audit plan submitted and discussed by the auditor;
- assessment of key audit matters disclosed by the external auditors in the external audit plan submitted to the committee;

- the nature of the aspects reported on to the audit committee by the auditor;
- the quality of the discussions with the external auditor regarding audit, accounting and reporting matters at audit committee meetings; and
- ongoing progress towards the completion of the audit.

The external auditor was provided the opportunity to engage at each meeting with the audit committee members without management being present, if required. The committee chair also privately meets with the auditors prior to the final meeting of the committee after year-end to facilitate confidential inputs on audit progress and potentially sensitive matters.

The committee is satisfied with the effectiveness and quality of the external audit.

## Independence of the external auditor

The committee has to satisfy itself that the external auditors of Pepkor and its subsidiaries (PwC) are independent as defined by the Companies Act. This was assessed through, inter alia, consideration of:

- the composition of the auditor's total fees and remuneration earned from the group from its appointment, and its materiality in relation to the audit firm's overall fees generated from its national client base;
- the quantum and nature of non-audit services performed;
- the existence of an audit partner rotation process;
- the auditor's confirmation that they remain independent as required by section 94(8) of the Companies Act and the relevant provision in the JSE Listings Requirements; and
- the existence of any relationships between the auditor and the group which may impede the auditor's independence.

Based on the above assessment, the audit committee is satisfied that PwC is independent of the group.

## Recommendation on appointment for 2024 financial year

The audit committee has satisfied itself that PwC and the designated audit partner remain accredited by the JSE for 2023. The committee reviewed the last inspection findings from IRBA and are comfortable with the firm remediation processes and the quality of the audit and designated audit partner.

The audit committee considered the information stated in paragraph 22.15(h) of the JSE Listings Requirements.

The committee has further established that no reportable irregularities (as identified in the Auditing Profession Act, 2005) have been identified and reported by the external auditor.

On the basis of the assessment of independence, the assessment of the effectiveness and quality of the external audit process, and the assurances obtained on qualification for appointment, the committee recommends to the board and shareholders that PwC be re-appointed as the independent external auditor and that, in terms of the regulations and policies governing rotation of designated auditors, Mr Dawid de Jager be appointed as the designated auditor for the 2024 financial year.

## Going concern

The audit committee has reviewed a documented assessment, including key assumptions, prepared by the financial function on the going concern status of the group, prior to the review of the solvency and liquidity assessment performed relating to the recommendation to the board of the dividend declared. The board's statement on the going concern status of the group, as supported by the audit committee, is contained in the report of the directors.

## Financial statements

The audit committee has evaluated the consolidated financial statements for the year ended 30 September 2023, and considers that they comply, in all material aspects, with the requirements of the Companies Act and International Financial Reporting Standards. The committee therefore recommended the financial statements for approval to the board. The board subsequently approved the financial statements, which will be tabled for adoption at the coming AGM.

## Functioning of the audit committee

The committee is satisfied that it has discharged its duties efficiently and that it has functioned in accordance with its ToR for the 2023 financial year.

All members of the audit committee meet the independence requirements.

## Recognition

In conclusion, I wish to express thanks to the other members of the audit committee for their invaluable contribution and support. I also wish to thank the CFO, Pepkor finance function, our internal and external auditors, and other contributors to the combined assurance process, for enabling the audit committee to execute its mandate.

*HH Hickey*

**HH Hickey**

*Chair of the audit and risk committee*

13 December 2023

# Independent auditor's report

To the shareholders of Pepkor Holdings Limited

## Report on the audit of the consolidated and separate financial statements

### Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Pepkor Holdings Limited (the company) and its subsidiaries (together the group) as at 30 September 2023, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

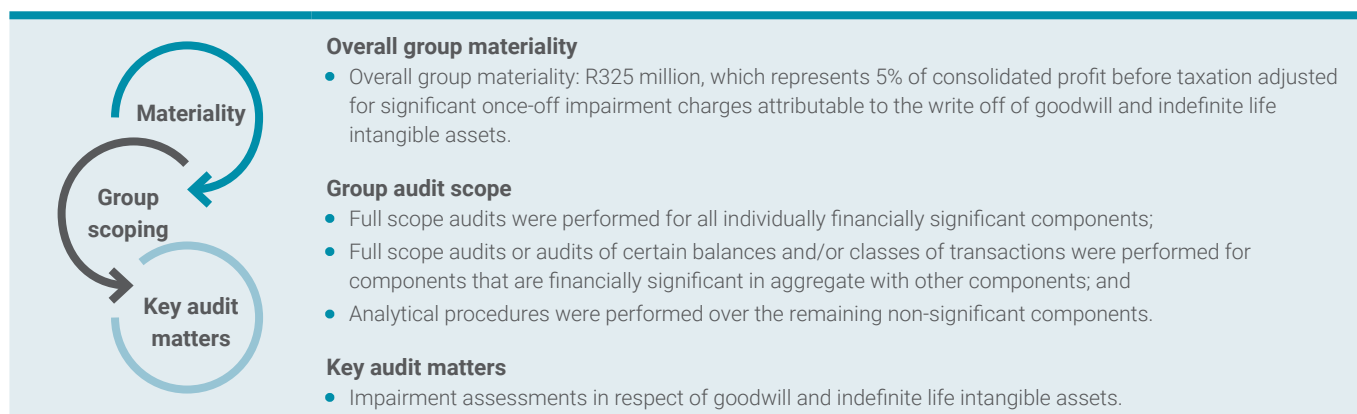
### What we have audited

Pepkor Holdings Limited's consolidated and separate financial statements set out on pages 20 to 133 comprise:

- the consolidated and separate statements of financial position as at 30 September 2023;
- the consolidated and separate income statements for the year then ended;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;

## Our audit approach

### Overview



As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

### Independence

We are independent of the group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

## Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R325 million.
How we determined it	5% of consolidated profit before taxation adjusted for significant once-off impairment charges attributable to the write-off of goodwill and indefinite life intangible assets.
Rationale for the materiality benchmark applied	We chose consolidated profit before taxation from continuing operations as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users and is a generally accepted benchmark. Consolidated profit before taxation was adjusted to exclude the impact of once-off impairment charges as disclosed in note 4.1 (Capital items, From continuing operations, Goodwill and Intangible assets impairment) to the consolidated financial statements. We chose 5%, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

## How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

Our scoping assessment included consideration of the financial significance of the group's components as well as the sufficiency of work planned to be performed over material consolidated financial statement line items. We identified two financially significant components in the group, namely PEP and Ackermans, both divisions of Pepkor Trading Proprietary Limited. We performed full scope audits for these components. Based on indicators such as the contribution to consolidated revenue and consolidated profit before taxation, we also included eleven other components in the scope of our group audit. For these components, we performed a combination of full scope audits, audit of balances and/or classes of transactions. The remainder of the components were insignificant to the group, individually and in aggregate, and we performed analytical review procedures on these components.

The above, together with additional procedures performed at the group level, including substantive procedures over the consolidation process, gave us sufficient and appropriate audit evidence to form an opinion on the consolidated financial statements as a whole.

In establishing the overall approach to the group audit, we determined the extent of the work that needed to be performed by us, as the group engagement team and by component auditors from other PwC network firms operating under our instruction, in order to issue our audit opinion on the consolidated financial statements of the group. Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Detailed group audit instructions were communicated to all components in scope and the group engagement team was involved in determining the audit approaches adopted in relation to significant risk areas. Throughout the audit, various discussions were held with the component auditors and we inspected component auditors' working papers relating to areas of significant risks in the consolidated financial statements.

## Key audit matters

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

We have determined that there are no key audit matters to communicate in our report in respect of the separate financial statements.

Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment assessments in respect of goodwill and indefinite life intangible assets</b></p> <p>This key audit matter relates to the consolidated financial statements only.</p> <p>The group's net assets include a significant amount of goodwill amounting to R32.9 billion, and trade and brand names amounting to R18.3 billion classified as indefinite life intangible assets, allocated to groups of cash-generating units ("CGUs"). Please refer to Note 9 (Goodwill) and Note 10 (Intangible assets) to the consolidated financial statements.</p> <p>Management performs annual impairment tests to assess the recoverability of the carrying value of goodwill and indefinite life intangible assets. The recoverable amount of the CGUs to which goodwill has been allocated is based on fair value less cost of disposal calculations, determined using discounted cash flow models.</p> <p>Based on their impairment assessments and calculations, management recognised impairment losses of R6.5 billion against goodwill and R0.1 billion against indefinite life intangible assets relating to trade and brand names within the Clothing and general merchandise segment.</p> <p>No further impairment losses were recognised to goodwill and indefinite life intangible assets in relation to the other groups of CGUs.</p> <p>We considered this area to be a matter of most significance to our current year audit due to the following:</p> <ul style="list-style-type: none"> <li>the significant judgement and key assumptions applied by management in performing the impairment assessments, which included the discount rate, long term growth rate, medium term revenue growth rate and future cash flows; and</li> <li>the magnitude of the related goodwill and indefinite life intangible asset balances.</li> </ul>	<p>Our audit procedures included testing of the principles, integrity and mathematical accuracy of the group's discounted cash flow models. The details of these audit procedures are listed below:</p> <ul style="list-style-type: none"> <li>Through inspection of relevant documentation and discussions we assessed management's judgements relating to the allocation of goodwill and indefinite life intangible assets into the relevant CGUs against the principles of IAS 36, 'Impairment of Assets' to ensure that they relate to the lowest level of aggregation at which the assets are being monitored.</li> <li>We utilised our internal valuations expertise to test the principles of management's calculation for each model. <ul style="list-style-type: none"> <li>Compared the inputs to discount rates used by management to externally obtained data such as risk-free rates, equity market risk premiums and the betas of comparable companies. We noted no material differences and accepted management inputs to the discount rates;</li> <li>We challenged management's key assumptions by comparing long term growth rates and short- to medium term revenue growth rates to approved business plans and independent market and economic data as applicable. We noted no material differences and accepted management's key assumption.</li> </ul> </li> <li>In assessing management's forecasts, we evaluated sales and margin forecasts by comparing it to the past performance of each of the groups of CGUs. We considered the impact of weak projected macroeconomic activity on the market-related assumptions through discussions with management and our valuation specialists. Where variances were noted we obtained reasons from management and performed independent stress tests to ascertain the impact on the impairment assessment and noted no material impacts.</li> <li>We performed independent sensitivity calculations on the impairment assessments where no impairments were recognised, to assess the degree by which the key assumptions needed to change in order to trigger an impairment. The results of our sensitivity analyses were consistent with management's conclusions.</li> </ul>

## Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Pepkor Holdings Limited Annual Financial Statements for the year ended 30 September 2023", which includes the Report of the directors, the Audit and risk committee report and the Secretary certification as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the document titled "Pepkor Holdings Limited Integrated report 2023", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## Responsibilities of the directors for the consolidated and separate financial statements

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

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

## Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or

conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Pepkor Holdings Limited for six years.

*PricewaterhouseCoopers Inc.*

**PricewaterhouseCoopers Inc.**

Director: D de Jager

Registered Auditor  
Stellenbosch, South Africa  
13 December 2023

# Consolidated annual financial statements

for the year ended 30 September 2023

## Consolidated income statement

	Notes	Year ended 30 September 2023 Rm	Year ended 30 September 2022 Restated <sup>1</sup> Rm
<b>Revenue</b>	2	<b>87 408</b>	81 154
Retail revenue		<b>84 236</b>	78 673
Financial services revenue		<b>2 801</b>	2 150
Insurance revenue		<b>371</b>	331
<b>Cost of sales</b>		<b>(56 370)</b>	(52 471)
Cost of merchandise sold		<b>(56 444)</b>	(52 617)
Cost of merchandise written off – floods	3.1	<b>–</b>	(318)
Insurance claim recovery – social unrest and floods	3.1	<b>74</b>	464
<b>Gross profit</b>		<b>31 038</b>	28 683
Other income	3.10	<b>1 225</b>	1 448
Other income excluding insurance claim recovery – social unrest and floods	3.10	<b>950</b>	938
Insurance claim recovery – social unrest and floods	3.10	<b>275</b>	510
Steinhoff global settlement net recovery	3.9	<b>–</b>	439
Operating expenses	3	<b>(16 383)</b>	(14 868)
Debtors' costs	3.6	<b>(1 707)</b>	(1 085)
<b>Operating profit before depreciation, amortisation and capital items</b>		<b>14 173</b>	14 617
Depreciation and amortisation	3.2	<b>(4 661)</b>	(4 270)
<b>Operating profit before capital items</b>		<b>9 512</b>	10 347
Capital items	4	<b>(6 828)</b>	169
Capital items excluding insurance claim recovery – social unrest and floods		<b>(6 873)</b>	(128)
Insurance claim recovery – social unrest and floods	4.4	<b>45</b>	297
<b>Operating profit</b>		<b>2 684</b>	10 516
Finance costs	5	<b>(3 095)</b>	(2 461)
Finance income	5	<b>296</b>	259
(Loss)/profit before associated income		<b>(115)</b>	8 314
Share of net profit of associate	13	<b>7</b>	4
(Loss)/profit before taxation		<b>(108)</b>	8 318
Taxation	6	<b>(1 172)</b>	(2 168)
(Loss)/profit for the year from continuing operations		<b>(1 280)</b>	6 150
Loss for the year from discontinued operations	7	<b>(10)</b>	(41)
<b>(Loss)/profit for the year</b>		<b>(1 290)</b>	6 109
<b>(Loss)/profit attributable to:</b>			
Equity holders of the parent		<b>(1 298)</b>	6 114
Non-controlling interests		<b>8</b>	(5)
<b>(Loss)/profit for the year</b>		<b>(1 290)</b>	6 109
<b>Earnings per share (cents)</b>			
Basic earnings per share from continuing operations	8	<b>(35.1)</b>	166.6
Basic earnings per share from discontinued operations	8	<b>(0.3)</b>	(1.1)
Total basic earnings per share	8	<b>(35.4)</b>	165.5
Diluted earnings per share from continuing operations	8	<b>(34.6)</b>	164.1
Diluted earnings per share from discontinued operations	8	<b>(0.3)</b>	(1.1)
Total diluted earnings per share	8	<b>(34.9)</b>	163.0

<sup>1</sup> Prior year comparatives have been restated for the effect of the discontinued operation as detailed in note 7.

## Consolidated statement of comprehensive income

	Notes	Year ended 30 September 2023 Rm	Year ended 30 September 2022 Restated <sup>1</sup> Rm
(Loss)/profit from continuing operations		(1 280)	6 150
Loss from discontinued operations		(10)	(41)
<b>(Loss)/profit for the year</b>		<b>(1 290)</b>	<b>6 109</b>
<b>Other comprehensive (OCI) income from continuing operations</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of foreign operations		188	588
Net fair value gain on cash flow hedges	30.3	666	1 350
Deferred taxation on cash flow hedges		61	(60)
Foreign currency translation reserve released to profit or loss on liquidation of foreign subsidiary	4.5	(3)	(50)
<b>Other comprehensive income for the year, net of taxation</b>		<b>912</b>	<b>1 828</b>
<b>Other comprehensive (OCI) (loss)/income from discontinued operations</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of foreign operations		(34)	10
Foreign currency translation reserve released to profit or loss on sale of foreign subsidiary	4.6	32	–
<b>Other comprehensive (loss)/income for the year, net of taxation</b>		<b>(2)</b>	<b>10</b>
<b>Total comprehensive (loss)/income for the year</b>		<b>(380)</b>	<b>7 947</b>
<b>Total comprehensive (loss)/income attributable to:</b>			
Equity holders of the parent		(388)	7 952
Non-controlling interests		8	(5)
<b>Total comprehensive (loss)/income for the year</b>		<b>(380)</b>	<b>7 947</b>
<b>Total comprehensive (loss)/income for the year attributable to equity holders of the parent arises from:</b>			
Continuing operations		(368)	7 978
Discontinued operations		(12)	(31)
<b>Total comprehensive (loss)/income for the year</b>		<b>(380)</b>	<b>7 947</b>

<sup>1</sup> Prior year comparatives have been restated for the effect of the discontinued operation as detailed in note 7.

## Consolidated statement of financial position

	Notes	Year ended 30 September 2023 Rm	Year ended 30 September 2022 Rm
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	9	32 937	39 204
Intangible assets	10	19 104	19 004
Property, plant and equipment	11	9 329	8 341
Right-of-use assets	12	10 864	11 101
Interest in associate	13	71	64
Investments and loans	14	46	49
Deferred taxation assets	15	2 835	3 022
Unsecured loans <sup>1</sup>	17	298	5
		<b>75 484</b>	80 790
<b>Current assets</b>			
Investments and loans	14	48	110
Trade and other receivables	16	9 242	8 511
Unsecured loans <sup>1</sup>	17	1 792	1 842
Inventories	18	16 974	17 066
Insurance and reinsurance receivables	19.2	37	39
Current income taxation assets		284	262
Cash and cash equivalents		4 879	4 947
		<b>33 256</b>	32 777
<b>Total assets</b>		<b>108 740</b>	113 567
<b>EQUITY AND LIABILITIES</b>			
Total equity attributable to equity holders of the parent		58 841	62 762
Non-controlling interests		212	183
<b>Total equity</b>		<b>59 053</b>	62 945
<b>Non-current liabilities</b>			
Deferred taxation liabilities	15	4 277	4 235
Interest-bearing loans and borrowings	21	9 395	10 350
Put option liability	22	1 068	682
Lease liabilities	23	10 871	11 861
Employee benefits	24	388	233
Provisions	25	245	315
		<b>26 244</b>	27 676
<b>Current liabilities</b>			
Insurance payables	19.3	73	76
Interest-bearing loans and borrowings	21	2 121	1 129
Lease liabilities	23	3 078	2 836
Employee benefits	24	1 337	1 250
Provisions	25	112	92
Trade and other payables	26	15 095	14 712
Current income taxation liabilities		693	2 273
Bank overdrafts		934	578
		<b>23 443</b>	22 946
<b>Total equity and liabilities</b>		<b>108 740</b>	113 567

<sup>1</sup> Loans to customers has been renamed to Unsecured loans to provide more clarity to users of the financial statements around the nature of the loans.

## Consolidated statement of changes in equity

	Notes	Ordinary stated capital Rm	Treasury shares	Retained earnings Rm	Foreign currency translation reserve Rm	Share-based payment reserve Rm	Other reserves Rm	Common control reserve Rm	Hedging reserve Rm	Put option reserve	Total equity attributable to owners of the parent Rm	Non-controlling interests Rm	Total Rm
<b>Balance at 30 September 2021</b>		67 621	–	2 825	(915)	380	(9)	(11 755)	41	–	58 188	–	58 188
Total comprehensive income/(loss) for the year		–	–	6 114	548	–	–	–	1 290	–	7 952	(5)	7 947
Profit for the year		–	–	6 114	–	–	–	–	–	–	6 114	(5)	6 109
Recognised in other comprehensive income		–	–	–	548	–	–	–	1 290	–	1 838	–	1 838
Dividends paid		–	–	(1 634)	–	–	–	–	–	–	(1 634)	–	(1 634)
Share issue under Pepkor Executive Share Rights Scheme	20	231	–	–	–	(231)	–	–	–	–	–	–	–
Share issue as properties purchase consideration	20	19	–	–	–	–	–	–	–	–	19	–	19
Share buy-back and cancellation	20	(643)	–	–	–	–	–	–	–	–	(643)	–	(643)
Treasury shares purchased	20	–	(9)	–	–	–	–	–	–	–	(9)	–	(9)
Share-based payment expense and related taxation		–	–	20	–	260	–	–	–	–	280	–	280
Net fair value gain on cash flow hedges transferred to inventory		–	–	–	–	–	–	–	(785)	–	(785)	–	(785)
Transfer between reserves		–	–	(33)	–	–	33	–	–	–	–	–	–
Recognition of put option reserve	22	–	–	–	–	–	–	–	–	(606)	(606)	–	(606)
Recognition of non-controlling interests on acquisition of subsidiary		–	–	–	–	–	–	–	–	–	–	172	172
Exchange differences on consolidation of foreign subsidiaries		–	–	–	–	–	–	–	–	–	–	16	16
<b>Balance at 30 September 2022</b>		<b>67 228</b>	<b>(9)</b>	<b>7 292</b>	<b>(367)</b>	<b>409</b>	<b>24</b>	<b>(11 755)</b>	<b>546</b>	<b>(606)</b>	<b>62 762</b>	<b>183</b>	<b>62 945</b>
Total comprehensive (loss)/income for the year		–	–	(1 298)	183	–	–	–	727	–	(388)	8	(380)
(Loss)/profit for the year		–	–	1 298	–	–	–	–	–	–	(1 298)	8	(1 290)
Recognised in other comprehensive income		–	–	–	183	–	–	–	727	–	910	–	910
Dividends paid		–	–	(2 025)	–	–	–	–	–	–	(2 025)	–	(2 025)
Share issue under Pepkor Executive Share Rights Scheme	20	226	–	–	–	(226)	–	–	–	–	–	–	–
Share buy-back and cancellation	20	(511)	–	–	–	–	–	–	–	–	(511)	–	(511)
Treasury shares purchased	20	–	(8)	–	–	–	–	–	–	–	(8)	–	(8)
Share-based payment expense and related taxation		–	–	(20)	–	221	–	–	–	–	201	–	201
Net fair value gain on cash flow hedges transferred to inventory		–	–	–	–	–	–	–	(1 007)	–	(1 007)	–	(1 007)
Remeasurement of put option reserve	22	–	–	–	–	–	–	–	–	(183)	(183)	–	(183)
Transfer of common control reserve due to ultimate holding company loss of control		–	–	(11 755)	–	–	–	11 755	–	–	–	–	–
Exchange differences on consolidation of foreign subsidiaries		–	–	–	–	–	–	–	–	–	–	21	21
<b>Balance at 30 September 2023</b>		<b>66 943</b>	<b>(17)</b>	<b>(7 806)</b>	<b>(184)</b>	<b>404</b>	<b>24</b>	<b>–</b>	<b>266</b>	<b>(789)</b>	<b>58 841</b>	<b>212</b>	<b>59 053</b>

## Consolidated statement of cash flows

	Notes	Year ended 30 September 2023 Rm	Year ended 30 September 2022 Rm
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	28	12 962	11 187
Dividends paid		(2 025)	(1 634)
Finance cost paid	5.2	(2 866)	(2 321)
Finance income received	5.2	252	238
Taxation paid	6.3	(2 537)	(2 005)
<b>Net cash inflow from operating activities</b>		<b>5 786</b>	5 465
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	11	(2 436)	(2 281)
Additions to intangible assets	10	(276)	(269)
Proceeds on disposal of property, plant and equipment and intangible assets		73	39
Payment for acquisition of subsidiary, net of cash and cash equivalents acquired		–	(1 843)
Proceeds from settlement of BVI loan	3.9	–	609
Decrease in investments and loans		151	305
Increase in investments and loans		(84)	(25)
Increase in investments and loans in equity accounted companies		–	(5)
<b>Net cash outflow from investing activities</b>		<b>(2 572)</b>	(3 470)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Amount paid on share buy-back	20.3	(511)	(643)
Treasury shares purchased	20.5	(8)	(9)
Amounts paid on long-term interest-bearing loans and borrowings	21.4	(1 950)	(5 338)
Amounts received on long-term interest-bearing loans and borrowings	21.4	1 896	5 000
Principal lease liability repayments	23.4	(3 057)	(2 783)
<b>Net cash outflow from financing activities</b>		<b>(3 630)</b>	(3 773)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(416)</b>	(1 778)
Effects of exchange rate translations on cash and cash equivalents		(8)	404
Cash and cash equivalents at beginning of the year		4 369	5 743
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>3 945</b>	4 369
<b>Consisting of:</b>			
Cash and cash equivalents		4 879	4 947
Bank overdrafts		(934)	(578)
		<b>3 945</b>	4 369



# Summary of accounting policies

for the year ended 30 September 2023

## Statement of compliance

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the IFRS Interpretations Committee interpretations, the South African Institute of Chartered Accountants (SAICA), Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the requirements of the Companies Act and the JSE Limited Listings Requirements and Debt Listings Requirements.

## Basis of preparation

The consolidated and separate annual financial statements are prepared on the historical cost and going concern bases, except where otherwise indicated. The presentation and functional currency is the South African rand, rounded to the nearest million, except where otherwise indicated.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The financial statements are prepared under the historical cost convention adjusted for the effects of inflation where entities operate in hyperinflationary economies and for the revaluation of certain financial instruments to fair value.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed under judgements and estimates.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these annual

financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2: Share-based Payments and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2: Inventories or value in use in IAS 36: Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are defined as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can assess at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included in level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The material accounting policies applied by the group and the company, as well as accounting policies where IFRS allows choice, are set out below and have been applied consistently to the periods presented in these consolidated annual financial statements, except where stated otherwise.

The accounting policies have been applied consistently by all the group entities.

## Basis of preparation – common control transactions

IFRS do not provide guidance on the accounting for common control transactions. In the absence of specific guidance relating to common control transactions, entities should select an appropriate accounting policy using the hierarchy described in IAS 8: Accounting policies, Changes in Accounting Estimates and Errors. The hierarchy permits the consideration of pronouncements of other standard-setting bodies.

The acquisition by the group of Pepkor Holdco group, SA Poco Retail Proprietary Limited, JD Group Proprietary Limited and Tekkie Town Proprietary Limited from Steinhoff in 2017 met the definition of a common control transaction as all the combining entities were ultimately controlled by the same party, being Ibex (formerly Steinhoff), before and after the combination, and that control was not transitory.

The group accounted for the common control transaction by applying the predecessor method, that is the assets and liabilities of the acquired entities were stated at their predecessor carrying amounts, being the carrying amount of these assets and liabilities in Ibex's (formerly Steinhoff's) consolidated financial statements.

The transaction was accounted for retrospectively as though the group was always in existence, using the results from the date that each entity joined the group, where such a date is later.

No new goodwill arose on the transaction. Instead, any difference between the value of the shares issued and the aggregate book value of the assets and liabilities of the acquired entities at the date of the transaction is included in a common control reserve within equity.

With the loss of control by Ibex (formerly Steinhoff) during the 2023 financial year, the common control reserve was released directly to retained earnings.

The group periodically reorganises its investments in subsidiaries by transferring the investments between group companies. The group accounts for common control transactions by applying the predecessor method. The investments are therefore transferred to the acquirer company at the predecessor carrying amounts, being the carrying value of the investments in subsidiaries in the acquiree at the date of transfer. The holding company's carrying value of its investment in the acquiree relating to the investments reorganised will therefore transfer from the acquiree to the acquirer company.

## Earnings per share, diluted earnings per share and headline earnings per share

The calculation of the weighted average number of shares weighed the shares issued in terms of IAS 33: Earnings per share.

## Basis of consolidation

### Subsidiaries

Subsidiaries are entities controlled by the group (including structured entities). An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, substantive rights relating to an investee are taken into account. For a right to be substantive, the holder must have the practical ability to exercise that right.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any difference between the cost of acquisition and the group's share of the net identifiable assets, liabilities and contingent liabilities, fairly valued, is recognised and treated in terms of the group's accounting policy for goodwill. All intergroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between group entities are eliminated.

Non-controlling interests (NCI) in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination (the proportionate share method) in terms of IFRS 10: Consolidated Financial Statements.

Subsequently, any losses applicable to the non-controlling interests are allocated to the non-controlling interests even if this results in the non-controlling interests having deficit balances.

Consolidation of a subsidiary begins when a company obtains control over a subsidiary and ceases when the company loses control over the subsidiary.

In the company's separate financial statements, investments in subsidiaries are initially measured at cost, including any directly related transaction costs. The investments are subsequently measured at cost less any impairment losses and are tested for impairment when there is an indicator thereof.

### Contingent consideration

Contingent consideration is measured at fair value at each reporting date, and changes in fair value are recognised in profit or loss.

### Premiums and discounts arising on subsequent purchases from, or sales to non-controlling interests in subsidiaries

Any increases or decreases in ownership interest in subsidiaries without a change in control are recognised as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received are recognised directly in equity and attributed to owners of the company.

### Associate companies

The company's investments in the ordinary shares of its associates are carried at cost less impairment losses. Purchases and sales of these investments are recognised on the trade date at cost, including transaction costs.

Associates are those entities over which the group exercises significant influence but not control. Significant influence is presumed to exist when the group holds between 20% and 50% of the voting rights of another entity. The group's investments in associates are accounted for using the equity method and are initially recognised at cost. Investments in associates include goodwill identified on acquisition, net of any accumulated impairment losses.

The group's share of post-acquisition profit or loss and its share of post-acquisition movements in OCI are recognised in the statement of comprehensive income and in OCI respectively, with a corresponding adjustment to the carrying amount of the investment, from the date that significant influence commences until the date that significant influence ceases. When the group's share of losses in an associate equals or exceeds its investment in the associate, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

## Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill arising on the acquisition of a subsidiary represents the excess of the aggregate consideration transferred, non-controlling interest in the acquisition and in business combinations achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. An impairment loss in respect of goodwill is not reversed. Gains on bargain purchases arising on acquisition are recognised directly as capital items in profit or loss. Refer to significant judgements and estimates, capital items (use of adjusted measures), for the treatment of the impairment.

Goodwill is allocated to groups of CGUs and is tested annually for impairment, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

## Intangible assets

Intangible assets that are acquired by the group are stated at cost less accumulated amortisation and impairment losses. If an intangible asset is acquired in a business combination, the cost of that intangible asset is measured at its fair value at the acquisition date.

## Computer software

Computer software acquired from external suppliers is initially recognised at cost. Computer software development costs are capitalised if the recognition criteria outlined below under Research and development are met.

## Research and development

Research costs are expensed as incurred. Development costs are recognised as an expense in the period in which they are incurred unless the technical feasibility of the asset has been demonstrated and the intention to complete and utilise the asset is confirmed. Capitalisation commences when it can be demonstrated how the intangible asset will generate probable future economic benefits, that it is technically feasible to complete the asset, that the intention and ability to complete and use the asset exist, that adequate financial, technical and other resources to complete the development are available and the costs attributable to the process or product can be identified separately and measured reliably. Where development costs are recognised, it has a finite useful life and is amortised over its useful life on a straight-line basis and is tested for impairment if indications of impairment exist.

## Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

## Amortisation

Amortisation of intangible assets is recognised in profit or loss on a straight-line basis over the assets' estimated useful lives, unless such lives are indefinite. An intangible asset is regarded as having an indefinite useful life when, based on analysis of all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortised but are tested annually for impairment, or more often when there is an indication that the asset may be impaired.

Other intangible assets are amortised from the date they are available for use.

Trade and brand names	Indefinite
Computer Software and enterprise resource planning (ERP) systems	1 – 8 years
Customer lists	Indefinite/16 years

## Leases

### Where the group is the lessee

The group's main leasing activities relate to that of retail stores, office space and distribution centres. On entering into a contract, the group assesses whether a contract is, or contains, a lease based on the definition of a lease as per IFRS 16: Leases. The criteria to assess a contract include whether a contract involves the use of an identified asset, the group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period in use, and the group has the right to direct the use of the asset. The group then allocates the consideration in the contract to each lease component on the basis of its stand-alone price. The group has applied the practical expedient not to reassess any contract entered into before the initial application date of IFRS 16: Leases.

If a contract is assessed to be, or contains, a lease, the group recognises a right-of-use asset and corresponding lease liability at the lease commencement date over the lease term. The group determines the lease term as the non-cancellable period of a lease, including any beneficial occupation periods, and assesses if the lessee is reasonably certain to exercise an option available on a lease to extend or terminate the lease.

Management exercises judgement to assess the likelihood of whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease. The lease term will not include any renewal options where there is no reasonable certainty that the lease will be renewed until the option is exercised.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of the lease liabilities, any initial direct costs incurred by the group, and any lease payments made in advance of the lease commencement date, less any lease incentives received. Right-of-use assets are subsequently measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of the related lease liabilities. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life or lease term as noted above. Right-of-use assets are tested for impairment as part of the CGU it relates to (i.e. retail store) when indicators of impairment are identified and are periodically reduced by the impairment losses, if required.

Lease liabilities are initially measured at the present value of future lease payments discounted using the discount rate implicit in the lease or, where this has not been stipulated, the group's incremental borrowing rate. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that are based on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the group and payments of penalties for terminating a lease, if the group exercises the option to terminate. Variable lease payments, which do not depend on an index or a rate, are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease liabilities are subsequently measured at amortised cost using the effective interest method and reduced by future lease payments net of interest charged. It is remeasured, with a corresponding adjustment to right-of-use assets, when there is a change in future lease payments resulting from a rent review, change in relevant index or rate, such as inflation, or change in the group's assessment of whether it is reasonably certain to exercise a renewal or termination option and thus a change in lease term. The lease liability is remeasured by discounting the revised lease payments using a revised discount rate when there is a change in the lease terms. The remeasurement results in a corresponding adjustment to the carrying amount of right-of-use assets, with the difference recorded in profit or loss if the carrying amount of right-of-use assets has been reduced to zero.

## Where the group is the lessor

Portions of owner-occupied properties and leased properties are leased or subleased under operating leases. The owner-occupied properties are included in property, plant and equipment in the statement of financial position. Rental income in respect of operating leases with a fixed escalation clause is recognised on a straight-line basis over the lease term. Incentives received to enter into a lease agreement are released to the statement of comprehensive income as operating lease income over the lease term. All other rental income is recognised as it becomes due. When an operating lease is terminated before the lease period has expired, any payment received from the lessee by way of penalty is recognised as income and any unamortised portion of the fixed escalation lease accrual is recognised in the statement of comprehensive income in the period in which termination takes place.

## Property, plant and equipment

### Owned assets

Property, plant and equipment are stated at cost to the group, less accumulated depreciation and impairment losses.

### Subsequent costs

The group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when the cost is incurred, if it is probable that additional future economic benefits embodied within the item will flow to the group and the cost of such item can be measured reliably. Costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as an expense when incurred.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time, which the group considers as 12 months or more, to get ready for its intended use or sale, are capitalised to the cost of that qualifying asset.

The group calculates the general borrowing costs which are capitalised by calculating the weighted average expenditure on the qualifying asset and applying a weighted average borrowing rate to the expenditure. All other borrowing costs incurred are recognised as an expense in the income statement as finance costs and are accrued on a time basis by reference to the principal amounts outstanding and at the interest rate applicable.

Borrowing costs are presented as part of interest paid in the cash flow statement.

### Depreciation

Depreciation is recognised in profit or loss on a straight-line basis at rates that will reduce the book values to estimated residual values over the estimated useful lives of the assets.

Land is not depreciated. Leasehold improvements on premises occupied under operating leases are written off over their expected useful lives or, where shorter, the term of the relevant lease.

The depreciation methods, estimated useful lives and residual values are reassessed annually, with the effect of any changes in estimate being accounted for on a prospective basis.

Management determines the estimated useful lives, residual values and the related depreciation charges at acquisition. The estimates are reviewed at each reporting date. If appropriate, adjustments are made and accounted for prospectively as a change in estimate:

Buildings	5 – 50 years
Computer equipment	2 – 4 years
Motor vehicles	4 – 10 years
Office equipment	3 – 16 years
Furniture and fittings	3 – 10 years

## Taxation

### Current taxation

Income taxation on the profit or loss for the year comprises current and deferred taxation. Income taxation is recognised in profit or loss except to the extent that it relates to items recognised directly in OCI or equity, in which case it is recognised directly in OCI or equity.

Current taxation is the expected taxation payable on the taxable income for the year, using taxation rates enacted or substantively enacted at the reporting date, and any adjustment to taxation payable in respect of previous years.

### Deferred taxation

Deferred taxation is provided for using the statement of financial position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used in the computation of taxable income. The following temporary differences are not provided for: goodwill not deductible for taxation purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

Deferred taxation liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current taxation assets and liabilities on a net basis.

Deferred taxation assets and liabilities are measured at the taxation rates that are expected to apply in the period in which the liability is settled or the asset realised, based on the taxation rates (and taxation laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred taxation liabilities and assets reflects the taxation consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

A deferred taxation asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset will be utilised. Deferred taxation assets are reduced to the extent that it is no longer probable that the related taxation benefit will be realised.

## Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling and distribution expenses. Merchandise, raw materials and consumables are initially recognised at cost, determined using the weighted average cost formula.

The cost of inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. The cost of inventory is the net of: invoice price of merchandise, insurance, freight; customs duties, an appropriate allocation of distribution costs between distribution centres and stores, trade discounts, advertising and other rebates and settlement discounts.

Where necessary, the carrying amounts of inventory are adjusted for shrinkage, obsolescence and markdowns.

## Insurance receivables and payables

### Classification

Insurance contracts are those contracts that transfer significant risk. The group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event in terms of the cover given to the insured.

Contracts entered into with reinsurers under which the group's insurer is compensated for losses on contracts issued by it and that meet the requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into by the group's insurer under which the contract holder is another insurer (inward reinsurance) are included with insurance contracts.

### Initial recognition and measurement

#### Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment using the general expected credit loss (ECL) model, with the impairment loss recorded in the income statement. Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.



### Insurance payables

Insurance contract liabilities include the outstanding claims provision and the provision for unearned premiums. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision is recognised for equalisation or catastrophe reserves. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged. It is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

### Insurance recovery receivable

Insurance recovery receivables are recognised to the extent that the group is virtually certain that the group is insured for the material losses or business interruption losses incurred (insured event) and the insured event claim will be settled by its insurers.

## Share capital

### Share buy-back

Consideration paid including any directly attributable incremental costs (net of income taxes) for shares repurchased by the group, is deducted from equity in stated capital as treasury shares until the shares are cancelled or reissued.

### Dividends

Non-discretionary dividends on preference shares are recognised as a liability and recognised as an interest expense using the effective interest method. Other dividends are recognised as a liability in the period in which they are declared.

## Share-based payment transactions

### Equity-settled

The fair value of the share rights granted to employees is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and is expensed over the period during which the employees are required to provide services in order to become unconditionally entitled to the equity instruments. The fair value of the instruments granted is measured with reference to the share price at grant date. At the end of each period, the entity revises its estimates of the number of share rights that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

## Group share-based payment transactions

Transactions in which a parent grants rights to its equity instruments directly to the employees of its subsidiaries are classified as equity-settled in the financial statements of the subsidiary as the entity does not have the obligation to settle the share-based payment transaction.

The subsidiary recognises the services acquired with the share-based payment as an expense and recognises a corresponding increase in equity representing a capital contribution from the parent for those services acquired. The parent recognises in equity the equity-settled share-based payment and recognises a corresponding increase in the investment in subsidiary.

A recharge arrangement exists whereby the subsidiary is required to repay the parent based on the market value of the shares at vesting date. The recharge arrangement is accounted for separately from the underlying equity-settled share-based payment as follows upon initial recognition:

- The subsidiary recognises a share scheme settlement provision based on the market value at vesting date and a corresponding adjustment to the carrying amount of the capital contribution.
- The parent recognises a corresponding share scheme settlement asset at fair value and a corresponding adjustment to the carrying amount of the investment in the subsidiary.

Subsequent to initial recognition, the recharge arrangement is remeasured at market value at each subsequent reporting date until settlement date to the extent vested. At each reporting date, the unvested rights are adjusted by the number of rights forfeited during the year, to reflect the actual number of instruments outstanding.

## Provisions

Provisions are recognised when the group has a present constructive or legal obligation as a result of a past event, and when it is probable that it will result in an outflow of economic benefits that can be reliably estimated.

If the effect is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## Financial guarantees

Financial guarantee contracts issued by the group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified party fails to make a payment when it becomes due, in accordance with the terms of a debt instrument. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with the expected credit loss model under IFRS 9: Financial Instruments and the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15: Revenue from Contracts with Customers. Intragroup financial guarantees are eliminated on consolidation.



## Restructuring

A provision for restructuring is recognised when the group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

## Foreign currency

### Foreign currency transactions

The presentation currency of the group and the company's annual financial statements is the South African rand. Certain individual companies in the group have different functional currencies and are translated on consolidation. Transactions in currencies other than the functional currency of entities are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates ruling on the reporting date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at rates ruling at the dates the fair value was determined.

### Financial statements of foreign operations

The assets and liabilities of all foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at rates of exchange ruling at the reporting date. The revenues and expenses of foreign operations are translated at rates approximating the foreign exchange rates ruling at the date of the transactions.

Foreign exchange differences arising on translation are recognised in OCI and aggregated in the foreign currency translation reserve (FCTR). The FCTR applicable to a foreign operation is released to profit or loss as a capital item on disposal of that foreign operation.

The results and the financial position of group entities that are accounted for as entities that operate in hyperinflationary economies and that have a functional currency that is different from the presentation currency of the group are translated into the presentation currency of its immediate parent at the exchange rates ruling at the reporting date.

### Hyperinflation

The results and the financial position, including comparative amounts, of group entities whose functional currencies are the currencies of hyperinflationary economies are adjusted in terms of the measuring unit current at the end of the reporting period.

As the presentation currency of the group is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the price level or exchange rates in the current year. Differences between these comparative amounts and the hyperinflation-adjusted equity opening balances are recognised in OCI.

The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting period. An impairment loss is recognised in profit or loss if the restated amount of a non-monetary item exceeds its estimated recoverable amount.

Gains or losses on the net monetary position are recognised in profit or loss and included in operating profit.

All items recognised in the statement of comprehensive income are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred.

At the beginning of the first period of application, the components of owners' equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised in OCI. Restated retained earnings are derived from all other amounts in the restated statement of financial position.

At the end of the first period and in the subsequent periods, all components of owners' equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later.

All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

### Effect of hyperinflation

The group exercises judgement in determining the onset of hyperinflation in countries in which it operates and whether the functional currency of its subsidiaries, joint arrangements and associates is the currency of a hyperinflationary economy.

Various characteristics of the economic environment of each country are taken into account to assess whether an economy is hyperinflationary or not. These characteristics include, but are not limited to, the following:

- the general population prefer to keep their wealth in non-monetary assets or in a relatively stable foreign currency;
- prices are quoted in a relatively stable foreign currency;
- sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;
- interest rates, wages and prices are linked to a price index; and
- the cumulative inflation rate over three years is approaching, or exceeds, 100%.

Management exercises judgment as to when a restatement of the financial statements of a group entity becomes necessary.

The economy of Angola was reassessed in accordance with IAS 29: Financial Reporting in Hyperinflationary Economies and was found no longer to be in hyperinflation for the years ended 30 September 2023 and 2022. Hyperinflation accounting therefore ceased, and the 2018 adjustments will unwind over time.

The remaining hyperinflationary adjustments have been released in the prior year and no adjustments have been made to the group's Angolan subsidiary's financial position for the year ended 30 September 2023 (2022: Accordingly, the results and financial position of the group's Angolan subsidiary have been expressed in terms of the measuring units current at the reporting date).

The general price indices, as published by the National Institute of Statistics of Angola, were used in adjusting the historical cost local currency results and financial positions of the group's Angolan subsidiaries. As at 30 September 2023, the cumulative three-year inflation rate was 72.00% (2022: 77.29%).

## Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges, are recognised in OCI and accumulated in the FCTR. They are released to profit or loss as a capital item on disposal of that foreign operation.

Exchange differences arising from the translation of monetary items receivable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation) are recognised initially in OCI and reclassified from equity to profit or loss on repayment of the monetary items.

## Financial instruments

### Initial recognition

Financial assets and financial liabilities are recognised on the group's statement of financial position when the group becomes a party to the contractual provisions of the instrument.

Financial instruments are initially recognised at fair value, with the exception of trade debtors where there is no significant financing component, which is initially recognised at the transaction price. Financial instruments include transaction costs that are incremental to the group and directly attributable to the acquisition or issue of the financial asset or financial liability, except for those classified as fair value through profit or loss, where the transaction costs are recognised immediately in profit or loss.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'at fair value through other comprehensive income' (FVTOCI) and 'loans and receivables at amortised cost'. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortised cost.

## Classification and measurement

### Financial assets at FVTPL

The group classifies financial assets at FVTPL when the assets are held within a different business model other than 'hold to collect', unless the group has elected to classify an equity instrument at FVTOCI. Financial assets where contractual cash flows are not solely payments of principal and interest are also recognised as FVTPL irrespective of business model. All derivative financial instruments fall into this category, except those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

### Financial assets at FVTOCI

The group classifies financial assets at FVTOCI where management has made an irrevocable election at initial recognition to present fair value gains and losses on equity instruments not held for trading in OCI.

Fair value gains and losses on equity investments carried at FVTOCI are recognised in OCI with no subsequent reclassification/recycling of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from these investments continue to be recognised in profit or loss when the group's right to receive payments is established.

### Financial assets at amortised cost

The group classifies financial assets as at amortised cost only if the asset is held within a business model with the objective of collecting the contractual cash flows, and the contractual terms give rise to fixed or determinable cash flow that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are carried at amortised cost, with interest recognised in profit or loss for the period, using the effective interest method.

### Current and non-current financial assets

Current assets have maturity terms of less than 12 months, except for instalment sale receivables. Instalment sale receivables, which are included in trade and other receivables, have maturity terms of between one and five years, but are classified as current as they form part of the normal operating cycle.

### Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either 'held for trading' or where management has designated it as at FVTPL. Management has not designated financial liabilities at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

### Other financial liabilities

Financial liabilities that are not classified as at FVTPL are classified as other financial liabilities and are carried at amortised cost, with interest recognised in profit or loss for the period, using the effective interest method.

### Put option liability

Where a minority shareholder has the right to put equity instruments of a subsidiary to another group entity, the group records a financial liability for its obligation to pay the put option exercise price. This recognition occurs when the put option contract is signed. Where the put option is entered into as part of a business combination, the put option is accounted for as a financial liability at the present value of the redemption amount with a corresponding charge directly to equity.

Given that the value varies with non-financial variables that are specifically to the parties in the contract, management has classified the put option as a financial liability at amortised cost. As such the put option liability is subsequently increased through finance cost in profit or loss for the period, using the effective interest rate method, up to the redemption amount that is payable at the date at which the options becomes exercisable or vests. Subsequent remeasurement in the put option liability relating to changes in the redemption amount is recognised at the present value with a corresponding charge directly in equity.

### Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year, which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### Derecognition

The group derecognises a financial asset when the rights to receive cash flows from the asset have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

A financial liability is derecognised when, and only when, the liability is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or has expired.

### Impairment of financial assets

Impairment of loans measured at amortised cost are measured using the ECL model under IFRS 9. The ECL model factors in information regarding past events, current conditions, supportable forecasts and economic conditions that affect the expected collectability of future cash flows at reporting date. The estimation of ECL takes into account the time value of money.

For trade and other receivables without a significant financing component, the group has adopted the simplified approach that recognises lifetime ECL regardless of the stage classification. The group applied a provision matrix based on historical credit loss experience, which was adjusted for forward-looking factors applicable to the trade and other receivables balances and economic factors.

### Cash and cash equivalents

Cash comprises cash at banks, cash on hand and bank overdrafts. Cash equivalents comprise short-term deposits held at call with banks. Bank overdrafts are shown within current liabilities in the statement of financial position.

### Effective-interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of a financial instrument or, where appropriate, a shorter period.

### Hedge accounting

The group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges in foreign exchange risk on firm commitments are accounted for as cash flow hedges. These derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period.

At inception of the hedge relationship, the group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The group documents its risk management objective and strategy for undertaking its hedge transactions.

#### Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss through operating expenses.

When forward contracts are used to hedge forecast transactions, the group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. In accordance with the provisions of IFRS 9, the application of hedge accounting requires management to adjust the cost of inventory to incorporate the impact of forward exchange hedging contracts. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item (forward points) is recognised within operating expenses.

Amounts accumulated in equity are reclassified to profit and loss in the periods when the hedged item is recognised in profit or loss, and it is included in the same line of the income statement as the recognised hedged item.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

## Revenue recognition

### Revenue from contracts with customers

Revenue is recognised when the group satisfies performance obligations and transfers control of goods or services to its customers at an amount that reflects the consideration the group expects to be entitled to in exchange for these goods or services, allocated to each specific performance obligation. Revenue is measured at the fair value of consideration received or receivable.

The main categories of revenue and the basis of recognition are as follows:

#### Retail revenue

##### Sale of goods and related revenue – retail sales

Revenue from the sale of goods from ordinary group operating activities, which comprise Clothing and general merchandise, Furniture, appliances and electronics, Building materials and FinTech, is measured net of value-added taxation, rebates and discounts and after eliminating sales within the group.

Revenue from the sale of goods is recognised at a point in time when control of goods is transferred to the customer at the point of sale. For goods that are due for delivery to the customer, the sale is recognised on delivery, as this is deemed to be when the performance obligations are met and control is transferred to the customer.

Payment is usually received via cash, debit card or credit card. Related card transaction costs are recognised in the statement of comprehensive income as other expenses. When goods are sold under instalment sale agreements in the Furniture, appliances and electronics segment, the present value of the instalment sale payments is recognised as a receivable using the effective interest rate computed at initial recognition over the one- to five-year term of the agreement.

##### Sale of goods and related revenue – ongoing revenue

The group earns ongoing revenue on starter packs that have been sold in stores. The recognition of ongoing revenue under IFRS 15 requires a certain level of judgement (refer to significant judgements and estimates). The group's policy is only to recognise the variable consideration as revenue as and when it is received, because it is only at this point that it is highly probable that a significant reversal in revenue for that contract will not occur in the future.

Deposits received from customers are recognised as deferred revenue. These balances are considered contract liabilities, as they are received prior to the satisfaction of performance obligations.

##### Sale of goods and related revenue – right of return

The group estimates variable consideration to be included in the transaction price for the sale of goods where customers are entitled to a right of return within a specified time frame. The group uses projection methods to forecast sales returns that are based on historical return data. Any significant changes in experience as compared to historical return patterns will impact the expected return percentages estimated by the group. Estimated return percentages are updated regularly and the refund liability adjusted accordingly.

##### Sale of goods and related revenue – lay-by sales

Lay-by revenue is recognised on the initiation of the contract with the customer for the Clothing and general merchandise segment, as this is deemed to be when control of the goods passes to the customer. The group recognises revenue at the amount of consideration to which they expect to be entitled and for which a significant reversal of revenue is not considered probable. A contract liability for the expected possible unsuccessful lay-bys is recognised as an adjustment to revenue as well as an asset (with a corresponding adjustment to cost of sales) representing its right to recover the products from the customer. The group uses projection methods to forecast unsuccessful lay-bys that are based on historical data. Any significant changes in experience as compared to historical patterns will impact the percentages estimated by the group. Estimated percentages are updated regularly and the contract liability for unsuccessful lay-bys is adjusted accordingly.

Lay-by revenue is recognised when the final payment for the goods is received from the customer for the Furniture, appliances and electronics segment, as this is deemed to be when control of the goods passes to the customer and all performance obligations are met. Proceeds from these lay-by sales are recognised as contract liabilities, and the revenue is deferred until all the performance obligations are met.

##### Sale of goods and related revenue – gift vouchers

Prepaid gift cards provide rights to customers that are deemed to be accounted for as separate performance obligations. The consideration allocated to unredeemed gift cards is measured by reference to its stand-alone selling prices adjusted for an expected forfeiture rate. The group applies projection methods in its estimation of forfeiture rates by using customers' historical redemption patterns as the main input.

##### Service fee income

Service fee income is recognised on a monthly basis when charged to a customer's account as the services are provided by the group.

##### Other revenue – handling fees

Handling fees consists of delivery fees charged to customers. Revenue is recognised at a point in time when the goods are delivered to the customer.

##### Other revenue – extended warranty sales

Proceeds from the warranty sales are recognised as contract liabilities on the date of the sale, and the revenue is deferred until the performance obligations are met. Extended warranties are granted on furniture, appliances and electronics products for a period of three months up to four years. The performance obligations are considered to be met over the period of the extended warranty, and are recognised as revenue on a monthly basis.

## Other sources of revenue

### Financial services revenue – effective interest income

Interest income earned is recognised on a time-proportion basis. The group calculates interest income by applying the effective interest rate to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired, the group calculates interest income by applying the effective interest rate to the net amortised cost (gross carrying amount less the allowance for expected credit losses) of the financial asset. If the financial asset is no longer deemed to be credit-impaired, the group reverts to calculating interest income on a gross basis.

### Insurance revenue

Insurance revenue consists of gross insurance premiums and reinsurance commission earned less reinsurance premiums. Insurance premiums are recognised on a straight-line basis over the period of the contract, after an appropriate allowance is made for commission and reinsurance. Reinsurance commissions are earned on a straight-line basis over the period of the contract.

## Cost of sales

Cost of sales primarily comprises the cost of goods sold and services provided, including an allocation of direct overhead expenses, net of supplier rebates, and costs incurred that are necessary to acquire and store goods. Cost of sales also includes: the cost to distribute goods to customers where delivery is invoiced; inbound freight costs; internal transfer costs between distribution centres and stores; warehousing costs and the cost of other shipping and handling activities; as well as write-downs and reversals of write-downs to inventory.

## Other operating income

Other operating income is recognised as follows:

### Income earned from suppliers

The group enters into various agreements with suppliers, which provide for various purchase rebates and other income. Rebates are recognised as part of the cost of merchandise sold when they are closely related to the purchase of inventory. Where the income earned relates to inventories that are held by the group at year-end, the income is included within the cost of those inventories, and recognised in cost of sales when the inventory is sold.

Other income earned from suppliers is recognised in other income when services are provided to suppliers that are not closely related to the purchase of inventory and when the group can reasonably estimate the fair value of the service. Management uses judgement in determining whether the services provided to suppliers are sufficiently separable from the purchase of inventory, by determining if the supplier could have entered into an agreement with a party, other than a purchaser of its inventory, in order to receive those services.

Income earned from suppliers that is in substance, a cost recovery is offset against the operating expense to which the recovery relates.

## Commission received

The group acts as an agent for the services and products provided by a variety of third parties to the group's customers through its retail footprint. The agent's commissions received by the businesses, other than the FinTech segment, from the third parties for the services are recognised as other income. Commissions relating to third-party products, money transfers and bill payments are recognised at the point in time when the underlying third-party payment takes place, as control is transferred to the customer and all performance obligations are deemed to be met.

## Dividend income

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

## Operating lease income

Payments and receipts under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

## Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

## Government grants

Government grants, in the form of allowances and refunds for certain expenditure by government, are recognised at fair value when the group complies with the conditions attached to the grants and the grants have been received. The grants are recognised, on a systematic basis, in the income statement as a deduction of the related expense over the periods necessary to match them with the related costs.

## Segmental reporting

An operating segment is a component of the group that engages in business activities that may earn revenues and incur expenses and whose operating results are regularly reviewed by the CODM (which represent the executive members of the board of directors), in order to allocate resources and assess performance and for which discrete financial information is available.

The group has the following four operating and reportable segments: Clothing and general merchandise, Furniture, appliances and electronics, Building materials, and FinTech.

Refer to note 1 for further details relating to these segments.



## Adoption of new or revised standards

### Standards, interpretations and amendments that are not yet effective at 30 September 2023

At the date of authorisation of these annual financial statements, there are standards and interpretations in issue but not yet effective. These include the following standards and interpretations that have not been early adopted and may have an impact on future financial statements:

Number	Title	Effective for year ending
Amendments to IAS 1	Disclosure of accounting policies	2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	2025
Amendments to IAS 1, IFRS Practice Statement 2 and IAS 8	Disclosure accounting policies	2024
Amendments to IAS 8	Clarification of accounting policies versus accounting estimates	2024
Amendments to IAS 12	Deferred taxation arising from single transactions	2024
Amendments to IAS 12	International tax reform – pillar two model rules	2024
Amendments to IAS 21	Lack of exchangeability	2026
Amendments to IFRS 16	Leases on sale and leaseback	2025
IFRS 17	Insurance Contracts	2024

The application of the above in future financial periods is not expected to have a significant impact on the group's reported results, financial position or cash flows, except for the standards noted below:

During the current financial year management completed a detailed gap analysis and is in the process of finalising key inputs and estimates to the IFRS 17 model.

Nature of the change	IFRS 17 replaces IFRS 4 to improve the comparability and transparency of insurance companies.
Impact on financial statements	<p>The group has assessed the estimated impact on the initial application of IFRS 17 on its consolidated financial statements using the full retrospective approach where practicable. The application of IFRS 17 is not expected to have a material impact on the group's statement of financial position, income statement and statement of comprehensive income.</p> <p>The group is still in the process of quantifying the impact of IFRS 17. The group continues to refine accounting processes required for the application of the standard. Significant judgements and estimates are required which are subject to change until the group finalises its first financial statements that include the date of initial application. These significant judgements and estimates include:</p> <ul style="list-style-type: none"> <li>• Identification of portfolios of insurance and reinsurance contracts</li> <li>• Measurement of the insurance and reinsurance liabilities including: <ul style="list-style-type: none"> <li>– Estimating the future cash flows relating to the portfolio including premiums, claim payments and directly attributable expenses</li> <li>– Risk adjustment for non-financial risk using the Value-at-Risk method</li> </ul> </li> </ul> <p>The impact on the group financial statements is currently unknown. However, it is not expected to be material.</p>
Mandatory application date/Date of adoption by the group	IFRS 17 is mandatory for financial years commencing on or after 1 January 2023. The group has not early adopted IFRS 17 and will apply the standard for the first time effective 1 October 2023. The group will apply the full retrospective approach where practical. Where it is impracticable to apply the full retrospective approach, the fair value approach will be applied.

## Implementation of ZARONIA

The South African Overnight Index Average (ZARONIA) is a benchmark that reflects the interest rate at which rand-denominated overnight wholesale funds are obtained by commercial banks. It is based on actual transactions that are reported daily to the South African Reserve Bank (SARB). In June 2020, the SARB published the 'Draft Statement of methodology and the policies governing the SARB-administered interest rate benchmarks', which is a technical specification paper that details the calculation methodology, contingency arrangements and policies governing ZARONIA and four other new benchmarks.

The Market Practitioners Group (MPG) has designated ZARONIA as the preferred successor rate that will most likely replace the Johannesburg Interbank Average Rate (Jibar), which currently underpins a significant number of financial contracts. Consequently, the conceptual design of ZARONIA was rigorously tested, using bona fide transactions data to ensure that it is reliable, robust and sufficiently stable. The back-testing results were published in a report titled 'Feedback on the draft statement of methodology and policies governing the SARB-administered interest rate benchmarks

## Standards, interpretations and amendments effective for the year ended 30 September 2023

The following amendments to existing standards are effective for the year ended 30 September 2023. This had no significant effect on the group's operations:

Number	Title
Amendments to IAS 1 and IFRS Practice Statement 2)	Disclosure of accounting policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendment to IAS 12	International tax reform – pillar two model rules
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 3	Business Combinations (Reference to the Conceptual Framework)
IFRIC Agenda decision on IFRS 9 and IFRS 16	Lessor forgiveness of lease payments
Various	Annual Improvements to IFRS Standards 2018 – 2020



# Significant judgements and estimates

for the year ended 30 September 2023

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next financial year are discussed below.

The following areas require significant estimates to be made by management in the application of the group's accounting policies:

## Intangible assets

Trade names and brand names, which are considered to be well-established growing brands and product lines for which there is no foreseeable limit to the period in which these assets are expected to generate cash flows, are classified as indefinite useful life assets. The classification of such assets is reviewed annually.

Indefinite useful life intangible assets, excluding goodwill, recognised at fair value in business combinations, are expected to generate cash flows indefinitely and the carrying value would only be recovered in the event of disposal of such assets. Accordingly, deferred taxation is raised at the capital gains taxation rate on the fair value of such assets exceeding its taxation base.

The estimated useful lives of finite useful life intangible assets are reviewed annually, taking cognisance of the forecasted commercial and economic realities and through benchmarking of accounting treatments in the specific industries in which these assets are used. Refer to note 10 where this significant estimate is discussed.

## Leases

Lease terms applicable to lease agreements, relating to the group's lease liabilities, are negotiated on an individual basis and contain a wide range of different terms and conditions. The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. Judgement is exercised in determining the likelihood of exercising termination or extension options in determining the lease term, including considerations of the initial term/age of the lease, economic uncertainty of countries the group trades in and uncertainty over the feasibility of certain business units.

Subsequent to the commencement date of lease agreements, lease terms are reassessed when there is a significant event or change in circumstances that is within the group's control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Significant events could include a change in the group's assessment of whether it is reasonably certain to exercise a renewal or termination option, which includes if a store is flagged for relocation or closure, or if it is more favourable not to exercise the option.

Incremental borrowing rates applied in the measurement of certain lease liabilities are specific to the country, term, currency and commencement date of the applicable lease agreement. Incremental borrowing rates are based on a series of inputs, including the prime lending rate, the Jibar rate, a credit risk adjustment and a country-specific adjustment.

## Impairment of assets

Goodwill and intangible assets that have an indefinite useful life, or are not yet ready for use, are assessed annually for impairment. Investments, property, plant and equipment, right-of-use assets and finite useful life intangibles are only tested if an impairment indicator is identified. Refer to notes 9, 10, 11 and 12 for details of impairment of assets where applicable. The impairment review requires estimation uncertainty (refer to note 10). The group evaluates, among other things, losses incurred, duration and the extent of losses and near-term business outlook.

## Allocation of goodwill to CGUs

Goodwill is allocated to a group of CGUs based on the lowest level at which goodwill is monitored.

## Recognition of put option derivate and non-controlling interest

The group has elected and consistently applied an accounting policy of which in accounting for put options in relation to NCI shareholding, the group has elected that IFRS 10: Consolidated Financial Statements takes precedence over IAS 32 Financial Instruments: Presentation when considering forwards over NCI. In assessing whether the NCI should be recognised the group takes into consideration whether the put and call option was entered into simultaneously, the exercise price for both the put and call option is based on the same formula and the NCI shareholders retains the ability to legally exercise its voting rights and right to any distributions declared in relation to the shares retained.

The non-controlling interest portion is recognised in equity at its proportionate share of the fair value of identifiable net assets of the subsidiary at acquisition date if the party to the non-controlling interest is deemed to have control over the contractual put and call option, whereas the put option derivative is recognised directly in equity at its fair value on the date acquisition.

The following areas require significant judgements to be made by management in the application of the group's accounting policies:

## Recoverability of deferred taxation assets

Deferred taxation assets are recognised to the extent that it is probable that taxable income will be available in the future against which these can be utilised. Future taxable profits are estimated based on business plans that include estimates and assumptions regarding economic growth, interest, inflation, taxation rates and competitive forces. Refer to note 15.

## Income taxation provision

The group is subject to income taxation in more than one jurisdiction. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate taxation determination is uncertain during the ordinary course of business. Taxation positions are provided for based on either the most probable outcome method (the single most likely amount in a range of possible outcomes: the most likely amount may better predict the resolution of the uncertainty if the possible outcomes are binary or are concentrated on one value) or the expected value of the taxation position (the sum of the probability weighted amounts in a range of possible outcomes: the expected value may better predict the resolution of the uncertainty if there is a range of possible outcomes that are neither binary nor concentrated on one value), for each type of taxation provision.

## South African Revenue Service (SARS) audit

As previously reported, the group was subject to an income tax audit by SARS relating to Pepkor Trading Proprietary Limited and SARS has raised additional assessments for the 2016 and 2017 years of assessment. The disputes giving rise to the additional assessments have been resolved through a settlement agreement with SARS during the 2023 financial year.

## Contingent liabilities

Management apply their judgement to the fact patterns and advice they receive from their attorneys, advocates and other advisors in assessing whether an obligation is probable, more likely than not, or remote. This judgement application is used to determine whether the obligation is recognised as a liability or disclosed as a contingent liability. Refer to note 29.5.

## Provision for inventory shrinkage, obsolescence and markdowns

The provision for inventory obsolescence and markdowns represents management's judgement in relation to the extent to which merchandise on hand at the reporting date will be sold below cost. This estimate takes into consideration the nature of the product and/or product category, past trends (including historical sales volumes and prices of the product and/or similar products), evidence of impairment at year-end (including damaged goods and days on hand) and an assessment of future saleability (product seasonality, technological obsolescence and aesthetic obsolescence).

## Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the history, existing market conditions, as well as forward-looking estimates at the end of each reporting period. Key assumptions and inputs used are detailed in note 30.5, of which the most significant are as follows:

## Impairment of financial assets judgements

### Significant increases in credit risk (SICR)

In terms of IFRS 9: Financial Instruments, all loans and other receivables are assessed at each reporting date to determine whether there has been a SICR. In cases where a SICR has occurred, an impairment equal to the lifetime ECL is recognised. If, at reporting date, the credit risk has not significantly increased, the group recognises a 12-month ECL. The group identifies a SICR on customers or clients that are up to date on their loans and other receivables, but who have been subject to SICR events of which the most significant are detailed below:

Event trigger	Unsecured loans	Instalment sale agreements	Credit sales through store cards
Change in customer behaviour	Triggers includes: a customer entering into debt review or rescheduling an existing loan or a customer that is in arrears as defined below.	Application and behavioural scorecards are segmented into ratings. For each application rating, an appropriate notch deterioration in behavioural scorecard will result in an SICR. In the event that no application rating is available, the loan will be classified as an SICR.	Not deemed to be SICR event.
Customer defaulting on repayments	A customer's loan is in default when 90% of an instalment is not paid or the account is 30 days in arrears.	A customer is in default when their account is 30 days in arrears. All debt counselling accounts that are less than 90 days in arrears will be classified as SICRs.	A customer is in default when their account is 30 days in arrears.

#### Loan write-off point

Event trigger	Unsecured loans	Instalment sale agreements	Credit sales through store cards
Loan write-off policy	Six consecutive instalments in arrears and three consecutive instalments in arrears on rescheduled accounts.	Nine consecutive instalments in arrears with no qualifying payments made in the last 90 days.	Eight instalments in arrears with no payment in the previous three months.

## Impairment of financial assets estimates

### Forward-looking information

It is one of the fundamental principles of IFRS 9 that the ECL impairment provision that the group holds against potential future losses takes into account changes in the economic environment in the future.

In order to quantify the effects of changes to the economic environment, the group utilises the Bureau of Economic Research's (BER) macroeconomic outlook for the country over a planning horizon of five years. Three economic scenarios (negative, baseline and positive scenario) are taken into account when calculating future expected credit losses. The probability of each scenario is determined by management estimation.

The relevance of the group's loan and other receivables is proven by the following linear relationship between the change in the following basket of macroeconomic variables.

Event trigger	Unsecured loans	Instalment sale agreements	Credit sales through store cards
Macroeconomic variables	Forward-looking factors surrounding private sector credit extension, repo rate, private sector wages, unemployment, expenditure on GDP and the petrol price.	Forward-looking factors surrounding private sector wages, repo rate, gross domestic expenditure lagged four months, household debt to disposable income, petrol price index, and credit extension to households. In addition to this an overlay for the lagged effect of the increases in the interest rates, prices of energy (fuel, diesel, electricity, etc.) was incorporated, inflationary increases together with the detrimental effect of load shedding on the GDP of South Africa.	Forward-looking factors surrounding private sector wages, unemployment, expenditure on GDP and the change in private sector credit extended to households.

Management has assigned a probability of 50% (2022: 49%) to the baseline scenario, 15% (2022: 14%) to the negative scenario and 36% (2022: 37%) to the positive scenario for the 12-month forecast. The impact of incorporating forward-looking information into ECL for instalment sale agreements granted by the group is as follows:

	30 September 2023	30 September 2022
<b>Probability-weighted impact of all three scenarios for instalment sale agreements</b>		
100% negative scenario	<b>607</b>	544
% change in ECL (Rm)	<b>1.87%</b>	3.16%
100% baseline scenario	<b>596</b>	527
% change in ECL (Rm)	<b>0.00%</b>	0.00%
100% positive scenario	<b>587</b>	523
% change in ECL (Rm)	<b>(1.44%)</b>	(0.82%)

## Modelling assumptions

Historical data may not always be reflective of the future. The way in which it is used by statistical ECL models (probability of default (PD), exposure at default (EAD), loss given default (LGD)) to estimate the timing and amount of the forecasted cash flows based on historical default data, roll rates and recoveries, requires consideration of sub segments. These include aspects such as client risk groups, time on book, product term, payment frequency, default statuses, employment, industry and rescheduling status, and the behaviour score of the client.

## Segmental reporting

Management identified operating segments in line with internal reporting structures in accordance with IFRS 8: Operating Segments. Refer to note 1.

## Ongoing revenue

The group earns ongoing revenue on starter packs that have been sold in stores. The group earns this ongoing revenue on all future prepaid airtime loaded and/or spent on these prepaid starter packs by the subscriber, even if the subscriber does not top up through group companies in the future.

Ongoing revenue earned is variable in nature as the group's entitlement to these amounts is dependent on the future spending patterns of the prepaid customers, and therefore contingent on a future event occurring or not occurring. IFRS 15 requires an entity to estimate the amount of variable consideration it will be entitled to for the contracts it has entered into with its customers and include this in the transaction price at contract inception, to the extent the variable consideration is not constrained.

The group has concluded that the ongoing revenue is fully constrained at the individual contract level due to the high variability in behaviour of the individual customers, including:

- the period over which prepaid customers remain on the same SIM card (this can range from one day to a number of years); and
- the spending patterns of individual customers, which are also highly variable.

In addition, because the terms of the ongoing revenue structure with the telecommunication companies are regularly up for negotiation, the group is not able to predict the likelihood or magnitude of a revenue reversal. The group's policy is therefore only to recognise the variable consideration as revenue as and when it is received, because it is only at this point that it is highly probable that a significant reversal in revenue for that contract will not occur in the future.

## Share scheme

Various assumptions are applied in determining the valuations of share-based payment reserves and the number of share rights expected to vest at the end of the vesting period. Refer to note 27.

## Capital items (use of adjusted measures)

The measure listed below is presented as management believes it to be relevant to the understanding of the group's financial performance. The measure is used to provide additional useful information on underlying trends to shareholders. The measure is not defined under IFRS and may therefore not be comparable with similarly titled measures reported by other entities. It is not intended to be a substitute for, or superior to, measures as required by IFRS.

Capital items on the face of the statement of comprehensive income include all remeasurements excluded from the calculation of headline earnings per share (HEPS) in accordance with the guidance contained in SAICA Circular 1/2023: Headline Earnings. The principal items that will be included under this measure are: gains and losses on disposal and scrapping of property, plant and equipment, intangible assets and assets held for sale, impairments or reversal of impairments, and any non-trading items, such as gains and losses and the release of FCTR on disposal of investments, operations and subsidiaries. Refer to note 8.

# Notes to the consolidated annual financial statements

for the year ended 30 September 2023

## 1. SEGMENTAL ANALYSIS

### 1.1 Basis of segmental presentation

The segmental information has been prepared in accordance with 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 CODM to allocate resources to segments and to assess their performance. The executive members of the Pepkor Holdings Limited board of directors has been identified as the CODM.

#### Identification of segments

The composition of the previously reported segments, as per the annual consolidated financial statements for the year ended 30 September 2022, have been amended to reflect how the CODM reviews the segments during the current financial year. This is due to the change in executive members of the board of directors during the 2023 financial year and their strategic view of how the group's reportable segments operate. The operations of Tenacity, Abacus and Connect, which support the Clothing and general merchandise and Furniture, appliances and electronics segments through their credit facilities and insurance products to customers, have been reclassified to the FinTech segment due to the nature of these businesses supporting strategic growth in financial services and telecommunications. Due to the inseparability of the operations of Club Mais and Lojas Avenida operations, Club Mais remains part of the Clothing and general merchandise segment. The executive members of the board of directors identified and monitors 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 operations, 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.

	Clothing and general merchandise <sup>1,2,3</sup> Rm	Furniture, appliances and electronics Rm	Building materials Rm	FinTech <sup>1</sup> Rm	Total operations Rm	Discontinued operations Rm	Total from continuing operations Rm
<b>1. SEGMENTAL ANALYSIS (continued)</b>							
<b>1.2 Segmental analysis</b>							
<b>Year ended 30 September 2023</b>							
External revenue	58 663	10 541	8 448	9 998	87 650	(242)	87 408
Total revenue	58 663	10 541	8 448	11 896	89 548	(242)	89 306
Intersegmental revenue	–	–	–	(1 898)	(1 898)	–	(1 898)
<i>Significant expenses</i>							
Depreciation and amortisation	(3 845)	(464)	(294)	(77)	(4 680)	19	(4 661)
Personnel expenses (recognised in operating expenses)	(6 489)	(1 184)	(1 079)	(1 108)	(9 860)	22	(9 838)
Debtors' costs	(276)	–	(18)	(1 413)	(1 707)	–	(1 707)
Operating profit before capital items	7 613	531	468	915	9 527	(15)	9 512
<i>Reconciliation of operating profit</i>							
Operating profit per segmental analysis							9 512
Capital items (note 4) <sup>3</sup>							(6 828)
<i>Operating profit per income statement</i>							2 684
Share of net profit of associate (note 13)							7
Finance costs (note 5)							(3 095)
Finance income (note 5)							296
<i>Profit before taxation per income statement</i>							(108)
<b>Geographical split of revenue</b>	58 663	10 541	8 448	9 998	87 650	(242)	87 408
South Africa	47 370	9 847	8 134	9 800	75 151	–	75 151
Other foreign countries <sup>4</sup>	11 293	694	314	198	12 499	(242)	12 257
<b>Geographical split of sale of goods and related revenue (note 2.1.1)</b>	58 136	10 334	8 448	6 692	83 610	(242)	83 368
South Africa	47 370	9 648	8 134	6 596	71 748	–	71 748
Other foreign countries	10 766	686	314	96	11 862	(242)	11 620

	Clothing and general merchandise <sup>1,2,3</sup> Rm	Furniture, appliances and electronics Rm	Building materials Rm	FinTech <sup>1</sup> Rm	Total operations Rm	Discontinued operations Restated <sup>2</sup> Rm	Total from continuing operations Rm
<b>1. SEGMENTAL ANALYSIS (continued)</b>							
<b>1.2 Segmental analysis (continued)</b>							
<b>Year ended 30 September 2022<sup>5</sup></b>							
External revenue	52 815	10 616	8 458	9 507	81 396	(242)	81 154
Total revenue	52 815	10 616	8 458	11 329	83 218	(242)	82 976
Intersegmental revenue	–	–	–	(1 822)	(1 822)	–	(1 822)
<i>Significant expenses</i>							
Depreciation and amortisation	(3 458)	(447)	(284)	(104)	(4 293)	23	(4 270)
Personnel expenses (recognised in operating expenses)	(5 888)	(1 248)	(1 043)	(865)	(9 044)	25	(9 019)
Debtors' costs	(112)	–	(15)	(958)	(1 085)	–	(1 085)
Operating profit before capital items	8 028	549	462	855	9 894	14	9 908
<i>Reconciliation of operating profit</i>							
Operating profit per segmental analysis							9 908
Capital items (note 4)							169
Steinhoff global settlement net recovery (note 3.9)							439
<i>Operating profit per income statement</i>							
Share of net profit of associate (note 13)							4
Finance costs (note 5)							(2 461)
Finance income (note 5)							259
<i>Profit before taxation per income statement</i>							
							8 318
<b>Geographical split of revenue<sup>2</sup></b>							
South Africa	44 034	9 953	8 159	9 303	71 449	–	71 449
Other foreign countries <sup>4</sup>	8 781	663	299	204	9 947	(242)	9 705
<b>Geographical split of sale of goods and related revenue (note 2.1.1)<sup>2</sup></b>							
South Africa	44 091	9 749	8 159	6 573	68 572	–	68 572
Other foreign countries	8 598	653	299	111	9 661	(242)	9 419

<sup>1</sup> 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.

<sup>2</sup> 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 segment.

<sup>3</sup> Capital items of R6.8 billion includes the impairment of goodwill (R6.5 billion) and trade and brand names (R97 million) relating to the Clothing and general merchandise segment.

<sup>4</sup> Revenue from other foreign countries includes the Brazilian market revenue from Avenida of R3.8 billion (2022: R1.9 billion), which was acquired during the prior financial year. The Brazilian contribution to total revenue is not deemed to be material and is therefore not separately disclosed.

<sup>5</sup> 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 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 2022 financial year.



	Clothing and general merchandise <sup>1,2</sup>	Furniture, appliances and electronics	Building materials	FinTech <sup>1</sup>	Total operations	Discontinued operations Restated <sup>2</sup>	Total continuing operations
<b>1. SEGMENTAL ANALYSIS (continued)</b>							
<b>1.3 Restatement of segmental revenue and expenses for the year ended 30 September 2022</b>							
<b>Revenue</b>							
Previously reported	53 627	11 411	8 458	7 900	81 396	(242)	81 154
Reallocation of revenue from Clothing and general merchandise to the FinTech segment	(812)	–	–	812	–	–	–
Reallocation of revenue from Furniture, appliances and electronics to the FinTech segment	–	(795)	–	795	–	–	–
	52 815	10 616	8 458	9 507	81 396	(242)	81 154
<b>Significant expenses</b>							
<b>Depreciation and amortisation</b>							
Previously reported	(3 471)	(451)	(284)	(87)	(4 293)	23	(4 270)
Reallocation of depreciation and amortisation from Clothing and general merchandise to the FinTech segment	13	–	–	(13)	–	–	–
Reallocation of depreciation and amortisation from Furniture, appliances and electronics to the FinTech segment	–	4	–	(4)	–	–	–
	(3 458)	(447)	(284)	(104)	(4 293)	23	(4 270)
<b>Personnel expenses (recognised in operating expenses)</b>							
Previously reported	(6 017)	(1 357)	(1 043)	(627)	(9 044)	25	(9 019)
Reallocation of personnel expenses from Clothing and general merchandise to the FinTech segment	129	–	–	(129)	–	–	–
Reallocation of personnel expenses from Furniture, appliances and electronics to the FinTech segment	–	109	–	(109)	–	–	–
	(5 888)	(1 248)	(1 043)	(865)	(9 044)	25	(9 019)
<b>Debtors' costs</b>							
Previously reported	(537)	(195)	(15)	(338)	(1 085)	–	(1 085)
Reallocation of debtors costs from Clothing and general merchandise to the FinTech segment	425	–	–	(425)	–	–	–
Reallocation of debtors costs from Furniture, appliances and electronics to the FinTech segment	–	195	–	(195)	–	–	–
	(112)	–	(15)	(958)	(1 085)	–	(1 085)
<b>Operating profit before capital items and Steinhoff global settlement net recovery</b>							
Previously reported	8 107	601	462	724	9 894	14	9 908
Reallocation of operating profit from Clothing and general merchandise to the FinTech segment	(79)	–	–	79	–	–	–
Reallocation of operating profit from Furniture, appliances and electronics to the FinTech segment	–	(52)	–	52	–	–	–
	8 028	549	462	855	9 894	14	9 908

<sup>1</sup> 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.

<sup>2</sup> 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 segment.

	Year ended 30 September 2023 Rm	Year ended 30 September 2022 Restated <sup>1</sup> Rm
<b>1. SEGMENTAL ANALYSIS (continued)</b>		
<b>1.4 Segmental assets</b>	<b>103 767</b>	108 461
<b>1.4.1 Reconciliation between total assets and segmental assets</b>		
Total assets per statement of financial position	<b>108 740</b>	113 567
Less: Cash and cash equivalents	<b>(4 879)</b>	(4 947)
Less: Long-term investments and loans	<b>(46)</b>	(49)
Less: Short-term investments and loans	<b>(48)</b>	(110)
<b>Segmental assets</b>	<b>103 767</b>	108 461
<b>1.5 Geographical split of non-current assets</b>		
South Africa	<b>66 118</b>	72 179
Other foreign countries	<b>6 116</b>	5 471
<b>Non-current assets</b>	<b>72 234</b>	77 650
Non-current assets consist of goodwill, intangible assets, property, plant and equipment and right-of-use assets.		
<b>2. REVENUE</b>		
<b>Revenue from contracts with customers</b>		
<b>Retail revenue</b>	<b>84 236</b>	78 673
Sale of goods and related revenue (note 2.1.1) <sup>1</sup>	<b>83 368</b>	77 991
Service fee income	<b>662</b>	469
Other revenue	<b>206</b>	213
<b>Other sources of revenue</b>		
<b>Financial services revenue (note 2.1.2)</b>	<b>2 801</b>	2 150
<b>Insurance revenue (note 2.1.3)</b>	<b>371</b>	331
	<b>87 408</b>	81 154

<sup>1</sup> Prior year comparatives have been restated for the effect of the discontinued operation as detailed in note 7.

	Year ended 30 September 2023 Rm	Year ended 30 September 2022 Restated <sup>1</sup> Rm
<b>2. REVENUE (continued)</b>		
<b>2.1 Disaggregation of revenue from contracts</b>		
<b>2.1.1 Sale of goods and related revenue</b>		
Sale of goods and related revenue excluding ongoing revenue <sup>1</sup>	<b>81 483</b>	76 088
Ongoing revenue <sup>2</sup>	<b>1 885</b>	1 903
	<b>83 368</b>	77 991
<b>2.1.2 Financial services revenue</b>		
Finance income earned	<b>2 424</b>	1 812
Loan origination fees	<b>377</b>	338
	<b>2 801</b>	2 150
<b>2.1.3 Insurance revenue</b>		
Gross premiums written	<b>371</b>	333
Change in provision for unearned premium	<b>-</b>	(2)
	<b>371</b>	331

<sup>1</sup> Prior year comparatives have been restated for the effect of the discontinued operation as detailed in note 7.

<sup>2</sup> Ongoing revenue has been separately disclosed in order to provide more useful information to users of the financial statements. Refer to the accounting policies for the nature of ongoing revenue.

	Year ended 30 September 2023 Rm	Year ended 30 September 2022 Restated <sup>1</sup> Rm
<b>3. OPERATING PROFIT</b>		
Cost of sales includes the following items:		
<b>3.1 Cost of sales</b>		
Cost of merchandise written off – KwaZulu-Natal floods	–	318
Insurance claim recovery – social unrest	–	(173)
Insurance claim recovery – KwaZulu-Natal floods	<b>(74)</b>	(291)
	<b>(74)</b>	(146)
Operating profit includes the following items:		
<b>3.2 Depreciation and amortisation</b>		
Amortisation (note 10)	<b>206</b>	218
Depreciation (note 11)	<b>1 377</b>	1 249
Right-of-use assets depreciation (note 12)	<b>3 078</b>	2 803
	<b>4 661</b>	4 270
<b>3.3 Personnel expenses</b>		
Post-employment benefit contributions to defined benefit plans	<b>253</b>	227
Salaries and wages	<b>9 364</b>	8 532
Share-based payments – equity-settled	<b>221</b>	260
	<b>9 838</b>	9 019
<b>3.4 Lease related expenses</b>		
Short-term lease expense	<b>403</b>	346
Low value asset lease expense	<b>12</b>	13
Variable lease payments not included in the measurement of lease liabilities	<b>914</b>	553
Turnover rentals	<b>10</b>	16
	<b>1 339</b>	928
<b>3.5 Auditor's remuneration</b>		
Audit fees	<b>50</b>	45
Fees for other services	<b>7</b>	4
	<b>57</b>	49
<b>3.6 Debtors' costs</b>		
Debtor/loan balances written off	<b>1 521</b>	1 162
Debtor/loan balances increase in ECLs	<b>475</b>	95
Debtor/loan balances recovered	<b>(289)</b>	(172)
	<b>1 707</b>	1 085
<b>3.7 Advertising and marketing</b>		
Advertising and marketing	<b>1 052</b>	1 036
<b>3.8 Foreign exchange losses</b>		
Foreign exchange losses	<b>327</b>	144

<sup>1</sup> Prior year comparatives have been restated for the effect of the discontinued operation as detailed in note 7.

	Year ended 30 September 2023 Rm	Year ended 30 September 2022 Restated <sup>1</sup> Rm
<b>3. OPERATING PROFIT (continued)</b>		
<b>3.9 Steinhoff global settlement net recovery<sup>2</sup></b>		
BVI impairment provision reversal	-	529
Employee loans impairment provision reversal	-	90
Settlement expense of litigation disputes	-	(180)
	-	439
Steinhoff global settlement net recovery cash flow reconciliation		
BVI impairment provision reversal		
Cash generated from operations – adjusted for non-cash adjustments	-	(529)
Cash flows from investing activities – proceeds from settlement of BVI loan	-	609
BVI impairment provision reversal	-	529
Receivable balance not previously provided for	-	80
Employee loans impairment provision reversal		
Cash generated from operations – adjusted for non-cash adjustments	-	(90)
Cash flows from investing activities – decrease in investments and loans	-	90
Settlement expense of litigation disputes		
Cash generated from operations – operating profit	-	(200)
Cash generated from operations – adjusted for non-cash adjustment	-	20
Other income includes the following items:		
<b>3.10 Other income</b>		
Commission received	<b>487</b>	538
Marketing and advertising income	<b>123</b>	126
Dividend income	<b>73</b>	72
Employee taxation incentives	<b>33</b>	70
Cancelled lay-bys	<b>13</b>	22
Other income	<b>221</b>	110
	<b>950</b>	938
Insurance claim recovery – social unrest	-	405
Insurance claim recovery – KwaZulu-Natal floods	<b>275</b>	105
	<b>1 225</b>	1 448

<sup>1</sup> Prior year comparatives have been restated for the effect of the discontinued operation as detailed in note 7.

<sup>2</sup> Relates to the Steinhoff global settlement which was concluded in 2022.

	Year ended 30 September 2023		Year ended 30 September 2022 Restated <sup>1</sup>	
	Gross of taxation and non-controlling interests Rm	Net of taxation and non-controlling interests Rm	Gross of taxation and non-controlling interests Rm	Net of taxation and non-controlling interests Rm
<b>4. CAPITAL ITEMS</b>				
The effect of capital items should be excluded from earnings when determining headline earnings. Refer to note 8.				
Items of a capital nature are included in the 'capital items' line in the income statement. These items are:				
<b>From continuing operations:</b>				
<b>4.1 Impairment/(impairment reversal)</b>	<b>6 810</b>	<b>6 733</b>	107	77
Goodwill (note 9)	<b>6 516</b>	<b>6 516</b>	–	–
Intangible assets (note 10)	<b>101</b>	<b>75</b>	5	3
Property, plant and equipment (note 11)	<b>(21)</b>	<b>(22)</b>	5	5
Right-of-use assets (note 12)	<b>214</b>	<b>164</b>	97	69
<b>4.2 Loss on disposal of property, plant and equipment and intangible assets</b>	<b>66</b>	<b>62</b>	57	55
<b>4.3 Scrapping of property, plant and equipment – floods (note 11)</b>	<b>–</b>	<b>–</b>	14	14
<b>4.4 Insurance claim received of property, plant and equipment – social unrest and floods</b>	<b>(45)</b>	<b>(33)</b>	(297)	(217)
<b>4.5 Foreign currency translation reserve released to profit or loss on liquidation of foreign subsidiary</b>	<b>(3)</b>	<b>(3)</b>	(50)	(50)
	<b>6 828</b>	<b>6 759</b>	(169)	(121)
<b>From discontinued operations:</b>				
<b>4.6 Foreign currency translation reserve released to profit or loss on sale of foreign subsidiary (note 7.2)</b>	<b>32</b>	<b>32</b>	–	–
<b>4.7 Profit on sale of subsidiaries (note 7.2)</b>	<b>(29)</b>	<b>(16)</b>	–	–
<b>4.8 (Impairment reversal)/impairment</b>				
Property, plant and equipment (note 11)	<b>(2)</b>	<b>(2)</b>	–	–
Right-of-use assets (note 12)	<b>(3)</b>	<b>(2)</b>	21	15
<b>4.9 Loss on disposal of property, plant and equipment and intangible assets</b>	<b>4</b>	<b>3</b>	2	1
	<b>2</b>	<b>15</b>	23	16
Capital items from continuing operations	<b>6 828</b>	<b>6 759</b>	(169)	(121)
Capital items from discontinued operations	<b>2</b>	<b>15</b>	23	16
<b>Total capital items</b>	<b>6 830</b>	<b>6 774</b>	(146)	(105)

<sup>1</sup> Prior year comparatives have been restated for the effect of the discontinued operation as detailed in note 7



	Expense Rm	Income Rm	Net expense/ (income) Rm
<b>5. FINANCE COSTS AND FINANCE INCOME</b>			
<b>5.1 Year ended 30 September 2023</b>			
Interest			
Banks	276	(226)	50
Loans	1 123	–	1 123
Discounting of payables/(receivables)	221	(44)	177
Lease liability finance cost (note 23)	1 433	–	1 433
Put option liability	100	–	100
Other	29	(26)	3
	<b>3 182</b>	<b>(296)</b>	<b>2 886</b>
Interest capitalised to property, plant and equipment (note 5.3)	(87)	–	(87)
	<b>3 095</b>	<b>(296)</b>	<b>2 799</b>

**Year ended 30 September 2022<sup>1</sup>**

Interest			
Banks	169	(189)	(20)
Loans	755	–	755
Discounting of payables/(receivables)	124	(24)	100
Lease liability finance cost (note 23)	1 376	–	1 376
Put option liability	52	–	52
Other	29	(46)	(17)
	2 505	(259)	2 246
Interest capitalised to property, plant and equipment (note 5.3)	(44)	–	(44)
	2 461	(259)	2 202

**5.2 Finance costs and finance income cash flow reconciliation****Year ended 30 September 2023**

Finance costs and finance income recognised in profit or loss	3 095	(296)	2 799
Amortisation of debt raising fees	(4)	–	(4)
Discounting of trade (payables)/receivables	(221)	44	(177)
Put option liability recognised at amortised cost	(100)	–	(100)
Interest capitalised to property, plant and equipment	87	–	87
Finance costs and income from discontinued operations (note 7.1)	9	–	9
Cash outflow/(inflow) per the consolidated statement of cash flows	<b>2 866</b>	<b>(252)</b>	<b>2 614</b>

**Year ended 30 September 2022<sup>1</sup>**

Finance costs and finance income recognised in profit or loss	2 461	(259)	2 202
Amortisation of debt raising fees	(15)	–	(15)
Discounting of trade (payables)/receivables	(124)	24	(100)
Put option liability recognised at amortised cost	(52)	–	(52)
Interest capitalised to property, plant and equipment	44	–	44
Finance costs and income from discontinued operations (note 7.1)	7	(3)	4
Cash outflow/(inflow) per the consolidated statement of cash flows	2 321	(238)	2 083

**5.3 Interest capitalised to property, plant and equipment**

Borrowing costs relate to the construction of a distribution centre by the group. The group used existing borrowings and cash on hand to fund the construction and therefore a weighted average interest rate of 9.2% (2022: 6.4%) was used to calculate the borrowing costs capitalised.

<sup>1</sup> Prior year comparatives have been restated for the effect of the discontinued operation as detailed in note 7.

	Year ended 30 September 2023 Rm	Year ended 30 September 2022 Restated <sup>1</sup> Rm
<b>6. TAXATION</b>		
<b>6.1 Taxation charge</b>		
Normal taxation		
South African normal taxation – current year	793	1 990
South African normal taxation – prior year adjustment	(103)	71
South African normal taxation – capital gains taxation	–	1
Foreign normal taxation – current year	205	124
Foreign normal taxation – prior year adjustment	(44)	75
Withholding taxation – South African	53	54
	<b>904</b>	2 315
Deferred taxation		
South African deferred taxation – current year	550	(9)
South African deferred taxation – change in corporate taxation rate	–	(54)
South African deferred taxation – prior year adjustment	(293)	(90)
Foreign deferred taxation – current year	19	16
Foreign deferred taxation – prior year adjustment	(13)	(10)
Foreign deferred taxation – rate change adjustment	5	–
	<b>268</b>	(147)
<b>Total taxation from continuing operations</b>	<b>1 172</b>	2 168
Normal taxation		
South African normal taxation – current year	13	–
Foreign normal taxation – current year	1	–
<b>Total taxation from discontinued operations</b>	<b>14</b>	–
<b>Taxation expense recognised in profit and loss</b>	<b>1 186</b>	2 168
For detail on deferred taxation (liabilities)/assets refer to note 15.		
	%	%
<b>6.2 Reconciliation of rate of taxation<sup>2</sup></b>		
South African standard rate of taxation	27.0	28.0
Foreign taxation rate differential	(30.5)	(0.2)
Irrecoverable foreign taxes	(51.3)	0.6
Unrecognised taxation losses net of prior year unrecognised taxation losses utilised	17.0	(1.0)
Prior year adjustments <sup>3</sup>	444.5	0.8
Tax-exempt income <sup>4</sup>	82.4	(3.1)
Non-deductible expenses <sup>5</sup>	(90.6)	2.8
Non-deductible expenses relating to the impairment of goodwill	(1 697.9)	–
Change in South African corporate taxation rate to 27%	–	(0.7)
Change in foreign corporate taxation rates	2.3	–
Special allowances	56.8	(0.4)
Foreign currency translation reserve release through profit and loss	(28.4)	(0.1)
Previously unrecognised deferred taxation assets on timing differences <sup>6</sup>	117.6	–
Other	6.9	(0.5)
Effective rate of taxation	<b>(1 144.2)</b>	26.2

	Year ended 30 September 2023 Rm	Year ended 30 September 2022 Restated <sup>1</sup> Rm
<b>6. TAXATION (continued)</b>		
<b>6.3 Taxation paid cash flow reconciliation</b>		
Opening balance of current taxation payable and receivable	<b>2 011</b>	1 742
Opening balance of withholding taxation included in trade and other payables	<b>35</b>	49
Normal taxation charge for the year	<b>918</b>	2 315
Acquisition of subsidiary	<b>–</b>	(5)
Disposal of subsidiary	<b>(1)</b>	–
Exchange differences on consolidation of foreign subsidiaries	<b>(1)</b>	(50)
Closing balance of current taxation payable and receivable	<b>(409)</b>	(2 011)
Closing balance of withholding taxation included in trade and other payables	<b>(16)</b>	(35)
<b>Taxation paid</b>	<b>2 537</b>	2 005

<sup>1</sup> Prior year comparatives have been restated for the effect of the discontinued operation as detailed in note 7.

<sup>2</sup> The reconciliation of rate of taxation items are impacted by the goodwill impairment which has a nil taxation impact.

<sup>3</sup> Prior year adjustments include the settlement of the previously reported SARS tax dispute, resulting in a net reversal of a provision raised for uncertain taxation positions in terms of IFRIC 23.

<sup>4</sup> Tax-exempt income mainly relates to income of a capital nature and exempt tax incentives received.

<sup>5</sup> Non-deductible expenses mainly relates expenses of a capital nature, expenses not incurred in the production of income and depreciation on leasehold improvements.

<sup>6</sup> Deferred taxation assets recognised related to the JD Group business.

## 7. DISCONTINUED OPERATIONS

### Description

The board decided to exit the group's Nigerian business. 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.

	Year ended 30 September 2023 Rm	Year ended 30 September 2022 Rm
<b>Sale of business</b>		
<b>7.1 Income statement</b>		
<b>Revenue</b>	<b>242</b>	242
Retail revenue	<b>242</b>	242
<b>Cost of sales</b>	<b>(109)</b>	(112)
Cost of merchandise sold	<b>(109)</b>	(112)
<b>Gross profit</b>	<b>133</b>	130
Operating expenses	<b>(99)</b>	(121)
<b>Operating profit/(loss) before depreciation, amortisation and capital items</b>	<b>34</b>	9
Depreciation and amortisation	<b>(19)</b>	(23)
<b>Operating profit/(loss) before capital items</b>	<b>15</b>	(14)
Capital items	<b>1</b>	(23)
<b>Operating profit/(loss)</b>	<b>16</b>	(37)
Finance costs	<b>(9)</b>	(7)
Finance income	<b>-</b>	3
<b>Profit/(loss) before taxation</b>	<b>7</b>	(41)
Taxation	<b>(1)</b>	-
<b>Profit/(loss) for the year</b>	<b>6</b>	(41)
<b>7.2 Details of the sale of the Nigerian business</b>		
Consideration receivable	<b>33</b>	-
Carrying amount of net assets sold	<b>(4)</b>	-
Profit on sale before taxation and reclassification of foreign currency translation reserve	<b>29</b>	-
Reclassification of foreign currency translation reserve	<b>(32)</b>	-
<b>Loss on sale before taxation</b>	<b>(3)</b>	-
Taxation	<b>(13)</b>	-
<b>Loss on sale after taxation</b>	<b>(16)</b>	-
Total loss for the year from discontinued operations (note 7.1 and note 7.2)	<b>(10)</b>	(41)

	Year ended 30 September 2023 Rm	Year ended 30 September 2022 Rm
<b>7. DISCONTINUED OPERATIONS (continued)</b>		
<b>7.3 Summary of assets and associated liabilities disposed</b>		
Property, plant and equipment	6	–
Right-of-use assets	24	–
Inventories	31	–
Trade and other receivables	1	–
Cash and cash equivalents	45	–
<b>Total assets</b>	<b>107</b>	<b>–</b>
Lease liabilities	44	–
Trade and other payables	57	–
Employee benefits	1	–
Current income taxation liabilities	1	–
<b>Total liabilities</b>	<b>103</b>	<b>–</b>
<b>Carrying amount of net assets sold</b>	<b>4</b>	<b>–</b>
<b>7.4 Statement of cash flows</b>		
Net cash inflow/(outflow) from operating activities	77	(29)
Net cash outflow from investing activities	(1)	(6)
Net cash outflow from financing activities	(41)	(61)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>35</b>	<b>(96)</b>
Effects of exchange rate translations on cash and cash equivalents	(39)	13
Cash and cash equivalents at beginning of the year	49	132
<b>Cash and cash equivalents at end of the year</b>	<b>45</b>	<b>49</b>

	Year ended 30 September 2023			Year ended 30 September 2022		
	Continuing Cents	Discontinued Cents	Total Cents	Continuing Cents	Discontinued Restated <sup>1</sup> Cents	Total Cents
<b>8. EARNINGS AND HEADLINE EARNINGS PER SHARE</b>						
Earnings and headline earnings per share are calculated in note 8.1 to 8.2 below:						
The calculation of per share numbers uses the exact unrounded numbers, which may result in differences when compared to calculating the numbers using the rounded number of shares and earnings as disclosed below.						
<b>Earnings per share (cents)</b>						
Basic	(35.1)	(0.3)	(35.4)	166.6	(1.1)	165.5
Headline	149.1	0.1	149.2	163.3	(0.7)	162.6
Diluted basic	(34.6)	(0.3)	(34.9)	164.1	(1.1)	163.0
Diluted headline	147.3	0.1	147.4	160.9	(0.7)	160.2
	Rm	Rm	Rm	Rm	Rm	Rm
<b>8.1 Earnings and headline earnings attributable to equity holders of the parent</b>						
(Loss)/profit for the year	(1 280)	(10)	(1 290)	6 150	(41)	6 109
Attributable to non-controlling interests	(8)	–	(8)	5	–	5
<b>Earnings attributable to ordinary shareholders</b>	(1 288)	(10)	(1 298)	6 155	(41)	6 114
Capital items (note 4)	6 828	2	6 830	(169)	23	(146)
Taxation effect of capital items (note 4)	(69)	13	(56)	48	(7)	41
<b>Headline earnings</b>	<b>5 471</b>	<b>5</b>	<b>5 476</b>	<b>6 034</b>	<b>(25)</b>	<b>6 009</b>

Headline earnings is an additional earnings number that is permitted by IAS 33. The starting point is earnings as determined in IAS 33, excluding separately identifiable remeasurements, net of related taxation (both current and deferred) and related non-controlling interests other than remeasurements specifically included in headline earnings. This number is required to be reported by the JSE and is defined by Circular 1/2023: Headline Earnings.

<sup>1</sup> Prior year comparatives have been restated for the effect of the discontinued operation as detailed in note 7.



	Year ended 30 September 2023 Million	Year ended 30 September 2022 Million
<b>8.2 Weighted average number of ordinary shares</b>		
Issued ordinary shares at beginning of the year (note 20)	<b>3 678</b>	3 697
Treasury shares (note 20) <sup>1</sup>	<b>(1)</b>	–
Shares vested under Pepkor Executive Share Rights Scheme	<b>9</b>	7
Shares issued as properties purchase consideration <sup>1</sup>	<b>–</b>	–
Share buy-back and cancellation of shares	<b>(17)</b>	(8)
Weighted average number of ordinary shares at end of the year for the purpose of basic earnings per share and headline earnings per share	<b>3 669</b>	3 696
Effect of dilution due to share rights issues in terms of share scheme (note 27) <sup>2</sup>	<b>46</b>	55
<b>Weighted average number of ordinary shares at end of the year for the purpose of diluted earnings per share and diluted headline earnings per share</b>	<b>3 715</b>	3 751

	Year ended 30 September 2023			Year ended 30 September 2022		
	Continuing Cents	Discontinued Cents	Total Cents	Continuing Cents	Discontinued Cents	Total Cents
<b>8.3 Net asset value per share</b>						
Net asset value per ordinary share is calculated by dividing the ordinary shareholders' equity by the number of ordinary shares in issue at year-end.						
Net asset value per share	<b>1 604.9</b>	–	<b>1 604.9</b>	1 706.5	–	1 706.5

<sup>1</sup> Less than 500 000 shares in the 2022 financial year.

<sup>2</sup> Share rights issued to employees have been taken into account for diluted earnings and diluted headline earnings per share purposes.

	2023 Rm	2022 Rm
<b>9. GOODWILL</b>		
Carrying amount at beginning of the year	<b>39 204</b>	37 280
Arising on business combinations	–	1 694
Impairments (note 4)	<b>(6 516)</b>	–
Exchange differences on consolidation of foreign subsidiaries	<b>249</b>	230
<b>Carrying amount at end of the year</b>	<b>32 937</b>	39 204
Cost	<b>44 837</b>	44 588
Accumulated impairment	<b>(11 900)</b>	(5 384)
<b>Carrying amount at end of the year</b>	<b>32 937</b>	39 204

When the group acquires a business that qualifies as a business combination in respect of IFRS 3: Business Combinations, the group determines the fair value of assets acquired, including identifiable intangible assets, and the liabilities assumed. Any excess of the aggregate of the consideration transferred, non-controlling interest in the acquiree and for a business combination achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, over the fair value of those net assets, is considered to be goodwill. The goodwill acquired in a business combination is allocated, at acquisition, to the group of CGUs that is expected to benefit from that business. Goodwill is assessed for impairment annually, irrespective of whether there is any indication of impairment.

#### Review of impairment

The impairment test compares the carrying amount of the CGU, including goodwill to the higher of the value-in-use, or fair value less cost to sell of the unit. The recoverable amount of the group of CGUs is determined from the fair value less cost to sell calculation (fair value hierarchy level 3), using a discounted cash flow model. The key assumptions for the fair value less cost to sell calculation are those regarding the discount rates, growth rates, expected changes to the revenue growth during the forecast period and working capital requirements. The discount rates are based on the weighted average cost of capital, except for the FinTech CGU where cost of equity has been used, while growth rates are based on management's experience and expectations. Assumptions are based on past practices and expectations of future changes in the market, and are derived from the most recent financial budgets and forecasts that have been prepared by management for the next three years and extrapolated cash flows for the following years based on an estimated growth rate as set out below. (2022: Management has further assessed the impact of the wide-scale flooding in KwaZulu-Natal during 2022 on future cash flows and is comfortable that the impact is not significant and does not lead to an impairment of goodwill).

Management assessed the various CGUs for impairment based on the input factors above. Tekkie Town was impacted by ongoing loadshedding and weak projected macroeconomic activity placing further pressure on customer disposable income and impacting the demand of products resulting in a lower recoverable amount for Tekkie Town's group of CGUs. The current macro market environment, which has resulted in an increase in the discount rates (from 14.4% in 2022 to 15.7% in 2023) has impacted the result of the Clothing and general merchandise group of CGUs negatively. This resulted in lower recoverable amounts for this group of CGUs. See the sensitivity analysis below for further possible exposure of the recoverable amount. (2022: Management assessed the various CGUs for impairment based on the input factors above and found it to be reasonable to not impair any goodwill. None of the group of CGUs were identified as being sensitive to further impairments in the current year).

An impairment charge has been recognised for both goodwill and indefinite useful life intangible assets when the carrying amount exceeds the recoverable amount. The recoverable amount of the group of CGUs reflected the fair value less cost to sell. During the year, an impairment charge of R5.9 billion was processed to impair the goodwill relating to Ackermans, Dunns, PEP, PEP Africa, Refinery, Shoe City group of CGUs and R606 million was processed to impair the goodwill relating to Tekkie Town's group of CGUs. (2022: During the year, no impairment was recognised).

## 9. GOODWILL (continued)

### Impairment tests for CGUs containing goodwill

Goodwill is monitored by management at the following group of CGUs, not greater than the four operating segments identified in note 1:

	Cost Rm	Accumulated impairment Rm	Carrying value Rm
<b>2023</b>			
<b>Clothing and general merchandise</b>			
Ackermans, Dunns, PEP, PEP Africa, Refinery, Shoe City	39 320	(8 929)	30 391
Tekkie Town	2 251	(2 251)	–
S.P.C.C, CODE	24	–	24
Avenida	2 173	–	2 173
<b>Furniture, appliances and electronics</b>			
Bradlows, Rochester, Russells, Sleepmasters	12	–	12
<b>Building materials</b>			
BUCO, Hardware Warehouse, Timbercity	593	(593)	–
BSG	79	(79)	–
<b>FinTech</b>			
Capfin	282	–	282
EeziGlobal	48	(48)	–
Abacus	55	–	55
	<b>44 837</b>	<b>(11 900)</b>	<b>32 937</b>
<b>2022</b>			
<b>Clothing and general merchandise</b>			
Ackermans, Dunns, PEP, PEP Africa, Refinery, Shoe City	39 320	(3 019)	36 301
Tekkie Town	2 251	(1 645)	606
S.P.C.C, CODE	24	–	24
Avenida	1 924	–	1 924
<b>Furniture, appliances and electronics</b>			
Bradlows, Rochester, Russells, Sleepmasters	12	–	12
<b>Building materials</b>			
BUCO, Hardware Warehouse, Timbercity	593	(593)	–
BSG	79	(79)	–
<b>FinTech</b>			
Capfin <sup>1</sup>	282	–	282
EeziGlobal	48	(48)	–
Abacus <sup>2</sup>	55	–	55
	<b>44 588</b>	<b>(5 384)</b>	<b>39 204</b>

<sup>1</sup> The Capfin CGU was renamed from "Call centre and debt collector" to provide more consistency and understandability to users of the financial statements.

<sup>2</sup> The Abacus CGU was reallocated from Furniture, appliances and electronics to the FinTech group of CGUs due to the change in segments as detailed in note 1.

## 9. GOODWILL (continued)

The following table sets out the key assumptions for the group of CGUs that have significant goodwill or trade and brand names (refer to note 10) allocated to them:

	Clothing and general merchandise (excluding Tekkie Town and Avenida)	Tekkie Town	Avenida	Furniture and appliances	Electronics	FinTech
<b>2023</b>						
Post-taxation discount rate	15.7%	15.7%	15.4%	18.0%	17.4%	19.6%
Short- to medium-term revenue (compound annual growth rate)	10.0%	5.0%	26.8%	4.9%	7.4%	10.0%
Long-term growth rate	6.0%	4.8%	6.0%	4.0%	6.0%	4.5%
Forecasted cash flows	5 years	5 years	10 years <sup>3</sup>	5 years	5 years	5 years
<b>2022</b>						
Post-taxation discount rate	14.4%	15.1%	14.5%	16.8%	16.3%	17.4%
Short- to medium-term revenue (compound annual growth rate)	10.3%	11.4%	26.2%	6.2%	5.0%	11.8%
Long-term growth rate	6.0%	4.8%	6.0%	5.0%	4.6%	4.5%
Forecasted cash flows	5 years	5 years	10 years <sup>3</sup>	5 years	5 years	5 years

Management have determined the values assigned to each of the above key assumptions as follows:

Post-tax discount rate	Reflect specific risks relating to the relevant segments and the countries in which they operate.
Revenue	Average annual growth rate over the budgeted period; based on current industry trends and including long-term inflation forecasts for each group of CGUs.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the five-year period. The rates are consistent with forecasts included in industry reports.
Cash flow assumptions	Management base future cash flow assumptions on historical performance and approved budgets.

### Sensitivity analysis

Refer below for the recoverable amounts:

	2023 Rm
<b>Clothing and general merchandise</b>	
Ackermans, Dunns, PEP, PEP Africa, Refinery, Shoe City	47 090
Tekkie Town	1 557

The Ackermans, Dunns, PEP, PEP Africa, Refinery, Shoe City group of CGUs and the Tekkie Town CGU were not sensitive to reasonable fluctuations in key assumptions in the prior year and the recoverable amount is therefore not disclosed.

<sup>3</sup> Forecasted cash flows of 10 years was used relating to the calculation of the fair value less cost to sell of the Avenida CGU as the group is of the opinion that the synergies and expansion plans for this recent acquisition will only start maturing after five years.

## 9. GOODWILL (continued)

The recoverable amount of the Ackermans, Dunns, PEP, PEP Africa, Refinery, Shoe City group of CGUs would increase/decrease if the following key assumptions were to change:

	From	To	Recoverable amount
<b>2023</b>			
Recoverable amount decrease if the following key assumptions below were to change:			
Post-tax discount rate	15.7%	16.1%	44 941
Short- to medium-term revenue (compound annual growth rate)	10.0%	9.5%	45 947
Long-term growth rate	6.0%	5.5%	44 584
Recoverable amount increase if the following key assumptions below were to change:			
Post-tax discount rate	15.7%	15.2%	50 040
Short- to medium-term revenue (compound annual growth rate)	10.0%	10.5%	48 246
Long-term growth rate	6.0%	6.5%	49 809

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause a further impairment relating to the CGUs mentioned above.

The recoverable amount of the Tekkie Town CGU would increase/decrease if the following key assumptions were to change:

	From	To	Recoverable amount
<b>2023</b>			
Recoverable amount decrease if the following key assumptions below were to change:			
Post-tax discount rate	15.7%	16.9%	1 434
Long-term growth rate	4.8%	4.3%	1 519
Recoverable amount increase if the following key assumptions below were to change:			
Post-tax discount rate	15.7%	14.4%	1 725
Long-term growth rate	4.8%	5.3%	1 599

The recoverable amount of the Tekkie Town CGU was not sensitive to the short- to medium- term revenue (compound annual growth rate) of 5.0% in the current year. An increase and decrease in this growth rate of 0.2% results in an increase and decrease of R14 million to the recoverable amount of the Tekkie Town CGU.

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause a further impairment relating to the CGUs mentioned above.

	Trade and brand names <sup>1</sup> Rm	Computer software and ERP systems Rm	Customer lists Rm	Work in progress and ERP systems Rm	Other Rm	Total Rm
<b>10. INTANGIBLE ASSETS</b>						
<b>Balance at 30 September 2021</b>	17 572	301	11	189	17	18 090
Additions	–	219	–	50	–	269
Acquisition of business	655	35	36	–	19	745
Amortisation (note 3.2)	(1)	(196)	(2)	–	(19)	(218)
Disposals	–	(7)	–	–	–	(7)
Impairment (note 4)	(3)	(2)	–	–	–	(5)
Reclassification from work-in-progress assets	–	107	–	(107)	–	–
Transfer from property, plant and equipment (note 11)	–	14	–	–	–	14
Exchange differences on consolidation of foreign subsidiaries	89	19	5	–	3	116
<b>Balance at 30 September 2022</b>	<b>18 312</b>	<b>490</b>	<b>50</b>	<b>132</b>	<b>20</b>	<b>19 004</b>
Additions	–	213	–	63	–	276
Amortisation (note 3.2)	(1)	(200)	(3)	–	(2)	(206)
Disposals	–	(4)	–	–	–	(4)
Impairment (note 4)	(97)	(4)	–	–	–	(101)
Reclassification from work-in-progress assets	–	60	–	(60)	–	–
Transfers (to)/from property, plant and equipment (note 11)	–	31	–	–	–	31
Exchange differences on consolidation of foreign subsidiaries	95	1	5	–	3	104
<b>Balance at 30 September 2023</b>	<b>18 309</b>	<b>587</b>	<b>52</b>	<b>135</b>	<b>21</b>	<b>19 104</b>
Cost	18 972	1 862	77	132	41	21 084
Amortisation and impairment	(660)	(1 372)	(27)	–	(21)	(2 080)
<b>Net book value at 30 September 2022</b>	<b>18 312</b>	<b>490</b>	<b>50</b>	<b>132</b>	<b>20</b>	<b>19 004</b>
Cost	<b>19 069</b>	<b>2 120</b>	<b>82</b>	<b>135</b>	<b>44</b>	<b>21 450</b>
Amortisation and impairment	<b>(760)</b>	<b>(1 533)</b>	<b>(30)</b>	<b>–</b>	<b>(23)</b>	<b>(2 346)</b>
<b>Net book value at 30 September 2023</b>	<b>18 309</b>	<b>587</b>	<b>52</b>	<b>135</b>	<b>21</b>	<b>19 104</b>
<b>Classification of intangible assets</b>						
<b>2023</b>						
Indefinite useful life assets	<b>18 295</b>	–	–	–	–	<b>18 295</b>
Definite useful life assets	<b>14</b>	<b>587</b>	<b>52</b>	<b>135</b>	<b>21</b>	<b>809</b>
	<b>18 309</b>	<b>587</b>	<b>52</b>	<b>135</b>	<b>21</b>	<b>19 104</b>
<b>2022</b>						
Indefinite useful life assets	18 297	–	–	–	–	18 297
Definite useful life assets	15	490	50	132	20	707
	18 312	490	50	132	20	19 004

<sup>1</sup> Patents and trademarks have been aggregated with trade and brand names.

## 10. INTANGIBLE ASSETS (continued)

### Trade and brand names

The carrying value of the trade and brand names below are included in the following group of CGUs:

	Cost Rm	Accumulated depreciation and impairment Rm	Exchange differences on consolidation of foreign subsidiaries Rm	Carrying value Rm
<b>2023</b>				
<b>Clothing and general merchandise</b>				
Ackermans, CODE, Dunns, PEP, PEP Africa, Refinery, Shoe City	15 998	(2)	–	15 996
Tekkie Town	766	(97)	–	669
Avenida	660	(9)	184	835
<b>Furniture, appliances and electronics</b>				
Bradlows, Rochester, Russells, Sleepmasters	619	–	–	619
Incredible Connection	293	(103)	–	190
<b>Building materials</b>				
BUCO, BSG, Tiletoria, Timbercity	547	(547)	–	–
	<b>18 883</b>	<b>(758)</b>	<b>184</b>	<b>18 309</b>
<b>2022</b>				
<b>Clothing and general merchandise</b>				
Ackermans, CODE, Dunns, PEP, PEP Africa, Refinery, Shoe City	15 998	(2)	–	15 996
Tekkie Town	766	–	–	766
Avenida	660	(8)	89	741
<b>Furniture, appliances and electronics</b>				
Bradlows, Rochester, Russells, Sleepmasters	619	–	–	619
Incredible Connection	293	(103)	–	190
<b>Building materials</b>				
BUCO, BSG, Tiletoria, Timbercity	547	(547)	–	–
	18 883	(660)	89	18 312

Refer to note 9 for the assumptions relating to the impairment tests for the group of CGUs containing intangible assets other than software and ERP systems, and work in progress ERP systems.



## 10. INTANGIBLE ASSETS (continued)

### Review of impairment

The impairment test compares the carrying amount of the CGU, including goodwill to the higher of the value-in-use, or fair value less cost to sell of the unit. The recoverable amount of the group of CGUs is determined from the fair value less cost to sell calculation, using a discounted cash flow model. The key assumptions for the fair value less cost to sell calculation are those regarding the discount rates, growth rates, expected changes to the revenue growth during the forecast period and working capital requirements. The discount rates are based on the weighted average cost of capital, while growth rates are based on management's experience and expectations. Growth rates used do not exceed the long-term average growth rate for the area in which the group of CGUs operates. Assumptions are based on past practices and expectations of future changes in the market, and are derived from the most recent financial budgets and forecasts that have been prepared by management for the next three years and extrapolated cash flows for the following years based on an estimated growth rate as set out below.

Where an intangible asset, such as a trademark, trade name and brand name, has been assessed as having an indefinite useful life (see accounting policies), the cash flow of the group of CGUs, supporting the goodwill and driven by the trademark, brand or patent is also assumed to be indefinite.

The key assumptions for those groups of CGUs that have significant intangible assets allocated to them are presented in note 9.

### Impairment

An impairment charge is required for both goodwill and other indefinite useful life intangible assets when the carrying amount exceeds the recoverable amount. The recoverable amount of the CGU reflected the fair value. An impairment charge is required for both goodwill and other indefinite useful life intangible assets when the carrying amount exceeds the recoverable amount. The recoverable amount of the CGU reflected the fair value less cost to sell in both the current and prior year. Indefinite useful life intangible assets were tested for impairment during the current and prior year and it was determined that no impairment was required (2022: no impairment was required in light of the recovery in the market over the last two years).

There is no indication based on a reasonable fluctuation in the key assumptions that the remaining balance of the indefinite useful life intangible assets should be impaired.

Software and ERP systems to the value R4 million (2022: R2 million) were impaired in the current year due to the replacement of certain ERP systems.

All impairment testing was done consistently with methods used in the prior year.

### Sensitivity analysis

Management has adjusted the cash flows of the group of CGUs for entity-specific risk factors to arrive at the future cash flows expected to be generated from the group of CGUs. There is no indication based on a reasonable fluctuation in those risk factors that the indefinite useful life intangible assets are further impaired or that the impairment model is sensitive to a reasonable change in the assumptions.

Based on sensitivity analysis of the post-tax discount rates being adjusted to the low and high of the post-tax discount rates determined, an increase and decrease of 0.5% (2022: 0.5%) in the short- to medium-term revenue (compound annual growth rate) and an increase and decrease of 0.5% (2022: 0.5%) in the long-term growth rate, no further impairments are required for the indefinite life intangible assets of the CGUs. If the Bradlows, Rochester, Russells, Sleepmasters group of CGU's revenue declines by more than 1.8% per year or the normalised level of working capital as a percentage of sales increase by more than 1% this CGU's net asset value would exceed the recoverable amount. Refer to note 9 for the sensitivity analysis for the Tekkie Town group of CGUs.

### Useful lives

Under IAS 38, the useful life of an asset is either finite or indefinite. An indefinite useful life does not mean an infinite useful life, but rather that there is no foreseeable limit to the period over which the asset can be expected to generate cash flows for the entity. Intangible assets with an indefinite useful life are not amortised; an impairment test is performed at least annually, as well as an annual review of the assumptions used to determine the useful life.

The majority of the group's trade names, brand names and/or trademarks have been assessed as having an indefinite useful life. The majority of these trade names and brand names were assessed independently at the time of the acquisitions, and the indefinite useful life assumptions were supported by the following evidence:

- The industry is mature and well established.
- The trade names, brand names and/or trademarks are long established relative to the market and have been in existence for a long time.
- The intangible assets relate to trade names, brand names, trademarks and patents rather than products and are therefore not vulnerable to typical product life cycles or to the technical, technological, commercial or other types of obsolescence that can be seen to limit the useful lives of other trade names and brand names.
- There is a relatively low turnover of comparable intangible assets, implying stability within the industry.

	Land and buildings Rm	Furniture and fittings Rm	Leasehold improvements Rm	Computer equipment Rm	Other assets Rm	Total Rm
<b>11. PROPERTY, PLANT AND EQUIPMENT</b>						
<b>Balance at 30 September 2021</b>	2 579	2 464	602	441	788	6 874
Additions	593	940	242	173	396	2 344
Depreciation (note 3) <sup>1</sup>	(58)	(643)	(219)	(190)	(148)	(1 258)
Disposals	–	(74)	–	(1)	(16)	(91)
Impairment and scrapping (note 4) <sup>2</sup>	(1)	(13)	(3)	–	(2)	(19)
Acquisition of business	–	17	346	29	6	398
Reclassification from work-in-progress assets	–	79	55	34	(168)	–
Transfer to intangible assets (note 10)	–	–	–	(11)	(3)	(14)
Exchange differences on consolidation of foreign subsidiaries	23	50	29	4	1	107
<b>Balance at 30 September 2022</b>	<b>3 136</b>	<b>2 820</b>	<b>1 052</b>	<b>479</b>	<b>854</b>	<b>8 341</b>
Additions	<b>390</b>	<b>1 067</b>	<b>458</b>	<b>168</b>	<b>440</b>	<b>2 523</b>
Depreciation (note 3) <sup>1</sup>	<b>(68)</b>	<b>(700)</b>	<b>(276)</b>	<b>(204)</b>	<b>(137)</b>	<b>(1 385)</b>
Disposals	<b>(26)</b>	<b>(61)</b>	<b>(17)</b>	<b>(16)</b>	<b>(17)</b>	<b>(137)</b>
Disposal of business (note 7)	–	<b>(6)</b>	–	–	–	<b>(6)</b>
Impairment reversals and (impairment) (note 4) <sup>2</sup>	–	<b>27</b>	<b>(2)</b>	<b>9</b>	<b>(11)</b>	<b>23</b>
Reclassification from work-in-progress assets and asset transfers	<b>(68)</b>	<b>93</b>	<b>98</b>	<b>30</b>	<b>(153)</b>	–
Transfer (to)/from intangible assets (note 10)	–	<b>13</b>	–	<b>2</b>	<b>(46)</b>	<b>(31)</b>
Transfer to right-of-use assets	<b>(3)</b>	–	–	–	–	<b>(3)</b>
Exchange differences on consolidation of foreign subsidiaries	<b>(26)</b>	<b>(23)</b>	<b>46</b>	<b>5</b>	<b>2</b>	<b>4</b>
<b>Balance at 30 September 2023</b>	<b>3 335</b>	<b>3 230</b>	<b>1 359</b>	<b>473</b>	<b>932</b>	<b>9 329</b>
Cost	3 378	6 197	2 567	1 846	1 592	15 580
Accumulated depreciation and impairment	(242)	(3 377)	(1 515)	(1 367)	(738)	(7 239)
<b>Net book value at 30 September 2022</b>	<b>3 136</b>	<b>2 820</b>	<b>1 052</b>	<b>479</b>	<b>854</b>	<b>8 341</b>
Cost	<b>3 642</b>	<b>6 914</b>	<b>3 144</b>	<b>1 938</b>	<b>1 734</b>	<b>17 372</b>
Accumulated depreciation and impairment	<b>(307)</b>	<b>(3 684)</b>	<b>(1 785)</b>	<b>(1 465)</b>	<b>(802)</b>	<b>(8 043)</b>
<b>Net book value at 30 September 2023</b>	<b>3 335</b>	<b>3 230</b>	<b>1 359</b>	<b>473</b>	<b>932</b>	<b>9 329</b>

<sup>1</sup> Depreciation consists of depreciation from continuing operations of R1 377 million (2022: R1 249 million) and discontinued operations of R8 million (2022: R9 million).

<sup>2</sup> Impairment, impairment reversals and scrapping consists of net impairment reversals from continuing operations of R21 million (2022: impairment of R19 million) and impairment reversals from discontinued operations of R2 million (2022: impairment of Rnil).

## 11. PROPERTY, PLANT AND EQUIPMENT (continued)

### Land and buildings

Details of land and buildings are available for inspection by shareholders on request at the various registered offices of the company and its subsidiaries.

### Other assets

Other assets comprise: motor vehicles, office equipment and capital work in progress. Capital work in progress is not depreciated.

### Useful lives

The estimated useful lives are reflected in the accounting policies.

### Insurance

Property, plant and equipment, with the exception of motor vehicles and land, are insured at approximate cost of replacement. Motor vehicles are insured at market value.

### KwaZulu-Natal flooding

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. No assets relating to the floods were scrapped in the current year (2022: An amount of R14 million was scrapped for property, plant and equipment damaged by the flooding in the prior year). The group is adequately insured for these types of events received an insurance claim pay-out relating to the replacement value of these property, plant and equipment in the 2023 financial year.

	2023 Rm	2022 Rm
<b>Cash outflow on additions to property, plant and equipment</b>		
Additions per (note 11)	2 523	2 344
Property, plant and equipment settled in shares (note 20)	–	(19)
Capitalisation of borrowing costs (note 5.1)	(87)	(44)
	<b>2 436</b>	2 281
<b>Impairment losses consist of (note 4):</b>		
Clothing and general merchandise <sup>1</sup>	(23)	16
Furniture, appliances and electronics <sup>2</sup>	–	3
	<b>(23)</b>	19

<sup>1</sup> The current year impairment reversals mainly relate to assets of R24 million which were subsequently scrapped and disposed. (2022: R14 million for the scrapping of property, plant and equipment damaged in the KwaZulu-Natal floods in April 2022 and R2 million property write-off for property no longer in use).

<sup>2</sup> The current year impairment losses mainly relate to assets of Rnil million no longer in use (2022: R3 million for the impairment of stores no longer in use).

	Land and buildings Rm	Other assets Rm	Total Rm
<b>12. RIGHT-OF-USE ASSETS</b>			
<b>Balance at 30 September 2021</b>	10 228	2	10 230
Additions	5 587	–	5 587
Acquisition of business	360	–	360
Remeasurement due to lease modifications	(2 270)	–	(2 270)
Depreciation (note 3) <sup>1</sup>	(2 816)	(1)	(2 817)
Impairment (note 4) <sup>2</sup>	(118)	–	(118)
Exchange differences on consolidation of foreign subsidiaries	129	–	129
<b>Balance at 30 September 2022</b>	<b>11 100</b>	<b>1</b>	<b>11 101</b>
Additions	<b>3 742</b>	–	<b>3 742</b>
Disposal of business	<b>(24)</b>	–	<b>(24)</b>
Transfer from property, plant and equipment (note 11)	<b>3</b>	–	<b>3</b>
Remeasurement due to lease modifications	<b>(675)</b>	–	<b>(675)</b>
Depreciation (note 3) <sup>1</sup>	<b>(3 089)</b>	–	<b>(3 089)</b>
Impairment (note 4) <sup>2</sup>	<b>(211)</b>	–	<b>(211)</b>
Exchange differences on consolidation of foreign subsidiaries	<b>17</b>	–	<b>17</b>
<b>Balance at 30 September 2023</b>	<b>10 863</b>	<b>1</b>	<b>10 864</b>
Cost	15 277	2	15 279
Accumulated depreciation and impairment	(4 177)	(1)	(4 178)
<b>Net book value at 30 September 2022</b>	<b>11 100</b>	<b>1</b>	<b>11 101</b>
Cost	<b>15 648</b>	<b>1</b>	<b>15 649</b>
Accumulated depreciation and impairment	<b>(4 785)</b>	–	<b>(4 785)</b>
<b>Net book value at 30 September 2023</b>	<b>10 863</b>	<b>1</b>	<b>10 864</b>

**Remeasurement due to lease modifications**

The remeasurement of the right-of-use assets of R675 million (2022: R2 270 million) and the relating lease liability remeasurement of R1 464 million (2022: R3 039 million) led to the recognition of R783 million from continuing operations and R6 million from discontinued operations (2022: R767 million from continuing operations and R2 million from discontinued operations) profit on lease modification and is mainly attributable to the following:

- Favourable lease renewals.
- Retail footprint consolidation in specific retail brand.
- R392 million one-off lease modification in the current year due to the significant decrease in lease term of PEP's distribution centre located in Durban.

**Impairment**

The right-of-use assets relating to retail stores, office space and distribution centres are each seen as an individual CGU. The group assesses each of these CGUs when indicators of impairment are identified. These mainly include loss-making stores and stores marked for closure. The impairment test compares the carrying amount of the CGU to the higher of the value-in-use, or fair value of the unit. For retail stores, the recoverable amount of the CGU is determined from the value-in-use calculation, whereas office space and distribution centres CGUs are determined from its fair value. The key assumptions for the value-in-use calculation are those regarding the discount rates and growth rates. The discount rates are based on the pre-taxation weighted average cost of capital of 13.8% (2022: 13.4%) relating to South Africa (other African countries use different weighted average cost of capital rates, but the effect thereof is immaterial), while growth rates are based on management's experience and expectations that are in line with the growth rates used for the goodwill impairment assessment as per note 9. Growth rates used do not exceed the long-term average growth rate for the area in which the CGU operates.

**Lease term**

Right-of-use assets are written off over the shorter of the useful life or the lease term of the specific right-of-use asset. The lease term of the group is generally between 3 – 5 years and if a lease contains an option to renew which is included in the lease term if it is reasonably certain that the option will be exercised, the option period also ranges between 3 – 5 years.

<sup>1</sup> Depreciation consists of depreciation from continuing operations of R3 078 million (2022: R2 803 million) and discontinued operations of R11 million (2022: R14 million).

<sup>2</sup> Impairment consists of impairments from continuing operations of R214 million (2022: R97 million) and an impairment reversal from discontinued operations of R3 million (2022: impairment of R21 million).

	Place of incorporation	% ownership interest	Nature of relationship	Carrying amount Investment Rm	Carrying amount loan Rm
<b>13. INTERESTS IN ASSOCIATE</b>					
<b>13.1 Balance at 30 September 2023</b>					
S'Ya Phanda Proprietary Limited	South Africa	46%	Associate	–	71
				–	71
<b>Balance at 30 September 2022</b>					
S'Ya Phanda Proprietary Limited	South Africa	46%	Associate	–	64
				–	64

The group holds 46 shares at R1 each in S'Ya Phanda Proprietary Limited and advanced loan funding in previous years to the entity for black supplier development initiatives. The entity provides B-BBEE consulting services and is intended to make strategic investments.

R56 million (2022: R55 million) of the interest in associate relates to a loan that is secured, interest free and is repayable on 396 day notice. The loan was assessed for impairment using the ECL model. Management concluded that the impact is not deemed to be material for both the current and prior year.

Through the shareholder agreement, the group is guaranteed one of three or two of five seats on the board of S'Ya Phanda and participates in all significant financial and operating decisions. The group has therefore determined that it has significant influence over this entity.

### 13.2 Details of assets and liabilities of associate at year-end

	2023 Rm	2022 Rm
<b>Non-current assets</b>		
Investments	51	51
<b>Current assets</b>		
Cash and cash equivalents	10	4
Other receivables	3	5
<b>Total assets</b>	<b>64</b>	60
<b>Equity</b>		
Retained earnings	8	4
<b>Non-current liabilities</b>		
Loans due to related parties	56	56
<b>Total equity and liabilities</b>	<b>64</b>	60

	2023 Rm	2022 Rm
<b>14. INVESTMENTS AND LOANS</b>		
<b>Long-term investments and loans</b>		
Fair value through OCI		
Unlisted investments – other	9	19
Impairment of other unlisted investments	(2)	(10)
Net unlisted investments – other	7	9
Loans and receivables at amortised cost		
Gross loans to current and previous members of key management and employees	13	12
Impairment against loans (note 30.5)	(10)	(10)
Net loans to current and previous members of key management and employees	3	2
Investments with banking institutions serving as security over term loans (note 21)	20	107
Investments with banking institutions – other	–	5
Loan receivable	64	36
<b>Total investments and loans</b>	<b>94</b>	159
Portion payable within 12 months included in current assets	(48)	(110)
<b>Total non-current investments and loans</b>	<b>46</b>	49

#### Loans to current and previous members of key management and employees

Loans were advanced in prior years to current and previous employees and members of key management to enable them to purchase shares in BVI. The loans were granted after reviewing each employee or member of key management's ability to repay the loan when it falls due, as well as the underlying pledged share in BVI.

During the 2020 financial year, Pepkor advanced a bridge loan facility to an investment company, 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 in 2022 resulted in the recovery and consequent reversal of the impairment pertaining to the guarantee of R529 million and associated employee loans of R90 million. This was due to the fact that following the settlement, BVI distributed Pepkor shares and/or cash to its shareholders which resulted in the group recovering loans from employees to the value of R107 million. Following the settlement, the group only has 8 loans (2022: 8 loans) that are still outstanding against current and previous members of key management and employees to the current value of R13 million (2022: R12 million) of which the group is still in process of recouping.

These loans were measured using the general model based on lifetime ECLs. The group holds the employee shares in BVI as security for the loans provided to current and previous employees and members of key management and employees. BVI's underlying investment is an investment in Pepkor shares. Refer to notes 31.6 and 30.5 for the details relating to the loan balances to key management members and relating ECL provision.

The loans to current members of key management bear interest at market-related interest rates. The remaining loans with previous members of key management are repayable in accordance with agreed payment plans, bearing interest at market-related interest rates.

These loans are shown net of a provision for expected credit losses of R10 million (2022: R10 million).

The fair value of loans are disclosed in note 30.

#### Investments with banking institutions

Investments with banking institutions relates to cash held as security over the Avenida term loans and bank guarantees. The investments held as security bears interest at 100% – 103% of the Brazilian Interbank Deposit Certificates rate and are invested mostly with bank institutions with a Ba3 credit rating (refer to note 30.5 for Moody's rating scale). These investments approximates 30% of the outstanding term loans and can be redeemed as the term loans are settled.

#### Loan receivable

During the year, the group granted an additional R44.5 million (2022: R6 million) to companies for various BBBEE initiatives. R36.5 million of these loans are interest free, and the remaining loans bears interest at various rates approximating the South Africa prime lending rate. Management has assessed the ECL for the loans in both the current and prior year and found it to be immaterial.

	2023 Rm	2022 Rm
<b>15. DEFERRED TAXATION (LIABILITIES)/ASSETS</b>		
<b>15.1 Deferred taxation movement (liabilities)/assets</b>		
<b>Balance at beginning of the year</b>	<b>(1 213)</b>	(1 388)
Amounts charged directly to OCI and equity		
Share-based payments	<b>(38)</b>	15
Cash flow hedging reserve	<b>61</b>	(60)
Current year charge		
Income statement charge (note 6)	<b>(268)</b>	147
Acquisition of business	–	56
Exchange differences on consolidation of foreign subsidiaries	<b>16</b>	17
<b>Balance at end of the year</b>	<b>(1 442)</b>	(1 213)
<b>15.2 Deferred taxation balances</b>		
The corporate taxation rate in South Africa is 27% (2022: 28%) and the capital gains taxation rate is 21.6% (2022: 22.4%). Deferred taxes for non-South African subsidiaries are calculated based on taxation rates that have been enacted or substantively enacted by the reporting date.		
Total deferred taxation liabilities	<b>(4 277)</b>	(4 235)
Total deferred taxation assets	<b>2 835</b>	3 022
Realisation of the deferred taxation assets are expected out of future taxable income, which was assessed and deemed to be reasonable based on the budgets of the various statutory entities. Certain companies within the group do not, however, recognise its deferred taxation assets due to there not being sufficient future taxable income. Refer to note 15.3.		
Deferred taxation balance comprises:		
Intangible assets	<b>(4 182)</b>	(4 042)
Prepayments and provisions	<b>777</b>	714
Taxation losses	<b>408</b>	314
Doubtful debts	<b>361</b>	523
Property, plant and equipment	<b>(112)</b>	(134)
Right-of-use assets	<b>(3 313)</b>	(3 275)
Lease liabilities	<b>4 127</b>	4 170
Share-based payments	<b>116</b>	163
Unrealised foreign exchange gain	–	(5)
Deferred revenue	<b>639</b>	315
Other	<b>(263)</b>	44
	<b>(1 442)</b>	(1 213)



	2023 Rm	2022 Rm
<b>15. DEFERRED TAXATION (LIABILITIES)/ASSETS (continued)</b>		
<b>15.3 Unrecognised deferred taxation assets</b>		
Deferred taxation assets have not been recognised in respect of the following item:		
Taxation losses		
The taxation losses and deductible temporary differences do not expire under current taxation, with the exception of certain African jurisdictions. Deferred taxation assets have not been recognised in respect of these items because it is not yet probable that future taxable profits will be available against which the group can realise the benefits therefrom. Deferred taxation assets are assessed at each statutory entity individually. The utilisation of the deferred taxation asset recognised is dependent on future taxable profits that are in line with budgets.	<b>787</b>	1 713
<b>15.4 Taxation losses</b>		
Estimated taxation losses available for offset against future taxable income <sup>1,2</sup>	<b>1 996</b>	2 664
Recognised estimated taxation losses	<b>1 209</b>	951
Unrecognised estimated taxation losses	<b>787</b>	1 713

<sup>1</sup> Avenida contributes R814 million (2022: R706 million) of the total taxation losses. The group is of the opinion that Avenida will be able to utilise the losses based on the current three-year plan and medium-term historical growth year-on-year.

<sup>2</sup> In the prior year, the JD Group business contributed R440 million of the unrecognised estimated taxation losses. In the current year, the JD Group business' assessed loss was tax affected due to the fact that the group is of the opinion that the JD Group business will be able to utilise the losses based on the current three-year plan and medium-term historical growth year-on-year. In the current year, the JD Group business contributes R249 million of the recognised estimated taxation losses.

	2023 Rm	2022 Rm
<b>16. TRADE AND OTHER RECEIVABLES</b>		
<b>Current trade and other receivables</b>		
Trade receivables	1 774	1 768
Related-party receivables (note 31)	5	2
Instalment sale receivables	1 893	1 751
Credit sales through store cards	5 424	4 089
<b>Total gross trade receivables, instalment sale receivables and credit sales through store cards</b>	<b>9 096</b>	7 610
Less: provision for expected credit losses relating to trade receivables (note 30.5)	(207)	(179)
Less: provision for expected credit losses relating to instalment sale receivables (note 30.5)	(619)	(544)
Less: provision for expected credit losses relating to credit sales through store cards (note 30.5)	(1 124)	(860)
<b>Total trade receivables, instalment sale receivables and credit sales through store cards</b>	<b>7 146</b>	6 027
Other amounts due	1 201	1 226
Insurance receivable – social unrest and floods	121	166
Less: provision for expected credit losses relating to other amounts due (note 30.5)	(94)	(67)
Derivative financial assets	247	608
<b>Current trade and other receivables (financial assets)</b>	<b>8 621</b>	7 960
Prepayments	311	298
Value-added taxation receivable	310	253
	<b>9 242</b>	8 511

For normal trade receivables the credit period on the sale of goods is between 30 and 90 days, whereas the credit period for credit granted through store cards is between 30 and 360 days, and instalment sales can be up to three to five years. Where relevant, interest is charged at rates as determined by the National Credit Act on the gross outstanding balances, unless the outstanding balance is credit-impaired, in which case interest is calculated on the net outstanding balance.

Before accepting any new customers, credit risk management uses various credit bureaux and performs credit assessments. These customers' credit ratings are reviewed on a regular basis. To assess the new customer's credit potential and credit limit, the credit rating together with the customer affordability, as detailed below, is taken into consideration.

For credit sales through instalment sale receivables customer affordability is also taken into consideration before accepting any new customers. This process involves collecting information regarding the customer's income, current debt obligations and additional expenses. The group has its own expense model, in addition to the National Credit Regulator's expense table. The following factors are then taken into consideration, in consultation with the customer, to conclude the affordability of each: assessing existing financial means and prospects, existing financial obligations and debt repayment history.

For credit sales through store cards in South Africa and Botswana, Lesotho, Namibia, Eswatini (BLNE) countries, customer affordability is also taken into consideration before accepting any new customers. This process involves collecting information regarding the customer's income and expenses as well as independently obtained data regarding the prescribed minimum expenses and listed credit commitments. The customer's disposable income is then derived and the calculation with the most conservative value is used in determining the potential customer's credit limit.

For credit sales through store cards in Brazil, customer affordability is also taken into consideration before accepting any new customers. This process involves collecting information regarding the customer's income and expenses as well as credit score models obtained from authorised agencies regarding the credit approval and purchase limits.

Given the diverse nature of the group's operations, it does not have a significant concentration of credit risk in respect of trade receivables, with exposure spread over a large number of customers.

No customer represents more than 5% of the total trade receivables at year-end.

The group's exposure to credit risk related to trade and other receivables and the movement in the provision for expected credit losses is disclosed in note 30.5.

The trade and other receivables, other than derivative financial assets, are denominated in the functional currency of the various subsidiaries. The total exposure to credit risk is therefore limited to the carrying value of the receivables.

Refer to note 30.3 for the foreign currency risk relating to derivative financial assets.

	2023 Rm	2022 Rm
<b>17. UNSECURED LOANS</b>		
Unsecured loans receivable	<b>2 549</b>	2 225
Less: Provision for expected credit losses (note 30.5)	<b>(459)</b>	(378)
	<b>2 090</b>	1 847
Long-term unsecured loans	<b>298</b>	5
Short-term unsecured loans	<b>1 792</b>	1 842
	<b>2 090</b>	1 847

Unsecured loans (previously named Loans receivables from customers) consist of unsecured lending with repayment terms of between three and 24 months (2022: three and 12 months) and existing customers rescheduled loans of between three and 24 months. These loans attract interest based on rates as determined by the National Credit Act.

Before accepting any new customers, credit risk management uses various credit bureaux and performs credit assessments. These customers' credit ratings are reviewed on a regular basis. To assess the potential customer's credit potential and credit limit, the credit rating together with the customer affordability, as detailed below, is taken into consideration.

Customer affordability is also taken into consideration before accepting any new customers. This process involves collecting information regarding the customer's income, current debt obligations and additional expenses. The group has its own expense model, in addition to the National Credit Regulator's expense table. The following factors are then taken into consideration, in consultation with the customer, to conclude the affordability of each: assessing existing financial means and prospects, existing financial obligations and debt repayment history.

Given the diverse nature of the group's operations, it does not have a significant concentration of credit risk in respect of unsecured loans, with exposure spread over a large number of customers.

The group's exposure to credit risk related to unsecured loans is disclosed in note 30.5.

	2023 Rm	2022 Rm
<b>18. INVENTORIES</b>		
<b>18.1 Inventories at cost less provisions</b>		
Finished goods and merchandise	<b>14 834</b>	15 077
Goods in transit	<b>2 033</b>	1 863
Raw materials and other inventories	<b>107</b>	126
	<b>16 974</b>	17 066
<b>18.2 Amount of write-down to net realisable value recognised in cost of sales during the year</b>	<b>603</b>	851
<b>18.3 Movement in the provision for inventory shrinkage, obsolescence and markdowns was as follows:</b>		
Balance at beginning of the year	<b>(817)</b>	(725)
Acquisition of business	–	(13)
Charge for the year	<b>(435)</b>	(334)
Amounts used during the year	<b>126</b>	235
Unused amounts reversed	<b>215</b>	33
Disposal of business	<b>6</b>	–
Foreign currency translation	<b>13</b>	(13)
<b>Balance at end of the year</b>	<b>(892)</b>	(817)

The group considers the following inputs, judgements and assumptions in calculating the provision for inventory shrinkage, obsolescence and markdowns:

- The nature of the product and/or product category.
- Past trends (including historical sales volumes and prices of the product and/or similar products).
- Evidence of impairment at year-end (including damaged goods, days on hand).
- Assessment of future saleability (product seasonality, technological obsolescence, aesthetic obsolescence).
- Specific events (inventory stolen, destroyed during social unrest or damaged due to natural disasters).

## 19. INSURANCE

### 19.1 Insurance investments

Insurance investments consist of short-term deposits that realise within 3 – 6 months. Due to the investment being highly liquid in nature, the investments have been disclosed as part of cash and cash equivalents.

Refer to note 30.4 and 30.5.2 for interest rate risk and credit risk associated with cash and cash equivalents respectively.

	2023 Rm	2022 Rm
<b>19.2 Insurance and reinsurance receivables</b>		
<b>Insurance receivables</b>		
Intermediary receivables from brokers and other third parties	1	–
Premium debtors	2	–
Less: provision for expected credit losses relating to other amounts due (note 30.5)	–	–
	<b>3</b>	–
<b>Reinsurance receivables</b>	<b>34</b>	39
	<b>37</b>	39
<b>19.3 Insurance payables</b>		
<b>Insurance liabilities</b>		
<b>Long-term insurance contracts</b>		
Outstanding claims	6	3
Claims incurred but not reported	8	8
Discounted cash flow reserve	40	45
<b>Total</b>	<b>54</b>	56
<b>Short-term insurance contracts</b>		
Claims incurred but not reported	4	4
Unearned premium reserve	15	16
<b>Total</b>	<b>19</b>	20

	2023 Number of shares	2022 Number of shares
<b>20. STATED CAPITAL</b>		
<b>20.1 Authorised – ordinary</b>		
Ordinary shares of no par value (number)	<b>20 000 000 000</b>	20 000 000 000
<b>20.2 Issued – ordinary</b>		
Balance at beginning of the year	<b>3 678 141 546</b>	3 697 270 680
Share issue under Pepkor Executive Share Rights Scheme <sup>1</sup>	<b>17 068 639</b>	11 824 414
Share issue as properties purchase consideration <sup>2</sup>	–	1 279 253
Share buy-back and cancellation <sup>3</sup>	<b>(27 783 542)</b>	(32 232 801)
<b>Total issued ordinary stated share capital (number)</b>	<b>3 667 426 643</b>	3 678 141 546
	Rm	Rm
<b>20.3 Issued – ordinary</b>		
Balance at beginning of the year	<b>67 228</b>	67 621
Share issue under Pepkor Executive Share Rights Scheme <sup>1</sup>	<b>226</b>	231
Share issue as properties purchase consideration <sup>2</sup>	–	19
Share buy-back and cancellation, including transaction costs and related taxes <sup>3</sup>	<b>(511)</b>	(643)
<b>Total issued ordinary stated share capital (Rm)</b>	<b>66 943</b>	67 228
	Number of shares	Number of shares
<b>20.4 Treasury shares</b>		
Balance at beginning of the year	<b>427 651</b>	–
Treasury share purchased by subsidiary <sup>4</sup>	<b>523 619</b>	427 651
<b>Total treasury shares (number)</b>	<b>951 270</b>	427 651
	Rm	Rm
<b>20.5 Treasury shares</b>		
Balance at beginning of the year	<b>9</b>	–
Treasury shares purchased by subsidiary <sup>4</sup>	<b>8</b>	9
<b>Total treasury shares (Rm)</b>	<b>17</b>	9
	Number of shares	Number of shares
<b>20.6 Unissued shares</b>		
Shares reserved for future participation in share schemes	<b>137 372 153</b>	154 440 792
Unissued shares	<b>16 195 201 204</b>	16 167 417 662
<b>Total unissued shares (number)</b>	<b>16 332 573 357</b>	16 321 858 454

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the company.

<sup>1</sup> 17.1 million (2022: 11.8 million) new ordinary no par value shares were issued as part of the shares which vested under the Pepkor Executive Share Rights Scheme. The shares were issued at a price of R17.31 and R16.65 (2022: R22.19) per share.

<sup>2</sup> Nil (2022: 1.37 million) ordinary no par value shares were issued as purchase consideration for the acquisition of various properties from Ibox (formerly Steinhoff). The shares were issued at a price of Rnil (2022: R15.00) per share.

<sup>3</sup> The group repurchased 27.8 million (2022: 32.2 million) shares from the open market on the JSE. The shares were acquired at an average price of R18.31 (2022: R19.78) per share, ranging from R14.32 to R20.50 (2022: R19.04 to R20.50). The total cost, including related after-tax transaction costs, was deducted from stated capital.

<sup>4</sup> 523 619 (2022: 427 651) new ordinary no par value shares were purchased by a subsidiary within the group. The shares were purchased at a price of R20.93 (2022: R20.50) per share.

	Number of shares	Number of shares
<b>20. STATED CAPITAL (continued)</b>		
<b>20.7 Authorised – preference share capital</b>		
Non-redeemable, non-cumulative, non-participating preference shares of no par value	<b>5 000 000</b>	5 000 000
Non-redeemable, cumulative, non-participating preference shares of no par value	<b>2 500 000</b>	2 500 000
Redeemable, non-cumulative, non-participating preference shares of no par value	<b>2 500 000</b>	2 500 000
Redeemable, cumulative, non-participating preference shares of no par value in the following classes:		
Class A1 redeemable, cumulative, non-participating preference shares of no par value	<b>10 000 000</b>	10 000 000
Class A2 redeemable, cumulative, non-participating preference shares of no par value	<b>10 000 000</b>	10 000 000
Class A3 redeemable, cumulative, non-participating preference shares of no par value	<b>10 000 000</b>	10 000 000
Class A4 redeemable, cumulative, non-participating preference shares of no par value	<b>10 000 000</b>	10 000 000
Class A5 redeemable, cumulative, non-participating preference shares of no par value	<b>10 000 000</b>	10 000 000
<b>Total authorised preference share capital (number)</b>	<b>60 000 000</b>	60 000 000

As at the reporting date, preference share capital authorised are not in issue.

	2023 Rm	2022 Rm
<b>21. INTEREST-BEARING LOANS AND BORROWINGS</b>		
<b>21.1 Analysis of closing balance: External interest-bearing loans and borrowings</b>		
Secured financing		
Term loans	<b>6 412</b>	6 759
Revolving credit facilities	<b>1 500</b>	1 500
Floating rate notes	<b>3 604</b>	3 206
Other	<b>–</b>	14
<b>Total interest-bearing loans and borrowings</b>	<b>11 516</b>	11 479
Portion payable within 12 months included in current liabilities	<b>(2 121)</b>	(1 129)
<b>Total non-current interest-bearing loans and borrowings</b>	<b>9 395</b>	10 350
<b>21.2 Analysis of repayment: External loans</b>		
Repayable within the next year and thereafter – current and non-current split		
Next year	<b>2 121</b>	1 129
Within two years	<b>3 028</b>	2 246
Within three years	<b>3 209</b>	2 751
Within four years	<b>2 285</b>	2 824
Within five years	<b>873</b>	2 529
	<b>11 516</b>	11 479

Long- and short-term investments at banking institutions serve as security over Avenida's term loans in the current year as detailed in note 14. No other financial assets have been pledged as collateral for either year presented.

The undiscounted cash flows of the remaining contractual maturity as well as the fair values of interest-bearing loans and borrowings are disclosed in note 30.6.

The group is expected to settle its future debt as it falls due out of current reserves.



	Maturity date	Interest rate	2023 Rm	2022 Rm
<b>21. INTEREST-BEARING LOANS AND BORROWINGS (continued)</b>				
<b>21.3 Loan details</b>				
<i>Unsecured</i>				
Loans due:				
Term Loan E	30 June 2024	Three-month Jibar plus 120 bps	500	500
Term Loan F	30 June 2025	Three-month Jibar plus 130 bps	1 000	1 000
Term Loan G	30 June 2026	Three-month Jibar plus 140 bps	1 000	1 000
Term Loan H	31 March 2026	Three-month Jibar plus 130 bps	1 000	1 000
Term Loan I	31 March 2027	Three-month Jibar plus 137 bps	2 205	2 500
Term loans – Avenida	Various (30 January 2023 – 18 May 2027)	Variable Rates linked to CDI and IPCA	707	759
Revolving credit facility (RCF C)	31 March 2025	Three-month Jibar plus 125 bps	1 500	1 500
Floating rate notes – PEP01	10 March 2023	Three-month Jibar plus 159 bps	–	800
Floating rate notes – PEP02	10 March 2025	Three-month Jibar plus 174 bps	206	206
Floating rate notes – PEP03	5 May 2024	Three-month Jibar plus 152 bps	1 435	1 435
Floating rate notes – PEP04	5 May 2026	Three-month Jibar plus 170 bps	765	765
Floating rate notes – PEP05	6 March 2026	Three-month Jibar plus 123 bps	348	–
Floating rate notes – PEP06	6 March 2028	Three-month Jibar plus 138 bps	850	–
Other loans	21 September 2025	Prime	–	14
			<b>11 516</b>	11 479

## 21. INTEREST-BEARING LOANS AND BORROWINGS (continued)

### Term loans

The group effected a margin amendment from 1 April 2023 on the following loans: Term Loan E: three-year margin reduced to 120 bps (previously 159 bps), Term Loan F: four-year margin reduced to 130 bps (previously at 168 bps), and Term Loan G: five-year margin reduced to 140 bps (previously at 174 bps).

On 1 July 2023, the group effected a further margin amendment to the following loans. Term Loan H: four-year margin reduced to 130 bps (previously at 150 bps), Term Loan I: five-year margin reduced to 137 bps (previously at 155 bps). In order to secure the lower margins across Term Loan H, I and RCF C (refer below) as well as to reduce the overall cost of funding, the group repaid an amount of R295 million against Term Loan I.

### Revolving credit facilities

RCF C has a maximum facility of R1.5 billion (2022: R1.5 billion) which has been fully utilised as at 30 September 2023 and 30 September 2022. On 1 July 2023, a margin amendment was affected on RCF C as follows: three-year margin reduced to 125 bps (previously at 140 bps).

The group has an unutilised bridge revolving credit facility of R1.0 billion (2022: R1.0 billion) as at 30 September 2023 and 30 September 2022 which carries interest at three-month JIBAR plus 120 bps (2022: three-month JIBAR plus 140 bps). On 1 April 2023, a margin amendment was affected on the Bridge RCF as follows: margin reduced to 120 bps (previously 140 bps).

### Floating rate notes

On 1 March, the group replaced floating rate notes of R800 million (PEP01), which carried interest at three-month Jibar plus 159 bps with three-year floating rate notes of R348 million at three-month Jibar plus 123 bps (PEP05) and five-year floating rate notes of R850 million at three-month Jibar plus 138 bps (PEP06).

### Interest-bearing loans and borrowings

Interest-bearing borrowings bear interest at variable, market-determined rates. These borrowings are measured at amortised cost, which approximates their fair value. Interest on external borrowings are payable quarterly in arrears except for the Avenida term loans which is paid monthly in arrears. Refer to note 30.6 for the financial covenants and the guarantees provided in relation to the interest-bearing borrowings and loans.

	2023 Rm	2022 Rm
<b>21.4 Total net debt</b>		
Cash and cash equivalents	4 879	4 947
Bank overdrafts	(934)	(578)
Interest-bearing loans and borrowings	(11 516)	(11 479)
Lease liabilities	(13 949)	(14 697)
	<b>(21 520)</b>	<b>(21 807)</b>
<b>Net debt reconciliation</b>		
Net debt at the beginning of the year	21 807	19 306
Movement in interest-bearing loans and borrowings		
Cash outflow with settlement of various loans and borrowings through refinancing process <sup>1</sup>	(500)	(5 000)
Cash inflow from various loans and borrowings through refinancing process <sup>2</sup>	500	5 000
Cash outflow from repayment of term and other loans <sup>1</sup>	(650)	(338)
Cash inflow from additional term loans <sup>2</sup>	198	–
Floating rate notes settled <sup>1</sup>	(800)	–
Floating rate notes issued <sup>2</sup>	1 198	–
Acquisition of business	–	977
Exchange differences on consolidation of foreign subsidiaries	91	120
Movement in Lease liabilities		
Cash outflow on payment of lease liability (note 23)	(4 499)	(4 166)
Foreign currency adjustments (note 23)	34	178
Additions to lease liabilities (note 23)	3 783	5 620
Other movements	(66)	(1 264)
Net movement in cash and cash equivalents	68	1 227
Net movement in bank overdrafts	356	147
<b>Net debt at end of the year</b>	<b>21 520</b>	<b>21 807</b>

<sup>1</sup> Included in amounts paid on long-term and short-term interest-bearing loans and borrowings in the consolidated statement of cash flows.

<sup>2</sup> Included in amounts received on long-term interest-bearing loans and borrowings in the consolidated statement of cash flows.

	2023 Rm	2022 Rm
<b>22. PUT OPTION LIABILITY</b>		
<b>22.1 Reconciliation of put option liability</b>		
Balance at beginning of the year	<b>682</b>	–
Recognition of put option liability	–	606
Remeasurement of put option liability	<b>183</b>	–
Interest cost (note 5)	<b>100</b>	52
Exchange differences on consolidation of foreign subsidiaries	<b>103</b>	24
<b>Balance at end of the year</b>	<b>1 068</b>	682

Effective 3 February 2022, the group acquired 81.7% of the issued share capital of Avenida and further increased its shareholding to 88.3% (2022: 87.1%) through a capital injection during the year. As part of the transaction the group entered into a written symmetrical put and call agreement, with three natural persons with equal number of share options, over the remaining 11.7% (2022: 12.9%) interest in Avenida which can be exercised in three tranches. Tranche one and two each represents 25% of the remaining shareholding, and tranche three represents 50% of the remaining shareholding. Each tranche may be exercised within 60 days from the date Avenida delivers to the group its audited annual financial statements for the financial year ending 30 September 2024 (tranche one), 30 September 2026 (tranche two) and 30 September 2028 (tranche three). In the case where the put options are not exercised within a certain exercise window, it shall accumulate to the following exercise window.

The consideration on exercise will be determined based on the growth ratio (determined as the actual or forecasted EBITDA divided by the targeted EBITDA over the period determined), net debt value and EBITDA figures of Avenida at a point in time. The exercise price is formula based. In the current year assessment, a growth ratio of between 25% and 68% (2022: 22% and 32%) was used and an EBITDA multiple of 11 times (2022: 10 times). The amount that may become payable under the option on exercise date is initially recognised at the present value of the redemption amount. The corresponding charge is accounted for directly as a reduction in the parent's equity since the risks and rewards have not been transferred to the parent until the option is exercised. The liability is subsequently adjusted for changes in the estimated performance and increased/decreased up to the redemption amount that is payable at the date at which the option is exercised.

On an annual basis, management revises its estimates of payments and adjusts the amortised cost of the financial liability to reflect actual and revised estimated contractual cash flows. The group remeasures the amortised cost of the put option liability as the present value of the estimated future contractual cash flows that are discounted at the original effective interest rate.

Given that the value varies with non-financial variables that are specific to the parties in the contract, management has classified this put option as a financial liability at amortised cost.

Refer to note 30.6 for the undiscounted cash flows due.

	2023 Rm	2022 Rm
<b>23. LEASE LIABILITIES</b>		
<b>23.1 Reconciliation of lease liabilities</b>		
Balance at beginning of the year	14 697	14 329
Recognition of lease liability	3 783	5 620
Interest cost (note 5)	1 442	1 383
Lease liability repayments	(4 499)	(4 166)
Foreign exchange losses	38	(3)
Remeasurement on modification of leases	(1 464)	(3 039)
Acquisition of business	–	392
Disposal of business	(44)	–
Exchange differences on consolidation of foreign subsidiaries	(4)	181
<b>Balance at end of the year</b>	<b>13 949</b>	<b>14 697</b>
<b>Secured liabilities total capital balances</b>		
Non-current liabilities: Lease liabilities	10 871	11 861
<b>Repayable in the next 12 months included in current liabilities</b>		
Current liabilities: Lease liabilities	3 078	2 836
<b>23.2 Analysis of repayments</b>		
Repayable within the next year and thereafter – current and non-current split		
Next year	3 078	2 836
Within two years	2 901	2 769
Within three to five years	5 459	6 023
Thereafter	2 511	3 069
	<b>13 949</b>	<b>14 697</b>
<b>23.3 The group is exposed to the following potential future undiscounted cash outflows which are not included in the measurement of lease liabilities</b>		
Extension and termination options not reasonably certain to be exercised	159	269
Refer to note 30.6 for the undiscounted cash flows due.		
<b>23.4 Reconciliation of cash outflow relating to leases</b>		
Principal payment of lease liability	(3 057)	(2 783)
Interest paid (note 5 and note 7)	(1 442)	(1 383)
Lease payments made against lease liabilities (note 23.1)	(4 499)	(4 166)
Lease related expenses included in cash generated from operations (note 3.4)	(1 339)	(928)
<b>Total cash outflow relating to leases</b>	<b>(5 838)</b>	<b>(5 094)</b>

	2023 Rm	2022 Rm
<b>24. EMPLOYEE BENEFITS</b>		
Post-retirement medical benefits (note 24.1 and 24.2)	82	81
Performance-based bonus accrual (note 24.3)	1 029	794
Leave pay accrual (note 24.3)	344	350
Thirteenth cheque	270	258
<b>Total employee benefits</b>	<b>1 725</b>	1 483
Transferred to short-term employee benefits	<b>(1 337)</b>	(1 250)
<b>Long-term employee benefits</b>	<b>388</b>	233

#### 24.1 Defined contribution plans

The group has various defined contribution plans to which employees contribute. The assets of these schemes are held in administered trust funds separate from the group's assets.

#### 24.2 Defined benefit plans

A defined benefit plan is in operation within the group. The assets of this scheme are held in administered trust funds separate from the group's assets. If the funds have surpluses, these have not been recognised as the employer is not entitled to any of the surpluses or unutilised reserves.

	Performance- based bonus Rm	Leave pay Rm	Total Rm
<b>24.3 Performance-based bonus and leave pay accruals</b>			
<b>Balance at 30 September 2021</b>	816	341	1 157
Accrual raised	411	114	525
Amounts unused reversed	(24)	(19)	(43)
Amounts utilised	(411)	(87)	(498)
Exchange differences on consolidation of foreign subsidiaries	2	1	3
<b>Balance at 30 September 2022</b>	<b>794</b>	<b>350</b>	<b>1 144</b>
Accrual raised	807	117	924
Amounts unused reversed	(283)	(42)	(325)
Amounts utilised	(289)	(80)	(369)
Exchange differences on consolidation of foreign subsidiaries	-	(1)	(1)
<b>Balance at 30 September 2023</b>	<b>1 029</b>	<b>344</b>	<b>1 373</b>

#### Performance-based bonus accrual

The bonus payable is calculated by applying specific formulas based on the achievement of performance targets within the various divisions.

#### Leave pay accrual

The leave pay accrual relates to vesting leave pay to which employees may become entitled on leaving the employment of the group. The accrual arises as employees render a service that increases their entitlement to future compensated leave and is calculated based on an employee's total cost of employment. The accrual is utilised when employees become entitled to and are paid for the accumulated leave or utilise compensated leave due to them.

	Dilapidation provision Rm	Contingent liabilities raised on business combinations Rm	Other Rm	Total Rm
<b>25. PROVISIONS</b>				
<b>Balance at 30 September 2021</b>	107	–	57	164
Provision raised	66	–	(6)	60
Acquisition of business	–	174	17	191
Amounts unused reversed	(13)	–	(20)	(33)
Amounts utilised	–	–	(3)	(3)
Exchange differences on consolidation of foreign subsidiaries	–	24	4	28
<b>Balance at 30 September 2022</b>	<b>160</b>	<b>198</b>	<b>49</b>	<b>407</b>
Provision raised	<b>63</b>	–	–	<b>63</b>
Amounts unused reversed	<b>(36)</b>	<b>(40)</b>	<b>(13)</b>	<b>(89)</b>
Amounts utilised	<b>(34)</b>	–	<b>(15)</b>	<b>(49)</b>
Exchange differences on consolidation of foreign subsidiaries	–	<b>24</b>	<b>1</b>	<b>25</b>
<b>Balance at 30 September 2023</b>	<b>153</b>	<b>182</b>	<b>22</b>	<b>357</b>
			<b>2023 Rm</b>	<b>2022 Rm</b>
Long-term provisions			<b>245</b>	315
Short-term provisions			<b>112</b>	92
			<b>357</b>	407

**Dilapidation provision**

This includes provision for dilapidation of buildings occupied by the group. Both the timing and the amount of the provision is uncertain. Key uncertainties include estimated dilapidation costs to cover repairs and restorations at the end of the lease term. The amount of the provision raised is estimated based on the most likely amount/the expected value for each item and is expected to be settled within one to three years.

**Contingent liabilities raised on business combinations**

IFRS 3 requires certain contingent liabilities of the acquiree to be recognised and measured in a business combination at acquisition date fair value. Therefore, contrary to IAS 37: Provision, Contingent Liabilities and Contingent Assets, the acquirer recognises a contingent liability assumed in a business combination at the acquisition date even if it is not probable that an outflow of economic benefits will be required to settle the obligation. This provision includes amounts for employee disputes and indirect tax credits. Both the timing and the amount of the provision is uncertain. Key uncertainties in the contingent liabilities raised on a business combination includes the estimation of the amount relating to uncertain indirect tax credits and employee disputes. The amount of the provision raised is estimated based on the most likely amount/the expected value for each item and is expected to be settled within one to seven years.

**Other provisions**

Other provisions are recognised when the group has a present constructive or legal obligation as a result of a past event, and when it is probable that it will result in an outflow of economic benefits that can be reasonably estimated. Included in other provisions are estimated costs for transaction-related, legal and regulatory matters and for warranties on products sold. Both the timing and the amount of the provision is uncertain. Key uncertainties in the other provisions include the estimation of the outcome and probable settlement amounts of various legal disputes, and the estimation of warranty costs based on the number of goods within the warranty period and the likelihood of the products being defective. The amount of the provision raised is estimated based on the most likely amount/the expected value for each item and is expected to be settled within one to three years.

	2023 Rm	2022 Rm
<b>26. TRADE AND OTHER PAYABLES</b>		
<b>Current trade and other payables</b>		
Trade payables	10 772	9 844
Related-party payables (note 31)	13	2
Accruals	1 562	1 649
Payroll-related creditors and other payables <sup>1</sup>	1 281	2 033
Cancelled lay-bys <sup>1</sup>	170	173
Derivative financial liabilities	143	36
<b>Trade and other payables (financial liabilities)</b>	<b>13 941</b>	<b>13 737</b>
Deferred revenue <sup>1,2</sup>	773	741
Contract liabilities <sup>1,3</sup>	710	680
Refund liability	25	21
Other deferred revenue	38	40
Value added taxation payable	381	234
	<b>15 095</b>	<b>14 712</b>
<b>26.1 Reconciliation of contract liabilities</b>		
Balance at beginning of the year	680	550
Prepayments received during the year	4 428	4 721
Repayments made during the year	–	(1)
Revenue recognised upon completion	(4 387)	(4 583)
Revenue recognised upon redemption	(11)	(7)
<b>Balance at end of the year</b>	<b>710</b>	<b>680</b>

<sup>1</sup> Trade and other payables have been reclassified to provide further categories of trade and other payables.

<sup>2</sup> Deferred revenue recognised will realise in the 2024 financial year except for deferred revenue relating to extended warranty sales. Refer to the accounting policies for more detail.

<sup>3</sup> Contract liabilities consists of lay-by payments, deposits received from customers, extended warranty liabilities and paid online orders which have not been delivered yet.



## 27. SHARE SCHEME

### Pepkor Scheme

#### Terms of the scheme

Pepkor grants share rights to share scheme participants under the Pepkor Executive Share Rights Scheme. The grants remain subject to meeting certain performance conditions (vesting conditions) over the vesting period.

#### Pepkor Executive Share Right Scheme

The Pepkor Executive Share Rights Scheme is subject to the following conditions:

- Rights are granted to qualifying senior executives on an annual basis.
- Vesting of rights occurs on the third anniversary of grant date, provided performance criteria, as set by Pepkor Holdings Limited's remuneration committee at or about the time of the grant date, have been achieved.
- In the event of performance criteria not being satisfied by the third anniversary of the relevant annual grant, rights attaching to the particular grant will lapse.

	Year ended 30 September 2023 Number of rights	Year ended 30 September 2022 Number of rights
The number of Pepkor share rights outstanding is:		
At the beginning of the year	55 153 613	53 821 135
Granted during the year	17 069 964	15 333 958
Forfeited during the year <sup>1</sup>	(9 160 019)	(2 177 066)
Vested during the year	(17 068 639)	(11 824 414)
<b>Outstanding at end of the year</b>	<b>45 994 919</b>	<b>55 153 613</b>

<sup>1</sup> Forfeited share rights consist of certain individuals who left the group and therefore forfeited their share rights relating to the initial grants made as well as share rights that did not vest in the current year relating to the 2020 grant (2022: 2019 grant).

#### Assumptions

The fair value of services received in return for share rights granted is measured at the fair value of the share rights granted. The estimated value of the services received is measured based on the assumption that all vesting conditions are met and all employees remain in service. The value of the share rights granted is measured by reference to the market value of the shares. (2021 and 2020: The pricing model used was the Monte Carlo simulation model. The equity volatility was determined using an exponentially weighted moving average of Pepkor's historical daily closing share price.)

	2023 grant	2022 grant	2021 grant	2020 grant
Fair value of Pepkor share rights and assumptions:				
Fair value at grant date	18.65	22.02	13.56	13.03
Share price at grant date	18.65	22.02	14.64	13.96
Strike price	n/a	n/a	Rnil	Rnil
Expected volatility	n/a	n/a	41.2%	28.2%
Dividend yield	n/a	n/a	2.5%	2.3%
Risk-free interest rate	n/a	n/a	4.8%	6.5%
Vesting period	3 years	3 years	3 years	3 years

Refer to note 3.3 for the share-based payment expense for the year.

	Year ended 30 September 2023 Rm	Year ended 30 September 2022 Rm
<b>28. CASH GENERATED FROM OPERATIONS</b>		
<b>Operating profit</b>	<b>2 697</b>	10 479
Operating profit from continuing operations	<b>2 684</b>	10 516
Operating profit/(loss) from discontinued operations (note 7.1 and 7.2)	<b>13</b>	(37)
Adjusted for non-cash adjustments:		
Debtors' write-offs and movement in provision	<b>2 163</b>	1 357
Amortisation and depreciation (note 10, 11 and 12)	<b>4 680</b>	4 293
Inventories written down to net realisable value (note 18)	<b>603</b>	851
Share-based payment expense (note 3.3)	<b>221</b>	260
Profit on lease modification	<b>(789)</b>	(769)
Impairments (note 4)	<b>6 805</b>	128
Net loss on scrapping/disposal of property, plant and equipment and intangible assets (note 4)	<b>70</b>	73
Profit on disposal of subsidiary (note 4)	<b>(29)</b>	–
Foreign currency translation reserve release on liquidation or disposal of foreign subsidiary (note 4)	<b>29</b>	(50)
Insurance claim receivable relating to property, plant and equipment – floods	<b>(45)</b>	–
Non-working capital provisions releases and other non-cash adjustments	<b>9</b>	(28)
<b>Cash generated before working capital changes</b>	<b>16 414</b>	16 594
Working capital changes		
Increase in inventories	<b>(1 529)</b>	(5 115)
Increase in trade and other receivables	<b>(77)</b>	(490)
Decrease in derivative financial assets/liabilities	<b>963</b>	520
(Decrease)/increase in non-current and current provisions	<b>(75)</b>	26
Increase in non-current and current employee benefits	<b>546</b>	84
Increase in trade and other payables	<b>80</b>	1 639
Increase in instalment sale receivables and credit sales through store cards	<b>(2 442)</b>	(1 331)
Increase in unsecured loans <sup>1</sup>	<b>(918)</b>	(740)
<b>Net changes in working capital</b>	<b>(3 452)</b>	(5 407)
<b>Cash generated from operations</b>	<b>12 962</b>	11 187

<sup>1</sup> Loans to customers has been renamed to unsecured loans to provide more clarity to users of the financial statements around the nature of the loans.

	2023 Rm	2022 Rm
<b>29. COMMITMENTS AND CONTINGENCIES</b>		
<b>29.1 Capital expenditure</b>		
Contracts for capital expenditure	<b>218</b>	182
Capital expenditure authorised but not contracted for	<b>374</b>	290
Capital expenditure will be financed from cash and existing loan facilities.		
<b>29.2 Borrowing facilities</b>		
In terms of the MOI, the borrowing powers of the company are unlimited.		
<b>29.3 Unutilised borrowing facilities at year-end</b>		
Short-term facilities	<b>7 041</b>	6 543
Letters of credit, forex facilities and asset-based finance facilities	<b>2 309</b>	2 492
	<b>9 350</b>	9 035
<b>29.4 Contingent rent payable – calculated based on turnover level</b>	<b>10</b>	16

**29.5 Contingent liabilities**

There is no litigation, current or pending, which is considered likely to have a material adverse effect on the group.

**29.6 Contingent assets**

Loss adjusters were appointed for the quantification of the Material losses and Business Interruption loss relating to the KwaZulu-Natal floods in April 2022. Initial estimates were submitted to the insurers; these values show that the estimates are within policy limits.

The group submitted gross claims for material damage loss and business interruption to the value circa R800 million of which R394 million (2022: R396 million) was recognised in the current year totalling R790 million recognised by 30 September 2023. There are no other material contingent assets for the group.

### 30. FINANCIAL INSTRUMENTS

The executive team is responsible for implementing the risk management strategy to ensure that an appropriate risk management framework is operating effectively across the group, embedding a risk management culture throughout the group. The board and the audit and risk committee are provided with a consolidated view of the risk profile of the group, and any major exposures and relevant mitigating actions are identified.

The system of risk management is designed so that the different business units are able to tailor and adapt their risk management processes to suit their specific circumstances.

Regular management reporting and internal audit reports provide a balanced assessment of key risks and controls. The financial director provides quarterly confirmation to the board that financial and accounting control frameworks have operated satisfactorily and consistently.

The group does not speculate in the trading of derivative or other financial instruments. It is the group's policy to hedge exposure to cash and future contracted transactions.

	At fair value through other comprehensive income <sup>1</sup> Rm	At fair value through profit or loss <sup>1</sup> Rm	Financial assets and liabilities at amortised <sup>2</sup> Rm	Total carrying values Rm
<b>30.1 Total financial assets and liabilities</b>				
<b>30 September 2023</b>				
Investments and loans (note 14)	7	-	39	46
Unsecured loans (note 17)	-	-	298	298
<b>Non-current financial assets</b>	<b>7</b>	<b>-</b>	<b>337</b>	<b>344</b>
Trade and other receivables (financial assets) (note 16)	226	21	8 369	8 616
Insurance and reinsurance receivables (note 19.2)	-	-	37	37
Unsecured loans (note 17)	-	-	1 792	1 792
Related-party receivables (note 16)	-	-	5	5
Investments and loans (note 14)	-	-	48	48
Cash and cash equivalents	-	-	4 879	4 879
<b>Current financial assets</b>	<b>226</b>	<b>21</b>	<b>15 130</b>	<b>15 377</b>
Long-term interest-bearing loans and borrowings (note 21)	-	-	(9 395)	(9 395)
<b>Non-current financial liabilities</b>	<b>-</b>	<b>-</b>	<b>(9 395)</b>	<b>(9 395)</b>
Short-term interest-bearing loans and borrowings (note 21)	-	-	(2 121)	(2 121)
Bank overdrafts	-	-	(934)	(934)
Trade and other payables (financial liabilities) (note 26)	(42)	(101)	(13 785)	(13 928)
Insurance payables (note 19.3)	-	-	(73)	(73)
Related-party payables (note 26)	-	-	(13)	(13)
<b>Current financial liabilities</b>	<b>(42)</b>	<b>(101)</b>	<b>(16 926)</b>	<b>(17 069)</b>
	<b>191</b>	<b>(80)</b>	<b>(10 854)</b>	<b>(10 743)</b>
Net (gains) and losses recognised in profit or loss	-	-	-	-
Net (gains) and losses recognised in OCI	666	-	-	666
	<b>666</b>	<b>-</b>	<b>-</b>	<b>666</b>
Total interest income (note 5 and 7)	-	-	-	(296)
Total interest expense (note 5 and 7)	-	-	-	3 104
	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 808</b>

<sup>1</sup> This category includes derivative financial instruments.

<sup>2</sup> Financial assets and liabilities carried at amortised cost which approximates their fair value.

	At fair value through other comprehensive income <sup>1</sup> Rm	At fair value through profit or loss <sup>1</sup> Rm	Financial assets and liabilities at amortised <sup>2</sup> Rm	Total carrying values Rm
<b>30. FINANCIAL INSTRUMENTS (continued)</b>				
<b>30.1 Total financial assets and liabilities (continued)</b>				
<b>30 September 2022</b>				
Investments and loans (note 14)	9	–	40	49
Unsecured loans (note 17)	–	–	5	5
<b>Non-current financial assets</b>	9	–	45	54
Trade and other receivables (financial assets) (note 16)	598	10	7 350	7 958
Insurance and reinsurance receivables (note 19.2)	–	–	39	39
Unsecured loans (note 17)	–	–	1 842	1 842
Related-party receivables (note 16)	–	–	2	2
Investments and loans (note 14)	–	–	110	110
Cash and cash equivalents	–	–	4 947	4 947
<b>Current financial assets</b>	598	10	14 290	14 898
Long-term interest-bearing loans and borrowings (note 21)	–	–	(10 350)	(10 350)
<b>Non-current financial liabilities</b>	–	–	(10 350)	(10 350)
Short-term interest-bearing loans and borrowings (note 21)	–	–	(1 129)	(1 129)
Bank overdrafts	–	–	(578)	(578)
Trade and other payables (financial liabilities) (note 26)	(4)	(32)	(13 450)	(13 486)
Insurance payables (note 19.3)	–	–	(76)	(76)
Related-party payables (note 26)	–	–	(2)	(2)
<b>Current financial liabilities</b>	(4)	(32)	(15 235)	(15 271)
	603	(22)	(11 250)	(10 669)
Net (gains) and losses recognised in profit or loss	–	–	–	–
Net (gains) and losses recognised in OCI	1 350	–	–	1 350
	1 350	–	–	1 350
Total interest income (note 5 and 7)	–	–	–	(262)
Total interest expense (note 5 and 7)	–	–	–	2 468
	–	–	–	2 206

<sup>1</sup> This category includes derivative financial instruments.

<sup>2</sup> Financial assets and liabilities carried at amortised cost which approximates their fair value.

## 30. FINANCIAL INSTRUMENTS (continued)

### 30.2 Fair value

Financial instrument	Fair value hierarchy	Valuation techniques and key inputs	Fair value	
			2023 Rm	2022 Rm
Derivative financial assets	Level 2	The fair values of forward exchange contracts are based on their listed market price, if available. If a listed market price is not available, then the fair value is estimated by discounting the difference between the contractual forward price and current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).	247	608
Derivative financial liabilities	Level 2		(143)	(36)
FVTOCI investments	Level 3		7	9

The fair value calculation of the financial assets and liabilities was performed at the reporting date. The group enters into derivative financial instruments with various counterparties, principally financial institutions with investment-grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing, using present value calculations. The models incorporate various inputs, including the credit quality of counterparties, foreign exchange spot and forward rates and forward rate curves of the underlying index. At year-end, the marked-to-market value of derivative asset positions is net of a debit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value. Between the reporting date and the date of this report, the fair values reported may have fluctuated with changing market conditions and therefore the fair values are not necessarily indicative of the amounts the group could realise in the normal course of business after the reporting date. These contracts are to hedge the foreign currency exposure of the anticipated purchase of goods. Derivatives are expected to mature within 12 months.

There were no level 1 financial assets or financial liabilities at 30 September 2023 and 30 September 2022. There were no transfers between levels during the year.

### 30.3 Foreign currency risk

The group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts.

The fair value of the forward exchange contracts has been classified as level 2.

It is the group's policy to hedge exposure to cash and future contracted transactions in foreign currencies for a range of forward periods, but not to hedge exposure for the translation of reported profits or reported assets and liabilities.

#### **Exposure to currency risk**

Currency risk (or foreign exchange risk), as defined by IFRS 7, arises on financial instruments that are denominated in a foreign currency, i.e. in a currency other than the functional currency in which they are measured. For the purpose of IFRS 7, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

Differences resulting from the translation of subsidiary financial statements into the group's presentation currency are not taken into consideration.

#### **Foreign currency sensitivity analysis**

The group is exposed mainly to fluctuations in the Angolan kwanza, Botswana pula, Brazilian real, Chinese yuan, Mozambican metical, Nigerian naira, United States dollar and Zambian kwacha.

Where significant concentrations of foreign currency risk exist within the group, a sensitivity analysis is performed to calculate the impact on profit for the year if the various individual currencies strengthened or weakened against the South African rand for both hedged and unhedged exposure. The impact on the group's profit after tax is not considered to be material in the current and prior year.

	Reporting date spot rate 2023	Reporting date spot rate 2022
<b>30. FINANCIAL INSTRUMENTS (continued)</b>		
<b>30.3 Foreign currency risk (continued)</b>		
<b>South African rand</b>		
US dollar	<b>18.86</b>	17.99
European euro	<b>19.98</b>	17.54
Pound sterling	<b>23.11</b>	19.86
Chinese yuan	<b>2.58</b>	2.53
Polish złoty	<b>4.32</b>	3.62
Brazilian real	<b>3.77</b>	3.33
Botswana pula	<b>1.40</b>	1.35
Zambian kwacha	<b>0.90</b>	1.12
Angolan kwanza	<b>0.02</b>	0.04
Mozambican metical	<b>0.30</b>	0.28
Malawian kwacha	<b>0.02</b>	0.02
Nigerian naira	<b>0.02</b>	0.04

**Forward exchange contracts**

It is the policy of the group to enter into forward exchange contracts to cover specific foreign currency payments based on a predefined profile that takes into account the future expected date of payment. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The risk is measured through a forecast of highly probable US dollar and Chinese yuan expenditures. The risk is hedged with the objective of minimising the volatility of the South African rand cost of highly probable forecast inventory purchases.

The group uses forward exchange contracts to hedge its foreign currency risk against the functional currency of its various global operations. Most of the forward exchange contracts have maturities of less than one year after reporting date. The group's risk management policy is to hedge between 60% and 80% of forecast US dollar and Chinese yuan cash flows for inventory purchases up to 12 months in advance, subject to a review of the cost of implementing each hedge. As a matter of policy, the group does not enter into derivative contracts for speculative purposes.

For hedges of foreign currency purchases, the group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the group uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the entity or the derivative counterparty. There was no significant ineffectiveness during 2023 or 2022 in relation to the forward exchange contracts.

The fair values of such contracts at year-end, by currency, were:

	2023 Rm	2022 Rm
<b>Short-term derivatives</b>		
<b>Assets</b>		
Fair value of foreign exchange contracts		
US dollar	<b>178</b>	375
Chinese yuan	<b>69</b>	233
	<b>247</b>	608
<b>Liabilities</b>		
Fair value of foreign exchange contracts		
US dollar	<b>(15)</b>	(10)
Chinese yuan	<b>(128)</b>	(26)
	<b>(143)</b>	(36)
<b>Net short-term derivative assets</b>	<b>104</b>	572

## 30. FINANCIAL INSTRUMENTS (continued)

### 30.3 Foreign currency risk (continued)

The group has established a hedge ratio of 1:1 (current and prior year) since the notional amount and currency of the hedged item is the same as the notional amount of the foreign currency leg of the hedging instrument.

At year-end, the group holds the following forward exchange contracts that form part of a hedging relationship:

Foreign currency forward contracts – assets	Notional amount	Fair value adjustment Rm	Average forward rate	Year-end revaluation rate
<b>2023</b>				
US dollar	156	178	USD18.08	USD19.11
Chinese yuan	1 203	69	CNY2.60	CNY2.66
	<b>1 359</b>	<b>247</b>		
<b>2022</b>				
US dollar	174	375	USD16.01	USD18.1
Chinese yuan	2 089	233	CNY2.44	CNY2.55
	<b>2 263</b>	<b>608</b>		
<b>Foreign currency forward contracts – liabilities</b>				
<b>2023</b>				
US dollar	22	(15)	USD20.70	USD21.07
Chinese yuan	784	(128)	CNY2.76	CNY2.88
	<b>806</b>	<b>(143)</b>		
<b>2022</b>				
US dollar	2	(10)	USD15.95	USD18.06
Chinese yuan	251	(26)	CNY2.43	CNY2.53
	<b>253</b>	<b>(36)</b>		
			<b>2023</b> Rm	2022 Rm
<b>Cash flow hedges</b>				
The group classifies certain of its forward exchange contracts that hedge forecast transactions as cash flow hedges. The fair value of such contracts recognised as derivative assets and liabilities and adjusted against the hedging reserve at year-end was:				
The (losses)/gains on financial instruments recognised within OCI comprises of:				
Forward exchange contracts			<b>666</b>	1 350
Transferred to inventory			<b>(1 007)</b>	(785)
<b>Fair value adjustment on cash flow hedges</b>			<b>(341)</b>	565

Changes in the fair value of forward exchange contracts of economically hedged monetary assets and liabilities in foreign currencies for which no hedge accounting is applied are recognised in profit or loss.



## 30. FINANCIAL INSTRUMENTS (continued)

### 30.4 Interest rate risk

The group follows a policy of maintaining a balance between loans from different interest rate environments, the stability of the relevant currencies, the effect that the relevant interest rates have on group operations and consumer spending within these environments. These variables are taken into account in structuring the group's borrowings to achieve a reasonable, competitive, market-related cost of funding.

As part of the process of managing the group's borrowings mix, the interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates. Interest rate exposure is managed within limits agreed by the board.

The interest and related terms of the group's interest-bearing loans are disclosed in note 21.

At the reporting date, the interest rate profile of the group's financial instruments was as follows:

	Subject to interest rate movements					
	Variable SA prime Rm	Variable Jibar Rm	Other variable rates Rm	Fixed rate Rm	Non-interest- bearing Rm	Total Rm
<b>2023</b>						
Non-current financial assets	–	–	–	298	39	337
Current financial assets	6 305	–	1 017	3 327	4 481	15 130
Non-current financial liabilities	(1)	(8 874)	–	(520)	–	(9 395)
Current financial liabilities	(3 835)	(1 435)	(358)	–	(11 298)	(16 926)
	<b>2 469</b>	<b>(10 309)</b>	<b>659</b>	<b>3 105</b>	<b>(6 778)</b>	<b>(10 854)</b>
<b>2022</b>						
Non-current financial assets	–	–	16	5	24	45
Current financial assets	6 117	–	1 293	3 696	3 184	14 290
Non-current financial liabilities	(14)	(9 906)	(230)	(200)	–	(10 350)
Current financial liabilities	(3 104)	(800)	(2 329)	(3)	(8 999)	(15 235)
	<b>2 999</b>	<b>(10 706)</b>	<b>(1 250)</b>	<b>3 498</b>	<b>(5 791)</b>	<b>(11 250)</b>

Market-related rates were used in the determination of the fair values of the fixed-rate financial assets. The carrying amounts presented are not materially different from the fair value. Further details are disclosed in note 14 (Investments and loans) and note 17 (Unsecured loans).

#### Sensitivity analysis

The group is sensitive to movements in the Jibar and SA prime rates, which are the primary interest rates to which the group is exposed. Within some African countries, the group is exposed to other variable rates mainly relating to bank and cash.

The sensitivities calculated below are based on an increase of 200 basis points (2022: 200 basis points) for each interest category. These rates are also used when reporting sensitivities internally to key management employees.

	2023 Rm	2022 Rm
<b>Through (profit)/loss</b>		
SA prime – 200 basis point increase	(93)	(96)
Jibar – 200 basis point increase	206	214

A 200 basis point decrease in the above rates would have had an equal, but opposite, effect on profit or loss.

## 30. FINANCIAL INSTRUMENTS (continued)

### 30.5 Credit risk

Potential concentration of credit risk consists principally of short-term cash and cash equivalent investments, trade and other receivables, instalment sale receivables, credit sales through store cards, unsecured loans as well as related-party receivables and financial guarantees. The group deposits short-term cash surpluses with major banks of quality credit standing. Instalment sale receivables, credit sales through store cards and loans to customers comprise a large and widespread customer base and group companies perform ongoing credit evaluations on the financial condition of their customers. As at year-end, R1 847 million (2022: R1 722 million) of receivables were insured. At 30 September 2023, the group did not consider there to be any significant concentration of credit risk that had not been adequately provided for. The amounts presented in the statement of financial position are net of provisions for expected credit losses, estimated by the group companies' management based on past events, current conditions and supportable forecasts and economic conditions.

The company has guaranteed various long-term borrowings and revolving credit facilities. Financial guarantees are kept to an operational minimum and reassessed regularly.

	2023 Rm	2022 Rm
The maximum exposure to credit risk at the reporting date without taking account the value of any collateral obtained was:		
Investments and loans (note 14)	84	148
Loans to employees and key management (note 14)	3	2
Cash and cash equivalents (note 30.5.2)	4 879	4 947
Loan to associate (note 13)	56	55
Instalment sale agreements (note 30.5.1)	1 274	1 207
Credit sales through store cards (note 30.5.1)	4 300	3 229
Trade and other receivables (note 30.5.1)	2 800	2 916
Insurance and reinsurance receivables (note 19.2)	37	39
Unsecured loans (note 17)	2 090	1 847
<b>Financial assets</b>	<b>15 523</b>	<b>14 390</b>

#### 30.5.1 Credit risk modelling applied to financial assets at amortised cost

The group's financial assets measured at amortised cost are subject to impairment under the ECL model. The inputs, assumptions and estimation techniques used in measuring ECL are explained below.

##### Measurement of ECL in terms of the general model for impairment

ECLs are measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECLs are the discounted value of the PD and EAD, of which PD represents the likelihood of a counterparty defaulting on its financial obligation, either over 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation. EAD is based on the amounts the group expects to be owed at the time of default over the next 12 months (12-month EAD) or over the remaining lifetime (lifetime EAD). The group calculates LGD as discounted EAD.

These three components are multiplied together, which effectively calculates the ECL. The ECL is then discounted back to the reporting date, using the original effective interest rate, and aggregated. ECL is a probability weighted outcome.

The 12-month and lifetime EADs are determined based on the probability of default, which varies by type of financial asset.

The group considers the probability of default on initial recognition of its financial asset measured at amortised cost and whether there has been a SICR on an ongoing basis throughout each reporting period. To assess whether there is an SICR, the group compares the risk of a default occurring on these asset as at the reporting date with the risk of default as at the date of initial recognition. The criteria used to identify an SICR are monitored and reviewed periodically for appropriateness by the credit risk team (refer to significant judgements and estimates for the groups of significant judgement exercised in assessing the SICR). Receivables with a significant financing component are grouped into stage 1, 2 and 3 as described below:

Stage 1: On recognition of financial assets, the group recognises a loss allowance based on 12 months ECLs. For disclosure purposes the stage 1 ECLs are split between performing and in arrears, where performing represents up to date debt outstanding and its corresponding ECL provision and in arrears represents debt outstanding where debt is outstanding for more than 30 days and its corresponding ECL provision.

Stage 2: When there is an indication that the financial assets have an SICR since origination, the group records a loss allowance for the lifetime ECLs.

Stage 3: Financial assets are considered to be credit-impaired when one or more events that have an unfavourable impact on its estimated future cash flows have occurred. The group records a loss allowance for the lifetime ECLs.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

## 30. FINANCIAL INSTRUMENTS (continued)

### 30.5 Credit risk (continued)

#### 30.5.1 Credit risk modelling applied to financial assets at amortised cost (continued)

##### **Significant increases in credit risk (SICR) sensitivity analysis:**

Refer to significant judgements and estimates for events triggering a SICR.

Shifting of the SICR threshold by 5% (reflects the full stage 2 ECL if the deterioration or improvement in the factor used as a behavioural or granting scores threshold is stressed by 5%) at 30 September 2023:

Impact on SICR on ECL	Unsecured loans	Instalment sale agreements	Credit sales through store cards
Positive	456	618	1 117
% change in ECL	(0.74%)	(0.15%)	(0.63%)
Base	459	619	1 124
% change in ECL	0.00%	0.00%	0.00%
Negative	462	627	1 131
% change in ECL	0.74%	1.25%	0.63%

Shifting of the SICR threshold by 5% (reflects the full stage 2 ECL if the deterioration or improvement in the factor used as a behavioural or granting scores threshold is stressed by 5%) at 30 September 2022:

Impact on SICR on ECL	Unsecured loans	Instalment sale agreements	Credit sales through store cards
Positive	374	540	853
% change in ECL	(1.07%)	(0.81%)	(0.82%)
Base	378	544	860
% change in ECL	0.00%	0.00%	0.00%
Negative	382	561	867
% change in ECL	1.07%	3.14%	0.82%

##### **Default and credit-impaired assets**

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

	Unsecured loans	Instalment sale agreements	Credit sales through store cards
Criteria used for credit-impaired accounts	Debt review accounts and non-performing accounts. As a backstop for all other customers, customers with three consecutive unpaid instalments.	Suspected fraud on a loan and loans exceeding maturity date. As a backstop for all other customers, customers with three consecutive unpaid instalments.	Three consecutive unpaid instalments/90 days in arrears.

## 30. FINANCIAL INSTRUMENTS (continued)

### 30.5 Credit risk (continued)

#### 30.5.1 Credit risk modelling applied to financial assets at amortised cost (continued)

A credit-impaired account will cure when the customer does not meet the criteria for being a credit-impaired account. For a customer to cure, a significant improvement in the customer's payment behaviour is required.

	Unsecured loans	Instalment sale agreements	Credit sales through store cards
Curing occurs in the following instances	Customers with rescheduled loans are deemed to be rehabilitated once they have made contractual payments for 12 months post rescheduling and are up to date with their amended contractual obligations. For all other customers to cure, the customer is required to make 12 months of clean payments.	Customers where the facility is 90 days in arrears will cure after the customer has settled arrears causing the 90 days arrears and have maintained less than 90 days arrears for three consecutive months.	Customer accounts will cure when three consecutive instalments are paid. Accounts in debt counselling will cure when the customer is deemed to no longer be under debt counselling in terms of the National Credit Act.

#### **Forward-looking factors**

The group further considers available reasonable and supportive forward-looking information without undue cost or effort and for which significant judgements and estimates are applied. Refer to significant judgements and estimates for the forward-looking information incorporated in the determination of ECLs.

#### **Measurement of ECL in terms of the provision matrix:**

For short-term trade receivables, e.g. trade receivables without a significant financing component, the determination of forward-looking economic scenarios may be less significant given that over the credit risk exposure period a significant change in economic conditions may be unlikely, and historical loss rates might be an appropriate basis for the estimate of expected future losses. The group has elected to apply the provision matrix for trade receivables without a significant financing component and measures the impairment allowance at an amount equal to lifetime ECL. Lifetime ECL is assessed by applying the relevant loss rates to the trade receivable balance outstanding (i.e. a trade receivable age analysis). Due to the diversity of the group's customer base, the group used appropriate groupings if the historical credit loss experience showed significantly different loss patterns for different customer segments.

#### **Write-off policy**

Financial assets are written off when there is no reasonable expectation of recovery of the receivable or part thereof. The write-off periods differ for each type of financing the group offers to their respective customers or clients and are detailed in the significant judgements and estimates note. Where these financial assets have been written off, the group continues to engage in enforcement activity to attempt to recover the receivable due. Subsequent recoveries made are recognised in profit or loss. Refer to note 3 for more detail on receivables written off.

#### **ECLs for the different financial assets at amortised cost within the group:**

##### **Insurance and reinsurance receivables**

Insurance and reinsurance receivables relate to insurance granted under the Abacus business. The ECL on the receivables is measured using the general model based on 12-month ECLs as there was no significant increase in credit risk from initial recognition. There has been no default in payments based on historical information and no significant decrease in credit ratings since initial recognition.

The group has assessed ECLs based on past events, current conditions and supportable forecasts, and economic conditions that affect the expected collectability of future cash flows at reporting date and has deemed the ECLs to be insignificant.

## 30. FINANCIAL INSTRUMENTS (continued)

### 30.5 Credit risk (continued)

#### 30.5.1 Credit risk modelling applied to financial assets at amortised cost (continued)

##### **Loan to associate**

Loan to associate consist of a loan granted to S'Ya Phanda Proprietary Limited for funding the entity for black supplier development initiatives as detailed in note 13. The ECL on the loan is measured using the general model based on 12-month ECLs as there was no significant increase in credit risk from initial recognition of this loan. There has been no default in payments based on historical information and no significant decrease in credit ratings since initial recognition.

The group has assessed ECLs based on past events, current conditions and supportable forecasts, and economic conditions that affect the expected collectability of future cash flows at reporting date and has deemed the ECLs to be insignificant.

##### **Loans to current and previous employees and members of key management**

Loans were advanced in the prior years to current and previous employees and members of key management to enable them to purchase shares in BVI. The loans were granted after reviewing each employee or member of key management's ability to repay the loan when it falls due, as well as with the underlying pledged shares in BVI. These loans were measured using the general model based on lifetime ECLs.

Prior to the Steinhoff global settlement net recovery in February 2022, management was of the view that an additional impairment provision should be raised as the underlying security to the loans' value had decreased since the inception of these loans, thus being an indicator of impairment. In addition to the shares pledged as security, management assesses each employee or member of key management's abilities to repay the loan when it falls due annually based on the employees' future remuneration, financial health and payment plan. Management used historical and current information to estimate the ECL.

Macroeconomic and forward-looking factors have been incorporated into the ECL valuation of these employee loans. The macroeconomic factors include changes in the interest rate which may impact the employees' abilities to service the loans. Forward-looking information includes evaluating the employees' abilities to repay the loans and the future returns from the investment in BVI. Each employee loan is assessed individually based on formal agreements with these employees which stipulates that either future remuneration will be used to settle part of the loan or through formalised payment plans based on the employees' financial health.

Following the Steinhoff global settlement net recovery, the majority of the loans were repaid. The remaining loans to current and previous employees and members of key management were classified as stage 2, as there was a SICR due to the loans being outstanding for more than 90 days. Although the underlying investment which acts as security to the loans is sufficient to cover the outstanding loan amount, a prudent approach was taken to not take the value of the security into consideration on calculation of the ECLs. Previous employees' loans were classified as stage 3 as these are deemed to be credit impaired, due to the uncertainty of whether these loans will be repaid due to these individuals no longer being employed by the company. This is, however, an insignificant portion to the total amount outstanding.

<b>Provision for expected credit losses: Loans to current and previous employees and members of key management (note 14)</b>	<b>2023 Rm</b>	2022 Rm
Balance at beginning of the year	<b>(10)</b>	(100)
Provision reversed	-	90
<b>Balance at end of the year</b>	<b>(10)</b>	(10)

## 30. FINANCIAL INSTRUMENTS (continued)

### 30.5 Credit risk (continued)

#### 30.5.1 Credit risk modelling applied to financial assets at amortised cost (continued)

##### *Instalment sale agreements*

Instalment sale agreements relate to the credit purchases of goods by customers in South Africa within the Furniture, appliances and electronics operating segment (the majority of these borrowings are deemed to be secured by the product purchased by the customer) (refer to note 16 for more detail on the process of granting instalments to customers). The group applies the general approach to calculating the ECL allowance for these balances as they are deemed to have a significant financing component.

The loss allowance provision for the group as at year-end is determined as follows:

	Performing (stage 1)	In arrears (stage 1)	Under- performing (stage 2)	Non- performing (stage 3)	Total
<b>2023</b>					
Expected credit loss rate	<b>12.8%</b>	<b>0.0%</b>	<b>41.6%</b>	<b>72.1%</b>	<b>32.7%</b>
Estimated gross carrying amount of default (Rm)	<b>1 071</b>	–	<b>363</b>	<b>459</b>	<b>1 893</b>
12-month ECL (Rm)	<b>(137)</b>	–	–	–	<b>(137)</b>
Lifetime ECL (Rm)	–	–	<b>(151)</b>	<b>(331)</b>	<b>(482)</b>
<b>Total ECL (Rm)</b>	<b>(137)</b>	–	<b>(151)</b>	<b>(331)</b>	<b>(619)</b>
<b>Net carrying amount (Rm)</b>	<b>934</b>	–	<b>212</b>	<b>128</b>	<b>1 274</b>
<b>2022</b>					
Expected credit loss rate	12.4%	0.0%	39.9%	74.9%	31.1%
Estimated gross carrying amount of default (Rm)	1 065	–	291	395	1 751
12-month ECL (Rm)	(132)	–	–	–	(132)
Lifetime ECL (Rm)	–	–	(116)	(296)	(412)
<b>Total ECL (Rm)</b>	<b>(132)</b>	–	<b>(116)</b>	<b>(296)</b>	<b>(544)</b>
<b>Net carrying amount (Rm)</b>	<b>933</b>	–	<b>175</b>	<b>99</b>	<b>1 207</b>

The loss allowance provision for instalment sale agreement reconciled to the opening loss allowance as follows:

	Performing (stage 1) Rm	In arrears (stage 1) Rm	Under- performing (stage 2) Rm	Non- performing (stage 3) Rm	Total
<b>2023</b>					
<b>Balance at 30 September 2021</b>	(116)	–	(122)	(309)	(547)
Allowance on credit granted during the year	(115)	–	(95)	(93)	(303)
Derecognition of allowance due to settlement of outstanding debt	23	–	16	18	57
Amounts written off	4	–	13	138	155
Amounts recovered	46	–	31	30	107
Net remeasurement of loss allowances	26	–	41	(80)	(13)
<b>Balance at 30 September 2022</b>	<b>(132)</b>	–	<b>(116)</b>	<b>(296)</b>	<b>(544)</b>
Allowance on credit granted during the year	<b>(103)</b>	–	<b>(96)</b>	<b>(100)</b>	<b>(299)</b>
Derecognition of allowance due to settlement of outstanding debt	<b>20</b>	–	<b>1</b>	<b>13</b>	<b>34</b>
Amounts written off	<b>7</b>	–	<b>27</b>	<b>157</b>	<b>191</b>
Amounts recovered	<b>56</b>	–	<b>21</b>	<b>23</b>	<b>100</b>
Net remeasurement of loss allowances	<b>17</b>	–	<b>(13)</b>	<b>(128)</b>	<b>(124)</b>
Change in credit risk parameters	<b>(2)</b>	–	<b>25</b>	–	<b>23</b>
<b>Balance at 30 September 2023</b>	<b>(137)</b>	–	<b>(151)</b>	<b>(331)</b>	<b>(619)</b>

## 30. FINANCIAL INSTRUMENTS (continued)

### 30.5 Credit risk (continued)

#### 30.5.1 Credit risk modelling applied to financial assets at amortised cost (continued)

##### **Credit sales through store cards**

Credit sales through store cards relate to the credit purchases of goods by customers in South Africa (with an insignificant portion in Botswana, Namibia and Eswatini) and Brazil within the Clothing and general merchandise operating segment (these borrowings are deemed to be unsecured) (refer to note 16 for more detail on the process of granting credit to customers). The group elected to apply the general approach to calculating the ECL allowance for these balances.

The loss allowance provision for the group exposure in South Africa (including Botswana, Namibia and Eswatini) as at year-end is determined as follows:

	Performing (stage 1)	In arrears (stage 1)	Under- performing (stage 2)	Non- performing (stage 3)	Total
<b>2023</b>					
Expected credit loss rate	8.4%	0.0%	20.6%	74.9%	20.7%
Estimated gross carrying amount of default (Rm)	3 111	–	746	705	4 562
12-month ECL (Rm)	(256)	–	–	–	(256)
Lifetime ECL (Rm)	(5)	–	(154)	(528)	(687)
<b>Total ECL (Rm)</b>	<b>(261)</b>	<b>–</b>	<b>(154)</b>	<b>(528)</b>	<b>(943)</b>
<b>Net carrying amount (Rm)</b>	<b>2 850</b>	<b>–</b>	<b>592</b>	<b>177</b>	<b>3 619</b>
<b>2022</b>					
Expected credit loss rate	8.4%	0.0%	22.9%	72.6%	20.4%
Estimated gross carrying amount of default (Rm)	2 331	–	584	508	3 423
12-month ECL (Rm)	(195)	–	–	–	(195)
Lifetime ECL (Rm)	–	–	(134)	(369)	(503)
<b>Total ECL (Rm)</b>	<b>(195)</b>	<b>–</b>	<b>(134)</b>	<b>(369)</b>	<b>(698)</b>
<b>Net carrying amount (Rm)</b>	<b>2 136</b>	<b>–</b>	<b>450</b>	<b>139</b>	<b>2 725</b>

The loss allowance provision for credit sales through store cards exposure in South Africa (including Botswana, Namibia and Eswatini) is reconciled to the opening loss allowance as follows:

	Performing (stage 1) Rm	In arrears (stage 1) Rm	Under- performing (stage 2) Rm	Non- performing (stage 3) Rm	Total
<b>Balance at 30 September 2021</b>	(129)	–	(117)	(387)	(633)
Allowance on credit granted during the year	(404)	–	(37)	(67)	(508)
Derecognition of allowance due to settlement of outstanding debt	273	–	191	149	613
Amounts written off	–	–	–	370	370
Net remeasurement of loss allowances	65	–	(171)	(434)	(540)
<b>Balance at 30 September 2022</b>	<b>(195)</b>	<b>–</b>	<b>(134)</b>	<b>(369)</b>	<b>(698)</b>
Allowance on credit granted during the year	(563)	–	(45)	(117)	(725)
Derecognition of allowance due to settlement of outstanding debt	346	–	194	171	711
Amounts written off	–	–	–	431	431
Net remeasurement of loss allowances	151	–	(169)	(644)	(662)
<b>Balance at 30 September 2023</b>	<b>(261)</b>	<b>–</b>	<b>(154)</b>	<b>(528)</b>	<b>(943)</b>

## 30. FINANCIAL INSTRUMENTS (continued)

### 30.5 Credit risk (continued)

#### 30.5.1 Credit risk modelling applied to financial assets at amortised cost (continued)

##### *Credit sales through store cards (continued)*

The loss allowance provision for the group exposure in Brazil as at year-end is determined as follows:

	Performing (stage 1)	In arrears (stage 1)	Under- performing (stage 2)	Non- performing (stage 3)	Total
<b>2023</b>					
Expected credit loss rate	1.1%	0.0%	23.0%	58.4%	21.0%
Estimated gross carrying amount of default (Rm)	471	–	148	243	862
12-month ECL (Rm)	(5)	–	–	–	(5)
Lifetime ECL (Rm)	–	–	(34)	(142)	(176)
<b>Total ECL (Rm)</b>	<b>(5)</b>	<b>–</b>	<b>(34)</b>	<b>(142)</b>	<b>(181)</b>
<b>Net carrying amount (Rm)</b>	<b>466</b>	<b>–</b>	<b>114</b>	<b>101</b>	<b>681</b>
<b>2022</b>					
Expected credit loss rate	1.1%	0.0%	25.0%	63.9%	24.3%
Estimated gross carrying amount of default (Rm)	348	–	116	202	666
12-month ECL (Rm)	(4)	–	–	–	(4)
Lifetime ECL (Rm)	–	–	(29)	(129)	(158)
<b>Total ECL (Rm)</b>	<b>(4)</b>	<b>–</b>	<b>(29)</b>	<b>(129)</b>	<b>(162)</b>
<b>Net carrying amount (Rm)</b>	<b>344</b>	<b>–</b>	<b>87</b>	<b>73</b>	<b>504</b>

The loss allowance provision for credit sales through store cards exposure in Brazil is reconciled to the opening loss allowance as follows:

	Performing (stage 1) Rm	In arrears (stage 1) Rm	Under- performing (stage 2) Rm	Non- performing (stage 3) Rm	Total
<b>Balance at 30 September 2021</b>	–	–	–	–	–
Acquisition of business	(17)	–	(24)	(112)	(153)
Allowance on credit granted during the year	(2)	–	(5)	(10)	(17)
Derecognition of allowance due to settlement of outstanding debt	1	–	4	5	10
Amounts written off	–	–	–	533	533
Net remeasurement of loss allowances	16	–	(1)	(530)	(515)
Exchange differences on consolidation of foreign subsidiaries	(2)	–	(3)	(15)	(20)
<b>Balance at 30 September 2022</b>	<b>(4)</b>	<b>–</b>	<b>(29)</b>	<b>(129)</b>	<b>(162)</b>
Allowance on credit granted during the year	(20)	–	(38)	(78)	(136)
Derecognition of allowance due to settlement of outstanding debt	12	–	46	62	120
Amounts written off	–	–	–	568	568
Net remeasurement of loss allowances	8	–	(9)	(549)	(550)
Exchange differences on consolidation of foreign subsidiaries	(1)	–	(4)	(16)	(21)
<b>Balance at 30 September 2023</b>	<b>(5)</b>	<b>–</b>	<b>(34)</b>	<b>(142)</b>	<b>(181)</b>



## 30. FINANCIAL INSTRUMENTS (continued)

### 30.5 Credit risk (continued)

#### 30.5.1 Credit risk modelling applied to financial assets at amortised cost (continued)

##### Unsecured loans

Unsecured loans relate to unsecured loans granted to customers in South Africa for a period of three to 24 months up to the value of R50 000 per loan granted (refer to note 17 for more detail on the process of granting loans to customers). The group applies the general approach to calculating the ECL allowance for these balances as they are deemed to have a significant financing component. Non-performing loans increased to 8.8% (2022: 8.0%) due to an increase in new business granted which correlates with higher risk.

The loss allowance provision for the group as at year-end is determined as follows:

	Performing (stage 1)	In arrears (stage 1)	Under- performing (stage 2)	Non- performing (stage 3)	Total
<b>2023</b>					
Expected credit loss rate	6.0%	0.0%	34.5%	74.6%	18.0%
Estimated gross carrying amount of default (Rm)	1 964	–	235	350	2 549
12-month ECL (Rm)	(117)	–	–	–	(117)
Lifetime ECL (Rm)	–	–	(81)	(261)	(342)
<b>Total ECL (Rm)</b>	<b>(117)</b>	<b>–</b>	<b>(81)</b>	<b>(261)</b>	<b>(459)</b>
<b>Net carrying amount (Rm)</b>	<b>1 847</b>	<b>–</b>	<b>154</b>	<b>89</b>	<b>2 090</b>
<b>2022</b>					
Expected credit loss rate	4.6%	0.0%	33.6%	71.8%	17.0%
Estimated gross carrying amount of default (Rm)	1 652	–	286	287	2 225
12-month ECL (Rm)	(76)	–	–	–	(76)
Lifetime ECL (Rm)	–	–	(96)	(206)	(302)
<b>Total ECL (Rm)</b>	<b>(76)</b>	<b>–</b>	<b>(96)</b>	<b>(206)</b>	<b>(378)</b>
<b>Net carrying amount (Rm)</b>	<b>1 576</b>	<b>–</b>	<b>190</b>	<b>81</b>	<b>1 847</b>

The loss allowance provision for unsecured loans is reconciled to the opening loss allowance as follows:

	Performing (stage 1) Rm	In arrears (stage 1) Rm	Under- performing (stage 2) Rm	Non- performing (stage 3) Rm	Total
<b>Balance at 30 September 2021</b>	(103)	–	(70)	(177)	(350)
Allowance on credit granted during the year	(222)	–	(102)	(136)	(460)
Derecognition of allowance due to settlement of outstanding debt	83	–	43	80	206
Amounts written off	–	–	–	328	328
Net remeasurement of loss allowances	166	–	33	(301)	(102)
<b>Balance at 30 September 2022</b>	<b>(76)</b>	<b>–</b>	<b>(96)</b>	<b>(206)</b>	<b>(378)</b>
Additional provision made	(190)	–	(36)	(61)	(287)
Allowance on credit granted during the year	(76)	–	(21)	(36)	(133)
Derecognition of allowance due to settlement of outstanding debt	194	–	180	62	436
Amounts written off	–	–	–	435	435
Net remeasurement of loss allowances	31	–	(108)	(455)	(532)
<b>Balance at 30 September 2023</b>	<b>(117)</b>	<b>–</b>	<b>(81)</b>	<b>(261)</b>	<b>(459)</b>

## 30. FINANCIAL INSTRUMENTS (continued)

### 30.5 Credit risk (continued)

#### 30.5.1 Credit risk modelling applied to financial assets at amortised cost (continued)

##### Trade receivables and other amounts due

Trade receivables consist mainly of credit purchases of goods by customers within the Building materials operating segment and receivables from cellular companies, of which the receivables from cellular companies are mainly not exposed to ECLs. The group applies the simplified approach to calculating the ECL allowance for trade receivables that do not have a significant financing component. This approach permits the use of the lifetime ECL regardless of stage classification and is based on a provision matrix that incorporates historical credit losses as well as forward-looking information as detailed above.

Trade receivables are written off when the customer's outstanding balance has been outstanding for more than 120 days.

The loss allowance provision for trade receivables is reconciled to the opening loss allowance as follows:

	2023 Rm	2022 Rm
Balance at beginning of the year	(246)	(250)
(Increase)/decrease in loss allowance during the year	(55)	4
<b>Balance at end of the year</b>	<b>(301)</b>	<b>(246)</b>

Provision matrix used in the calculation of ECL allowances:

	2023				2022			
	Expected loss rate %	Gross carrying amount Rm	Loss allowance provision Rm	Net carrying amount Rm	Expected loss rate %	Gross carrying amount Rm	Loss allowance provision Rm	Net carrying amount Rm
Current	4.3	2 721	(117)	2 604	4.5	2 664	(119)	2 545
More than 30 days past due	21.5	200	(43)	157	9.4	235	(22)	213
More than 60 days past due	49.0	51	(25)	26	15.5	84	(13)	71
More than 90 days past due	89.9	129	(116)	13	51.4	179	(92)	87
	9.7	3 101	(301)	2 800	7.8	3 162	(246)	2 916

## 30. FINANCIAL INSTRUMENTS (continued)

### 30.5.2 Cash and cash equivalents

The table below reflects the cash invested on the statement of financial position date at financial institutions grouped per Moody's credit rating of financial institutions:

	2023 Rm	2022 Rm
Rating		
Bank balances: A1	–	–
Bank balances: Aa3	–	–
Bank balances: Ba2	<b>2 610</b>	3 401
Bank balances: Baa2	–	–
Bank balances: Baa3	–	–
Fixed deposits – African Banks	<b>128</b>	168
Bank balances: No rating available	<b>1 442</b>	959
Cash on hand/cash in transit	<b>699</b>	419
	<b>4 879</b>	4 947

Local currency cash and short-term deposits of Rnil (2022: R236 million) are held in Angola and Nigeria and are subject to onerous local exchange control regulations. These local exchange control regulations impose restrictions on exporting capital from these countries, other than through normal dividend. These restricted cash balances held by the respective subsidiaries are not available for general use by the holdings company or other subsidiaries in the group.

Moody's appends the numerical modifiers 1, 2, and 3 to each generic rating classification (as indicated below) as per the global long-term rating scale from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Global Long-Term Rating Scale:

- Aaa – Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.
- Aa – Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
- A – Obligations rated A are judged to be upper-medium grade and are subject to low credit risk.
- Baa – Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.

## 30. FINANCIAL INSTRUMENTS (continued)

### 30.6 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the entity could be required to pay its liabilities earlier than expected.

The group manages liquidity risk by monitoring forecast cash flows and by ensuring that adequate borrowing facilities are available. Cash surpluses and short-term financing needs are mainly centralised. These central treasury offices invest net cash reserves on the financial markets, mainly in short-term instruments linked to variable interest rates.

The following table details the group's remaining contractual maturity for its financial liabilities. The table has been drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to pay. The table includes both interest and principal cash flows:

	0 to 3 months Rm	4 to 12 months Rm	Year 2 Rm	Years 3 to 5 Rm	After 5 years Rm	Total Rm
<b>2023</b>						
Interest-bearing loans and borrowings	(425)	(3 103)	(4 855)	(7 029)	(86)	(15 498)
Lease liabilities	(1 171)	(3 300)	(3 877)	(7 381)	(5 524)	(21 253)
Put option liability	–	–	(154)	(294)	(1 412)	(1 860)
Bank overdrafts	(934)	–	–	–	–	(934)
Trade and other payables (financial liabilities)	(13 698)	(280)	–	–	–	(13 978)
Insurance and reinsurance payables	(6)	(32)	(8)	(27)	–	(73)
Related-party payables	(13)	–	–	–	–	(13)
	<b>(16 247)</b>	<b>(6 715)</b>	<b>(8 894)</b>	<b>(14 731)</b>	<b>(7 022)</b>	<b>(53 609)</b>
<b>2022</b>						
Interest-bearing loans and borrowings	(1 400)	(1 516)	(3 089)	(9 151)	–	(15 156)
Lease liabilities	(1 000)	(3 023)	(4 373)	(7 178)	(5 707)	(21 281)
Put option liability	–	–	–	(445)	(859)	(1 304)
Bank overdrafts	(578)	–	–	–	–	(578)
Trade and other payables (financial liabilities)	(13 797)	(229)	–	–	–	(14 026)
Insurance and reinsurance payables	(16)	(60)	–	–	–	(76)
Related-party payables	(2)	–	–	–	–	(2)
	<b>(16 793)</b>	<b>(4 828)</b>	<b>(7 462)</b>	<b>(16 774)</b>	<b>(6 566)</b>	<b>(52 423)</b>

	As at 30 September 2023 Required covenant	As at 30 September 2023 Achieved
<b>Covenants regarding term loans and revolving credit facilities as disclosed in note 21:</b>		
Net debt:EBITDA <sup>1</sup> cover	< 3.00	0.82
Interest cover	> 3.50	6.76

Based on the above, the group is well within its covenants ranges.

<sup>1</sup> EBITDA is adjusted for IFRS 16: Leases and one-off transactions which includes capital items as disclosed in note 4 and non-cash share based payments as allowed per the covenants.

## 30. FINANCIAL INSTRUMENTS (continued)

### 30.7 Treasury risk

A finance forum, consisting of senior executives of the group, meets on a regular basis to analyse currency and interest rate exposure and to review and, if required, adjust the group's treasury management strategies in the context of prevailing and forecast economic conditions.

### 30.8 Capital risk

The group manages its capital to ensure that entities of the group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the group consists of debt, which includes the borrowings disclosed in note 21, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The group's audit and risk committee reviews the capital structure of the group on a quarterly basis. As a part of this review, the committee considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the committee, the group will balance its overall capital structure through the payment of dividends, new share issues and share buy backs as well as the issue of new debt or the redemption of existing debt.

### 30.9 Insurance risk

The risks covered under insurance contracts entered into with customers by the group's insurer, Abacus are as follows:

- replacement of customers' goods or settlement of balances in the event of damage or theft of goods. Where the goods are replaced, the cost of the claim is determined with reference to the cost of the goods acquired;
- settlement of customers' outstanding balance in the event of death.

As Abacus is part of the group, the underwriting of the above insurance risks forms part of the credit assessment made prior to entering an instalment sale or loan with the customer for the purchase of goods.

The risk under the insurance contract is the possibility that the insured events as detailed above occur and the uncertainty of the amount of the resulting claim. By the very nature of the insurance contract, this risk is random and therefore unpredictable.

A prominent risk that the group faces is that the actual claims exceed the amount of the insurance claims provisions. This could occur because the frequency or severity of claims are greater than estimated. Insurance events are random, and the actual number of claims will vary from year to year from the estimated claims provision established using historical claims patterns.

The development of insurance claims provisions provides a measure of the group's ability to estimate the ultimate value of the claims. Regular estimates of claims are performed in reviewing the adequacy of the insurance claims provisions. Claims development is reviewed by management on a regular basis. Insurance claim provisions will generally be settled within one year.

The frequency and severity of claims can be affected due to unforeseen factors such as patterns of crime, AIDS and employment trends. The group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The geographical spread of the group ensures that the underwritten risks are well diversified. No significant concentrations of insurance risk exist.

## 31. RELATED-PARTY TRANSACTIONS

Related-party relationships exist between shareholders, subsidiaries, joint-venture companies and associate companies within the group and its company directors and group key management employees.

Key management and directors did not have any material transactions with the group.

These transactions are concluded in the normal course of business and include transactions as a result of the group-wide treasury management of foreign currency movements. All material intergroup transactions are eliminated on consolidation.

On 8 February 2023, Steinhoff International Holdings N.V. (Steinhoff Group or Steinhoff) reduced its shareholding in the group to 43.898%. Subsequent to this transaction the Steinhoff Group no longer has control over the group and is therefore no longer considered to be the ultimate holding company of Pepkor. On 29 June 2023, the Steinhoff Group transferred substantially all of its assets and liabilities to a newly incorporated company, Ibex Topco B.V. (Ibex Group or Ibex). This includes its investment in Pepkor.

The summary below reflects the material transactions with fellow subsidiaries, associate companies and joint-venture companies during the year and related receivables and payables balances at year-end.

### 31.1.1 Related-party transactions in place for the current and previous year:

Nature of related-party relationship	Nature of service
Pepco Poland Sp. z.o.o and Poundland UK and Europe Limited	EeziGlobal manages the relationship between the suppliers of virtual products (being Domestic airtime, International airtime, e-vouchers and Point of sale activation cards) and the retailers being Pepco Poland Sp. z.o.o, Poundland UK Europe Limited and Dealz. EeziGlobal manage the relationship, distribution and commissions for physical sim cards sold from the Poundland stores.
S'Ya Phanda Proprietary Limited, an associated company of Pepkor.	Provision of B-BBEE consulting services and is intended to make strategic investments in the supply chain.
Ainsley Holdings Proprietary Limited	Payment of dividends to a holding company.
SAHPL Proprietary Limited (formerly Steinhoff Africa Holdings Proprietary Limited) wholly owned subsidiaries of Ibex (formerly Steinhoff).	Payment of non-executive director fees.

### 31.1.2 Related-party transactions in place for the previous year only:

Nature of related-party relationship	Nature of service
Pepco Group Sourcing, a wholly owned subsidiary of Ibex (formerly Steinhoff).	The sourcing agreement with Ibex (formerly Steinhoff) to source products for a commission has reached the end of its term as at 30 September 2021. The planned transition to a Pepkor owned international sourcing office (PPS) in China was completed on 1 October 2021, with sourcing fees paid up until the beginning of the previous financial year.
Steinhoff Properties Proprietary Limited and JD Group Property Holdings Proprietary Limited and its subsidiaries, wholly owned subsidiaries of Ibex (formerly Steinhoff).	Rental paid for properties previously rented by the group, purchased from Steinhoff properties during the previous financial years.

	Year ended 30 September 2023 Rm	Year ended 30 September 2022 Rm
<b>31. RELATED-PARTY TRANSACTIONS (continued)</b>		
<b>31.1.3 Related-party balances and transactions in the current and prior year</b>		
<b>Receivables</b>		
Pepkor Europe GmbH	1	–
Poundland UK and Europe Limited	4	2
	<b>5</b>	2
<b>Payables</b>		
SAHPL Proprietary Limited (formerly Steinhoff Africa Holdings Proprietary Limited)	(1)	(1)
Poundland UK and Europe Limited	(12)	(1)
	<b>(13)</b>	(2)
<b>Loans receivable from associated companies</b>		
S'Ya Phanda Proprietary Limited	56	56
	<b>56</b>	56
<b>Dividends paid to:</b>		
SIHPL Proprietary Limited (formerly Steinhoff International Holdings Limited)	(38)	–
Ainsley Holdings Proprietary Limited	(996)	(963)
Tanzanite Treasure Trading 7 Proprietary Limited	(1)	–
Lancaster 101 Proprietary Limited	–	(135)
	<b>(1 035)</b>	(1 098)
<b>Revenue from:</b>		
Pepco Poland Sp. z o.o.	31	45
Poundland UK and Europe Limited	2	3
	<b>33</b>	48
<b>Commission paid to:</b>		
Pepco Poland Sp. z o.o.	(1)	(1)
Poundland UK and Europe Limited	(34)	(3)
	<b>(35)</b>	(4)
<b>Directors' fees paid to:</b>		
SAHPL Proprietary Limited (formerly Steinhoff Africa Holdings Proprietary Limited)	(2)	(2)
<b>Sourcing fees paid to:</b>		
Pepco Group Sourcing (Fully Sun China Limited (HK))	–	(8)
<b>Net rent paid to:</b>		
JD Group Property Holding Proprietary Limited and its subsidiaries	–	(2)
<b>Capex purchase from:</b>		
JD Group Property Holdings Proprietary Limited and its subsidiaries	–	19

	2023 year-end	2022 year-end	30 September 2023 Ownership %	30 September 2022 Ownership %
<b>31. RELATED-PARTY TRANSACTIONS (continued)</b>				
<b>31.2 Significant subsidiaries</b>				
Pepkor Holdco Proprietary Limited	30 September	24 September	100	100
Pepkor Trading Proprietary Limited	30 September	24 September	100	100
Pepkorfin Proprietary Limited	30 September	24 September	100	100
Pepkor Proprietary Limited	30 September	24 September	100	100
Pepkor Speciality Proprietary Limited	30 September	24 September	100	100
Iliad Africa Trading Proprietary Limited	30 September	30 September	100	100

All significant subsidiaries noted above are incorporated in South Africa. A full list of subsidiaries of the company is available for inspection by shareholders on request at the registered office of the company.

### 31.3 Directorate

The directors of the company are as follows:

#### Executive directors

PJ Erasmus (Chief executive officer)

RG Hanekom (Chief financial officer)

#### Non-executive directors

TLR de Klerk

LJ du Preez

#### Independent non-executive directors

WYN Luhabe (Chair)

P Disberry

HH Hickey

IM Kirk

ZN Malinga

LI Mophatlane

SH Müller

F Petersen-Cook

Subsequent to year-end, an additional independent non-executive director, Nunu Ntshingila, was appointed to the board of directors with effect from 15 November 2023.



## 31. RELATED-PARTY TRANSACTIONS (continued)

## Directorate (continued)

## Composition of board committees:

	Audit and risk committee	Human resources and remuneration committee	Nomination committee	Social and ethics committee	Investment committee
<b>Non-executive directors</b>					
LJ du Preez	-	x	x	-	-
TLR de Klerk	-	-	-	-	x
<b>Independent non-executive directors</b>					
P Disberry	-	-	-	x	-
HH Hickey	Chair	-	-	-	x
IM Kirk	-	x	-	-	Chair
WYN Luhabe	-	-	Chair	-	-
ZN Malinga	x	-	-	x	-
LI Mophatlane	-	x	x	-	-
SH Müller	x	Chair	-	-	x
F Petersen-Cook	x	-	-	Chair	x
<b>Executive directors</b>					
PJ Erasmus	-	-	-	x	x
RG Hanekom	-	-	-	-	x

## 31. RELATED-PARTY TRANSACTIONS (continued)

### 31.4 Directors' shareholding

The present directors of the company held no direct or indirect interests in the company's issued ordinary shares other than:

	2023		2022	
	Direct/ indirect	Number of shares	Direct/ indirect	Number of shares
RG Hanekom	<b>Direct</b>	<b>778 327</b>	Direct	420 839
LJ du Preez	<b>Direct</b>	<b>10 122</b>	Direct	10 122
F Petersen-Cook	<b>Direct</b>	<b>4 048</b>	Direct	4 048
LM Lourens through Leon Lourens Beleggings Proprietary Limited <sup>1</sup>	<b>n/a</b>	<b>–</b>	Indirect	692 652
LM Lourens <sup>1</sup>	<b>n/a</b>	<b>–</b>	Direct	1 659 259
		<b>792 497</b>		<b>2 786 920</b>

From 1 October 2023 to the date of approval of the company's consolidated financial statements, there were no dealings by directors in the company's ordinary shares.

### 31.5 Compensation of key management personnel

Key management employees are those persons who have authority and responsibility for planning, directing and controlling the activities of the company as a whole. The company considers all members of the executive committee as well as any other person with authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, to be key management employees as defined in IAS 24: Related Parties.

Remuneration of the executive and non-executive directors was paid by Ibex (formerly Steinhoff) and Pepkor during the year. Details relating to directors' emoluments are disclosed in note 32.

	Year ended 30 September 2023 R'000	Year ended 30 September 2022 R'000
Compensation paid to key management and directors – Pepkor	<b>136 352</b>	162 531
Compensation paid to key management and directors – Ibex (formerly Steinhoff)	<b>68 487</b>	113 265
Share-based payments – Pepkor scheme	<b>53 358</b>	76 124
	<b>258 197</b>	<b>351 920</b>

### 31.6 Other directors' interest

As part of the Steinhoff global settlement, which was concluded in 2022, Trevu Capital Limited which is associated with PJ Erasmus was granted call options to purchase 120 million Pepkor shares. The options are exercisable in the 2025 financial year at an exercise price of R24.9215 per share subject to adjustments applicable for certain limited circumstances. These options were granted to Trevu Capital and disclosed to the public prior to his appointment to the board of directors on 12 January 2022. The value of the options would have been nil if it was exercisable at year-end as Pepkor's shares traded under the exercise price as at 30 September 2023.

### 31.7 Directors' interest in contracts

In 2020, Shop2Shop Proprietary Limited (Shop2Shop) entered into an agreement with Flash Mobile Vending Proprietary Limited (Flash), a wholly owned subsidiary of the group (Agreement). The services per the Agreement related to the sale of bulk airtime to Shop2Shop on which Flash earns commission, rentals and services fees paid to Shop2Shop for the use of drop safes and a profit share on the sale of tap2pay devices. After entering into the Agreement, and prior to his appointment as a member of the Pepkor board, a company associated with PJ Erasmus acquired a 30% shareholding in Shop2Shop. This shareholding increased to 31.2% in the current year.

An associate company of PJ Erasmus is the indirect holder of 19.2% of Bounty Group Proprietary Limited, the owner of the VANS and Reebok agencies in South Africa, which are brands that are distributed through the Tekkie Town retail channel.

An associate company of PJ Erasmus holds 14.3% of the shares in POD Property Fund Proprietary Limited, a company that owns 5 retail centres where members of the group are current tenants.

An associate company of PJ Erasmus are the indirect holders of 38.7% (2022: 37.5%) of ikeja Wireless Proprietary Limited (ikeja), a tech company that builds infrastructure and systems to enable affordable internet access in the informal market in South Africa. Flash is a distributor of ikeja's prepaid Wi-Fi voucher.

<sup>1</sup> LM Lourens resigned as a director on 30 September 2022.

	Basic remuneration 'R000	Company and pension fund contributions 'R000	Company directors' fees 'R000	Annual leave paid out 'R000	Annual bonus 'R000	Deferred cash long term 'R000	Retention bonus and long-term incentive 'R000	Total remuneration and fees 'R000
<b>32. REMUNERATION REPORT</b>								
<b>32.1 Remuneration of the executive directors and COO</b>								
<b>2023</b>								
PJ Erasmus	-	-	-	-	-	-	-	-
RG Hanekom	4 462	982	-	-	514	-	11 461	17 419
SNN Cardinaal	9 685	392	-	-	-	-	-	10 077
<b>Paid by Pepkor</b>	<b>14 147</b>	<b>1 374</b>	<b>-</b>	<b>-</b>	<b>514</b>	<b>-</b>	<b>11 461</b>	<b>27 496</b>
<b>2022</b>								
LM Lourens (until 30 September 2022)	7 168	1 146	-	-	4 450	-	15 939	28 703
RG Hanekom	4 218	917	-	-	2 749	-	10 723	18 607
Paid by Pepkor	11 386	2 063	-	-	7 199	-	26 662	47 310
<b>32.2 Remuneration of the other executive directors</b>								
<b>2023</b>								
<b>Total other executive committee members</b>	<b>35 889</b>	<b>5 355</b>	<b>-</b>	<b>-</b>	<b>7 899</b>	<b>-</b>	<b>49 183</b>	<b>98 326</b>
<b>2022</b>								
Total other executive committee members	32 158	5 151	-	-	20 397	-	46 614	104 320

	Basic remuneration 'R000	Company and pension fund contributions 'R000	Company directors' fees 'R000	Annual leave paid out 'R000	Annual bonus 'R000	Deferred cash long term 'R000	Retention bonus and long-term incentive 'R000	Total remuneration and fees 'R000
<b>32. REMUNERATION REPORT (continued)</b>								
<b>32.3 Remuneration of the non-executive directors</b>								
<b>2023</b>								
SH Müller	-	-	1 445	-	-	-	-	1 445
F Petersen-Cook	-	-	1 541	-	-	-	-	1 541
WYN Luhabe	-	-	2 089	-	-	-	-	2 089
P Disberry	-	-	848	-	-	-	-	848
HH Hickey	-	-	1 385	-	-	-	-	1 385
IM Kirk	-	-	1 110	-	-	-	-	1 110
ZN Malinga	-	-	1 146	-	-	-	-	1 146
LI Mophatlane	-	-	966	-	-	-	-	966
<b>Paid by Pepkor</b>	-	-	10 530	-	-	-	-	10 530
TLR de Klerk (until 8 February 2023)	7 721	448	-	-	23 639	-	-	31 808
LJ du Preez (until 8 February 2023)	9 048	372	-	-	27 259	-	-	36 679
<b>Paid by Ibex (formerly Steinhoff)<sup>1</sup></b>	16 769	820	-	-	50 898	-	-	68 487
<b>Total</b>	16 769	820	10 530	-	50 898	-	-	79 017
<b>2022</b>								
SH Müller	-	-	1 385	-	-	-	-	1 385
F Petersen-Cook	-	-	1 686	-	-	-	-	1 686
WYN Luhabe	-	-	1 996	-	-	-	-	1 996
P Disberry	-	-	815	-	-	-	-	815
HH Hickey	-	-	1 255	-	-	-	-	1 255
IM Kirk	-	-	1 016	-	-	-	-	1 016
ZN Malinga	-	-	1 098	-	-	-	-	1 098
LI Mophatlane	-	-	929	-	-	-	-	929
PJ Erasmus	-	-	721	-	-	-	-	721
<b>Paid by Pepkor</b>	-	-	10 901	-	-	-	-	10 901
TLR de Klerk	19 342	1 203	-	278	15 521	14 028	2 233	52 605
LJ du Preez	22 570	1 121	-	321	17 897	16 176	2 575	60 660
<b>Paid by Ibex (formerly Steinhoff)<sup>1</sup></b>	41 912	2 324	-	599	33 418	30 204	4 808	113 265
<b>Total</b>	41 912	2 324	10 901	599	33 418	30 204	4 808	124 166

<sup>1</sup> Relates to remuneration received for services provided to Ibex (formerly Steinhoff). The fees to directors include fees paid as directors of the ultimate holding company (until 8 February 2023), Ibex (formerly Steinhoff), where directors serve on the board of the company and holding company. The amount payable to Ibex (formerly Steinhoff) for the attendance of Pepkor board meetings as well as being non-executive Pepkor board members amounts to R1.81 million, of which R0.85 million was for TL de Klerk and R0.97 million for LJ de Preez (2022: R1.74 million, of which R0.80 million was for TL de Klerk and R0.94 million for LJ du Preez).

	Offer date	Conditional vesting date	Total number of rights granted	Number of rights awarded during the year	Number of rights exercised during the year	Number of rights forfeited during the year	Number of rights as at 30 September 2023	Value of rights exercised during the prior and current year R	Value of rights awarded during the year <sup>1</sup> R
<b>32. REMUNERATION REPORT (continued)</b>									
<b>32.4 Share rights – Pepkor scheme</b>									
<b>Directors paid for services at Pepkor level</b>									
<b>Fair value per share at date of exercise/vesting and/or grant date</b>								<b>17.31</b>	<b>18.65</b>
<b>PJ Erasmus</b>									
	<b>March 2023</b>	<b>March 2026</b>	–	–	–	–	–	–	–
<b>RG Hanekom</b>									
	March 2019	March 2022	536 756	–	(506 161)	(30 595)	–	10 722 869	–
	<b>March 2020</b>	<b>March 2023</b>	<b>623 365</b>	<b>38 649</b>	<b>(662 014)</b>	–	–	<b>11 460 912</b>	–
	<b>March 2021</b>	<b>March 2024</b>	<b>966 665</b>	–	–	–	<b>966 665</b>	–	–
	<b>March 2022</b>	<b>March 2025</b>	<b>533 819</b>	–	–	–	<b>533 819</b>	–	–
	<b>March 2023</b>	<b>March 2026</b>	–	<b>514 717</b>	–	–	<b>514 717</b>	–	<b>9 599 472</b>
			<b>2 660 605</b>	<b>553 366</b>	<b>(1 168 175)</b>	<b>(30 595)</b>	<b>2 015 201</b>	<b>22 183 781</b>	<b>9 599 472</b>
<b>30 September 2022</b>	March 2019	March 2022	536 756	–	(506 161)	(30 595)	–	10 722 869	–
<b>30 September 2023</b>	<b>March 2020</b>	<b>March 2023</b>	<b>623 365</b>	<b>38 649</b>	<b>(662 014)</b>	–	–	<b>11 460 912</b>	–
<b>SNN Cardinaal</b>									
	<b>March 2023</b>	<b>March 2026</b>	–	<b>766 090</b>	–	–	<b>766 090</b>	–	<b>14 287 579</b>
			–	<b>766 090</b>	–	–	<b>766 090</b>	–	<b>14 287 579</b>
<b>Total executive directors</b>			<b>2 660 605</b>	<b>1 319 456</b>	<b>(1 168 175)</b>	<b>(30 595)</b>	<b>2 781 291</b>	<b>22 183 781</b>	<b>23 887 051</b>

<sup>1</sup> The value of rights granted during the year represents the value of the rights for the full service condition (three-year vesting condition).

Executive directors and executives of the group do not have bespoke executive contracts, but are employed in terms of the group's standard contract of employment.

### 33. GOING CONCERN

The board of directors have evaluated the going concern assumption as at 30 September 2023, taking into account the current financial position and existing borrowing facilities, the directors are satisfied that the group is a going concern and have continued to adopt the going concern basis in preparing the annual financial statements.

The cash flows and liquidity projections for the group have been prepared for a period exceeding 12 months from the reporting date and included performing sensitivity analyses based on various scenarios.

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

### 34. EVENTS AFTER THE BALANCE SHEET DATE

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

### 35. DISTRIBUTION TO ORDINARY SHAREHOLDERS

The board has declared a dividend to shareholders in respect of the year ended 30 September 2023 of 48.1 cents (2022: 55.2 cents). The dividend will be payable to the holders of ordinary shares in the share capital of the company recorded in the securities register of the company on 22 January 2024. The last date to trade in order to be eligible to receive the dividend will be 16 January 2024, and the ex-dividend date will be 17 January 2024. The dividend will be paid and broker accounts updated, as the case may be, on 22 January 2024.

# Separate financial statements

for the year ended 30 September 2023

## Separate income statement

	Notes	30 September 2023 Rm	30 September 2022 Rm
Revenue	1	898	4 804
Operating expenses		(235)	(368)
<b>Operating profit</b>	2	<b>663</b>	4 436
Finance costs	3	(311)	(187)
<b>Profit before taxation</b>		<b>352</b>	4 249
Taxation	4	–	–
<b>Profit for the year</b>		<b>352</b>	4 249

## Separate statement of comprehensive income

	Year ended 30 September 2023 Rm	Year ended 30 September 2022 Rm
Profit for the year	352	4 249
Other comprehensive income	–	–
<b>Total comprehensive profit for the year, net of taxation</b>	<b>352</b>	4 249

## Separate statement of financial position

	Notes	30 September 2023 Rm	30 September 2022 Rm
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiary companies	5	59 976	60 360
Related-party loan receivable	6	3 309	4 666
		<b>63 285</b>	65 026
<b>Current assets</b>			
Investment in subsidiary companies	5	290	264
Related-party loans receivable	6	308	165
Other receivables	7	106	188
Cash and cash equivalents		–	–
		<b>704</b>	617
<b>Total assets</b>		<b>63 989</b>	65 643
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Ordinary stated capital	9	66 943	67 228
Reserves		(6 692)	(5 014)
		<b>60 251</b>	62 214
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	11	2 169	2 406
		<b>2 169</b>	2 406
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	11	1 435	800
Other payables and accruals	10	92	223
Related-party loans payable	14	42	–
		<b>1 569</b>	1 023
<b>Total equity and liabilities</b>		<b>63 989</b>	65 643



## Separate statement of changes in equity

	Notes	Ordinary stated capital Rm	Retained earnings Rm	Share-based payment reserve Rm	Total Rm
<b>Balance at 30 September 2021</b>		67 621	(8 040)	381	59 962
Total comprehensive profit for the year		–	4 249	–	4 249
Dividends paid		–	(1 634)	–	(1 634)
Share issue under Pepkor Executive Share Rights Scheme	9	231	–	231	462
Share issue as properties purchase consideration	9	19	–	–	19
Share buy-back and cancellation	9	(643)	–	–	(643)
Share-based payments		–	–	(201)	(201)
<b>Balance at 30 September 2022</b>		<b>67 228</b>	<b>(5 425)</b>	<b>411</b>	<b>62 214</b>
Total comprehensive profit for the year		–	352	–	352
Dividends paid		–	(2 025)	–	(2 025)
Share issue under Pepkor Executive Share Rights Scheme	9	226	–	(226)	–
Share buy-back and cancellation	9	(511)	–	–	(511)
Share-based payments		–	–	221	221
<b>Balance at 30 September 2023</b>		<b>66 943</b>	<b>(7 098)</b>	<b>406</b>	<b>60 251</b>

## Separate statement of cash flows

	Notes	Year ended 30 September 2023 Rm	Year ended 30 September 2022 Restated <sup>1</sup> Rm
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	13	425	85
Dividends received	14.3	15	–
Dividends paid		(2 025)	(1 634)
Interest paid		(311)	(187)
<b>Net cash outflow from operating activities</b>		<b>(1 896)</b>	<b>(1 736)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Amounts received from related-party loans receivable	6	3 882	5 392
Amounts paid to related-party loans receivable	6	(1 873)	(3 013)
<b>Net cash inflow from investing activities</b>		<b>2 009</b>	<b>2 379</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Amounts received on long-term interest-bearing loans and borrowings	11.4	1 198	–
Amounts paid on long-term interest-bearing loans and borrowings	11.4	(800)	–
Amount paid on share buy-back	9.3	(511)	(643)
<b>Net cash outflow from financing activities</b>		<b>(113)</b>	<b>(643)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of the year		–	–
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>–</b>	<b>–</b>

<sup>1</sup> Prior year cash flows from investing and financing activities have been restated to correctly reflect the nature of the share buy-back as a financing activity and to show the gross cash inflows and outflows of the related-party loans receivable. Refer to note 20.

# Notes to the separate financial statements

for the year ended 30 September 2023

	Year ended 30 September 2023 Rm	Year ended 30 September 2022 Rm
<b>1. REVENUE</b>		
Dividends received – group companies (note 14.3)	15	2 471
Dividends in specie received – group companies (note 14.3)	501	2 126
Interest received – group companies (note 14.3)	311	187
Deferred dividend realised	71	20
	<b>898</b>	4 804
<b>2. OPERATING PROFIT</b>		
Operating profit is stated after taking account of the following items:		
Management fees paid – group companies (note 14.3)	4	4
Settlement expense of litigation disputes	–	180
Impairment of investment in Pepkor Capital (RF) Proprietary Limited (note 5)	–	144
Impairment of investment in Tekkie Town Proprietary Limited (note 5)	211	–
All directors' fees and remuneration was paid by subsidiary companies and Ibex (formerly Steinhoff) where applicable. Refer to note 14.4.		
<b>3. FINANCE COSTS</b>		
Finance costs paid on medium-term notes issued	<b>(311)</b>	(187)
<b>4. TAXATION</b>		
<b>Taxation charge</b>		
Normal taxation		
South African normal taxation – current year	–	–
Deferred taxation		
South African deferred taxation – current year	–	–
	–	–
	<b>%</b>	<b>%</b>
<b>Reconciliation of rate of taxation</b>		
Standard rate of taxation	27.0	28.0
Exempt income <sup>1</sup>	(46.5)	(30.0)
Non-deductible expenditure	2.8	2.0
Non-deductible expenditure relating to impairment of investments	16.7	–
<b>Effective rate of taxation</b>	<b>–</b>	<b>–</b>

The South African statutory tax rate changed from 28% to 27% effective for years ending on or after 31 March 2023.

No deferred taxation asset has been recognised in the current and prior year due to the uncertainty regarding the generation of future taxable income against which this can be utilised.

<sup>1</sup> Exempt income relates to dividend and investment income.

	Year ended 30 September 2023 Rm	Year ended 30 September 2022 Rm
<b>5. INVESTMENT IN SUBSIDIARY COMPANIES</b>		
Shares at cost at the beginning of the year	59 993	60 501
Investment in Pepkor Capital (RF) Proprietary Limited received through dividend in specie	–	144
Investment in Pepkor Proprietary Limited received through dividend in specie <sup>1</sup>	–	–
Investment in Boland Mountains Financial Services Limited received through dividend in specie <sup>1</sup>	–	–
Capital distribution received	–	(508)
Impairment of investment	(211)	(144)
Shares at cost at the end of the year	59 782	59 993
Share-based payments (note 8)	484	631
	60 266	60 624
Share-based payments receivable within 12 months included in current assets	(290)	(264)
<b>Total non-current investment in subsidiary companies</b>	<b>59 976</b>	<b>60 360</b>

The share-based payments receivable within 12 months included in current assets will be settled when the share scheme vests in March 2024 (2022: March 2023).

#### 2023

During the year, Pepkor Proprietary Limited declared its investment in Boland Mountains Financial Services Limited to the value of R1 as dividend in specie to the company.

The investment in Pepkor Capital (RF) Proprietary Limited was subsequently impaired as the company has been dormant for the 2022 financial year and in the process of being deregistered in the current financial year.

#### 2022

As part of a restructure during the previous financial year, Pepkor Holdco Proprietary Limited and Pepkor Capital (RF) Proprietary Limited respectively declared its investment in Pepkor Capital (RF) Proprietary Limited and Pepkor Proprietary Limited to the company through a dividend in specie. The investment in Pepkor Capital (RF) Proprietary Limited was subsequently impaired as the company has been dormant for the 2022 financial year and in the process of being deregistered in the current financial year.

During the previous financial year, Tekkie Town Proprietary Limited (Tekkie Town) declared a capital distribution to the full extent of the loan receivable balance due to Tekkie Town by Pepkor Speciality Proprietary Limited, which in turn declared a capital distribution to the company. The capital distribution was treated as a reduction in the company's investment in subsidiaries.

#### Impairment methodology

The company considers its investments in subsidiaries for impairment at each reporting date. The investments' carrying amounts are written down to its recoverable amounts if the investments' carrying amounts are greater than its estimated recoverable amounts. Pepkor Proprietary Limited (2022: Pepkor Holdco Proprietary Limited) is the holding company for the majority of the group's Clothing and general merchandise investments which is a significant contributor to the company's investment in subsidiary companies. The Clothing and general merchandise segment is seen as a separate CGU. The recoverable amount of each CGU is the higher of its value-in-use and its fair value less costs of disposal. Each CGU is tested for impairment at the reporting date to determine if any indicators of impairment have been identified.

The investment in Tekkie town was impaired by R211 million (2022: Rnil) to its recoverable amount being the fair value less costs of disposal. Tekkie Town was impacted by ongoing loadshedding and weak projected macroeconomic activity placing further pressure on customer disposable income and impacting the demand of products resulting in a lower recoverable amount for Tekkie Town.

Refer to note 9 in the group financial statements for the assumptions used for the Clothing and general merchandise and Tekkie Town group of CGUs.

<sup>1</sup> Investment in subsidiary is less than R500 000.

	Shareholding %	Cost Rm	Accumulated impairment Rm	Carrying value Rm
<b>5. INVESTMENT IN SUBSIDIARY COMPANIES (continued)</b>				
<b>30 September 2023<sup>1</sup></b>				
Pepkor Proprietary Limited <sup>2,3</sup>	100	64 433	(6 998)	57 435
JD Group Proprietary Limited <sup>2</sup>	100	–	–	–
Tekkie Town Proprietary Limited	100	2 915	(1 856)	1 059
The Building Company Proprietary Limited	100	2 651	(1 546)	1 105
SA Poco Retail Proprietary Limited <sup>2,4</sup>	100	–	–	–
Abacus Holdco Proprietary Limited	100	183	–	183
Pepkor Capital (RF) Proprietary Limited <sup>4</sup>	100	144	(144)	–
Pepkor Holdco Proprietary Limited <sup>3</sup>	100	–	–	–
Boland Mountains Financial Services Limited <sup>2</sup>	100	–	–	–
		<b>70 326</b>	<b>(10 544)</b>	<b>59 782</b>
<b>30 September 2022<sup>1</sup></b>				
Pepkor Holdco Proprietary Limited	100	64 433	(6 998)	57 435
JD Group Proprietary Limited <sup>2</sup>	100	–	–	–
Tekkie Town Proprietary Limited	100	2 915	(1 645)	1 270
The Building Company Proprietary Limited	100	2 651	(1 546)	1 105
SA Poco Retail Proprietary Limited <sup>2,4</sup>	100	–	–	–
Abacus Holdco Proprietary Limited	100	183	–	183
Pepkor Capital (RF) Proprietary Limited <sup>4</sup>	100	144	(144)	–
Pepkor Proprietary Limited <sup>2</sup>	100	–	–	–
		70 326	(10 333)	59 993

<sup>1</sup> All companies are incorporated in South Africa.

<sup>2</sup> Investment in subsidiary is less than R500 000.

<sup>3</sup> In anticipation of the liquidation of Pepkor Holdco Proprietary Limited and reorganisation of the group companies, the carrying value of the investment in Pepkor Holdco Proprietary Limited has been reallocated to Pepkor Proprietary Limited.

<sup>4</sup> The company is in the process of being deregistered.

	Year ended 30 September 2023 Rm	Year ended 30 September 2022 Rm
<b>6. RELATED-PARTY LOANS RECEIVABLE</b>		
Related party loans receivable	3 617	6 947
Provision for impairment <sup>1</sup>	–	(2 116)
<b>Net of impairment provision</b>	<b>3 617</b>	<b>4 831</b>
Related party loan receivable within 12 months included in current assets	<b>(308)</b>	(165)
<b>Total non-current related party loan receivable</b>	<b>3 309</b>	<b>4 666</b>
<b>Reconciliation of movement for the year</b>		
Balance at beginning of the year	4 831	3 473
Loan receivable raised through capital distribution (note 5)	–	508
Loan receivable raised through dividend in specie (note 14.3)	501	739
Floating rate notes issued via intercompany nominated bank account	1 198	–
Floating rate notes settled via intercompany nominated bank account	(800)	–
Additional loans granted/(repaid)	408	(686)
Share buy-back and related transaction costs and taxes (note 9)	(511)	(643)
Dividend received (note 1)	15	2 471
Dividend paid	(2 025)	–
Loans receivable regarding share issue on properties purchased (note 9)	–	19
Loans repaid regarding share issue on properties purchased	–	(1 050)
<b>Balance at end of the year</b>	<b>3 617</b>	<b>4 831</b>
<b>7. OTHER RECEIVABLES</b>		
Insurance claim receivable	–	146
Related-party receivables (note 14.3)	106	42
	<b>106</b>	<b>188</b>

<sup>1</sup> A provision for impairment of R2 116 million (2022: Rnil) was written off in the current year.

## 8. PEPKOR GROUP SCHEME

### Terms of the scheme

Pepkor granted future share rights to share scheme participants under the Pepkor Executive Share Rights Scheme. The grants remain subject to meeting certain performance conditions (vesting conditions) over the vesting period.

### Pepkor Executive Share Right Scheme

The Pepkor Executive Share Rights Scheme is subject to the following conditions:

- Rights are granted to qualifying senior executives on an annual basis.
- Vesting of rights occurs on the third anniversary of grant date, provided performance criteria, as set by Pepkor Holdings Limited's remuneration committee at or about the time of the grant date, have been achieved.
- In the event of performance criteria not being satisfied by the third anniversary of the relevant annual grant, rights attaching to the particular grant will lapse.

### Assumptions

The fair value of services received in return for share rights granted is measured at fair value of the share rights granted. The estimated value of the services received is measured based on the assumption that all vesting conditions are met and all employees remain in service. The value of the share rights granted is measured by reference to the market value of the shares. (2021 and 2020: The pricing model used was the Monte Carlo simulation model. The equity volatility was determined using an exponentially weighted moving average of Pepkor's historical daily closing share price).

	2023 grant	2022 grant	2021 grant	2020 grant
Fair value of Pepkor share rights and assumptions:				
Fair value at grant date	<b>18.65</b>	22.02	13.56	13.03
Share price at grant date	<b>18.65</b>	22.02	14.64	13.96
Strike price	<b>n/a</b>	n/a	Rnil	Rnil
Expected volatility	<b>n/a</b>	n/a	41.2%	28.2%
Dividend yield	<b>n/a</b>	n/a	2.5%	2.3%
Risk-free interest rate	<b>n/a</b>	n/a	4.8%	6.5%
Option life	<b>3 years</b>	3 years	3 years	3 years

### Share scheme settlement provision affecting equity

Rights granted under the Pepkor Executive Share Rights Scheme are subject to a share scheme settlement arrangement whereby the subsidiary companies are required to pay the subscription price of shares granted to employees, equivalent to the quoted market price of such shares on the vesting date when the shares are secured by the subsidiary companies for delivery to the employees less the rights subscription price payable by the employees. Refer to the summary of accounting policies, group share-based payment transactions for more details.

	2023 Rm	2022 Rm
<b>Fair value of share scheme settlement receivable</b>		
Balance at beginning of the year	<b>602</b>	525
Increase in fair value	<b>112</b>	337
Settlement	<b>(295)</b>	(260)
Balance at end of the year	<b>419</b>	602
<b>Capital contribution investment in subsidiary</b>		
Balance at beginning of the year	<b>29</b>	25
Capital contribution	<b>36</b>	4
Balance at end of the year	<b>65</b>	29
<b>Total</b>	<b>484</b>	631

	30 September 2023 Number of shares	30 September 2022 Number of shares
<b>9. STATED CAPITAL</b>		
<b>9.1 Authorised – ordinary</b>		
Ordinary shares of no par value	<b>20 000 000 000</b>	20 000 000 000
<b>9.2 Issued – ordinary</b>		
Balance at beginning of the year	<b>3 678 141 546</b>	3 697 270 680
Share issue under Pepkor Executive Share Rights Scheme	<b>17 068 639</b>	11 824 414
Share issue as properties purchase consideration	–	1 279 253
Share buy-back and cancellation	<b>(27 783 542)</b>	(32 232 801)
<b>Total issued ordinary stated share capital</b>	<b>3 667 426 643</b>	3 678 141 546
	<b>Rm</b>	<b>Rm</b>
<b>9.3 Issued – ordinary</b>		
Balance at beginning of the year	<b>67 228</b>	67 621
Share issue under Pepkor Executive Share Rights Scheme	<b>226</b>	231
Share issue as properties purchase consideration	–	19
Share buy-back and cancellation, net of transaction costs and related taxes	<b>(511)</b>	(643)
<b>Total issued ordinary stated share capital</b>	<b>66 943</b>	67 228
	<b>Number of shares</b>	<b>Number of shares</b>
<b>9.4 Unissued shares</b>		
Shares reserved for future participation in share schemes	<b>137 372 153</b>	154 440 792
Unissued shares	<b>16 195 201 204</b>	16 167 417 662
<b>Total unissued shares</b>	<b>16 332 573 357</b>	16 321 858 454
The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the company.		
<b>9.5 Authorised – preference</b>		
Non-redeemable, non-cumulative, non-participating preference shares of no par value	<b>5 000 000</b>	5 000 000
Non-redeemable, cumulative, non-participating preference shares of no par value	<b>2 500 000</b>	2 500 000
Redeemable, non-cumulative, non-participating preference shares of no par value	<b>2 500 000</b>	2 500 000
Redeemable, cumulative, non-participating preference shares of no par value in the following classes:		
Class A1 redeemable, cumulative, non-participating preference shares of no par value	<b>10 000 000</b>	10 000 000
Class A2 redeemable, cumulative, non-participating preference shares of no par value	<b>10 000 000</b>	10 000 000
Class A3 redeemable, cumulative, non-participating preference shares of no par value	<b>10 000 000</b>	10 000 000
Class A4 redeemable, cumulative, non-participating preference shares of no par value	<b>10 000 000</b>	10 000 000
Class A5 redeemable, cumulative, non-participating preference shares of no par value	<b>10 000 000</b>	10 000 000
<b>Total authorised preference share capital</b>	<b>60 000 000</b>	60 000 000



	30 September 2023 Rm	30 September 2022 Rm
<b>10. OTHER PAYABLES AND ACCRUALS</b>		
Other payables and amounts due	42	28
Deferred dividend – Pepkor Executive Share Right Scheme	50	195
<b>Total financial liabilities</b>	<b>92</b>	<b>223</b>

The fair values of other payables and accruals are disclosed in note 15.

## 11. INTEREST-BEARING LOANS AND BORROWINGS

### 11.1 Analysis of closing balance: External interest-bearing loans and borrowings

Secured financing		
Floating rate notes	3 604	3 206
Portion payable within 12 months included in current liabilities	(1 435)	(800)
<b>Total non-current interest-bearing loans and borrowings</b>	<b>2 169</b>	<b>2 406</b>

### 11.2 Analysis of repayment: External interest-bearing loans and borrowings

Repayable within the next year and thereafter - current and non-current split		
Next year	1 435	800
Within two years	206	1 435
Within three years	1 113	206
Within four years	–	765
Within five years	850	–
	<b>3 604</b>	<b>3 206</b>

	Maturity date	Interest rate		
<b>11.3 Loan details</b>				
Loans due:				
Floating rate notes – PEP01	10 March 2023	Three-month Jibar plus 159 bps	–	800
Floating rate notes – PEP02	10 March 2025	Three-month Jibar plus 174 bps	206	206
Floating rate notes – PEP03	5 May 2024	Three-month Jibar plus 152 bps	1 435	1 435
Floating rate notes – PEP04	5 May 2026	Three-month Jibar plus 170 bps	765	765
Floating rate notes – PEP05	6 March 2026	Three-month Jibar plus 123 bps	348	–
Floating rate notes – PEP06	6 March 2028	Three-month Jibar plus 138 bps	850	–
			<b>3 604</b>	<b>3 206</b>

	30 September 2023 Rm	30 September 2022 Rm
<b>11. INTEREST-BEARING LOANS AND BORROWINGS (continued)</b>		
<b>Floating rate notes</b>		
On 1 March 2023, the group replaced floating rate notes of R800 million (PEP01), which carried interest at three-month Jibar plus 159 bps, with three-year floating rate notes of R348 million at three-month Jibar plus 123 bps (PEP05) and five-year floating rate notes of R850 million at three-month Jibar plus 138 bps (PEP06). These floating rate notes were issued under the Domestic Medium-Term Note (DMTN) programme, which is a further source of funding to the group. The DMTN is guaranteed by Pepkor Trading Proprietary Limited.		
Interest-bearing borrowings bear interest at variable, market-determined rates and are repayable quarterly in arrears. These borrowings are measured at amortised cost, which approximates their fair value.		
The undiscounted cash flows of the remaining contractual maturity as well as the fair values of interest-bearing loans and borrowings are disclosed in note 15.		
<b>11.4 Total net debt</b>		
Cash and cash equivalents	–	–
Interest-bearing loans and borrowings	<b>(3 604)</b>	(3 206)
	<b>(3 604)</b>	(3 206)
<b>Net debt reconciliation</b>		
Net debt at the beginning of the year	<b>3 206</b>	4 449
Movement in interest bearing loans and borrowings		
Floating rate notes issued via intercompany nominated bank account	<b>1 198</b>	–
Floating rate notes settled via intercompany nominated bank account	<b>(800)</b>	–
Movement in related-party loans payable		
Dividend in specie declared (note 14.3)	–	(1 243)
Net movement in cash and cash equivalents	–	–
	<b>3 604</b>	3 206

## 12. CONTINGENT LIABILITIES

There is no litigation, current or pending, which is considered likely to have a material adverse effect on the company.

	Year ended 30 September 2023 Rm	Year ended 30 September 2022 Rm
<b>13. CASH GENERATED FROM OPERATIONS</b>		
Operating profit	<b>663</b>	4 436
Adjusted for:		
Dividends received (note 1)	<b>(15)</b>	(2 471)
Dividends in specie received (note 1)	<b>(501)</b>	(2 126)
Share-based payment non-cash adjustments	<b>(71)</b>	180
Impairment of investment in subsidiary (note 5)	<b>211</b>	144
<b>Cash generated from operations before working capital changes</b>	<b>287</b>	163
Working capital changes		
Decrease/(increase) in receivables	<b>82</b>	(144)
Increase in other payables and accruals	<b>56</b>	66
<b>Net changes in working capital</b>	<b>138</b>	(78)
<b>Cash generated from operations</b>	<b>425</b>	85

	Year ended 30 September 2023 Rm	Year ended 30 September 2022 Rm
<b>14. RELATED PARTY TRANSACTIONS</b>		
Related-party relationships exist between shareholders and subsidiaries within the group and its company directors and key management employees.		
<b>14.1 Subsidiaries</b>		
Details of investments in direct subsidiaries are disclosed in note 5.		
<b>14.2 Financial guarantee contracts</b>		
Details of financial guarantee contracts are disclosed in note 16 of the company financial statements.		
<b>14.3 Trading transactions and balances</b>		
The following is a summary of transactions with related parties during the year and balances at year end:		
<b>Loans receivable from:</b>		
Pepkorfin Proprietary Limited	2 447	3 661
Pepkor Proprietary Limited	662	662
Pepkor Speciality Proprietary Limited	508	508
	<b>3 617</b>	4 831
The loans receivable bear no interest, except for the loan with Pepkorfin Proprietary Limited which bears interest at market-related interest rates. All loans has no fixed terms of repayment.		
<b>Loan payable to:</b>		
SAHPL Proprietary Limited (formerly Steinhoff Africa Holdings Proprietary Limited)	(1)	–
	<b>(1)</b>	–
<b>Accounts receivable from:</b>		
Pepkor Trading Proprietary Limited	–	1
Pepkorfin Proprietary Limited	–	41
Abacus Insurance Limited	106	–
	<b>106</b>	42
<b>Accounts payable to:</b>		
Pepkorfin Proprietary Limited	(41)	–
	<b>(41)</b>	–
<b>Dividends received:</b>		
Pepkor Holdco Proprietary Limited	–	2 400
Abacus Holdings Proprietary Limited	15	71
	<b>15</b>	2 471

	Year ended 30 September 2023 Rm	Year ended 30 September 2022 Rm
<b>14. RELATED PARTY TRANSACTIONS (continued)</b>		
<b>14.3 Trading transactions and balances (continued)</b>		
<b>Dividends in specie received:</b>		
Pepkor Holdco Proprietary Limited (note 5)	–	144
Pepkor Capital (RF) Proprietary Limited <sup>1</sup>	–	1 982
The Building Company Proprietary Limited	<b>501</b>	–
	<b>501</b>	2 126
<b>Dividends paid:</b>		
Ainsley Holdings Proprietary Limited	<b>997</b>	963
SAHPL Proprietary Limited (formerly Steinhoff Africa Holdings Proprietary Limited)	<b>38</b>	–
Tanzanite Treasure Trading 7 Proprietary Limited	<b>1</b>	–
	<b>1 036</b>	963
<b>Management fees paid:</b>		
Pepkor Trading Proprietary Limited	<b>(4)</b>	(4)
<b>Directors' fees paid:</b>		
SAHPL Proprietary Limited (formerly Steinhoff Africa Holdings Proprietary Limited)	<b>(2)</b>	(2)
<b>Interest received:</b>		
Pepkorfin Proprietary Limited	<b>311</b>	187

**14.4 Compensation of key management personnel**

Refer to note 32 of the consolidated financial statements.

<sup>1</sup> The dividend in specie received from Pepkor Capital (RF) Proprietary Limited in 2022 as part of a restructure during the prior year comprise R1 243 million for the loan receivable from the company, R662 million loan receivable from Pepkor Proprietary Limited and R77 million loan receivable from Pepkorfin Proprietary Limited.

## 15. FINANCIAL INSTRUMENTS

The management, board and executive team are responsible for implementing the risk management strategy to ensure that an appropriate risk management framework is operating effectively within the company, embedding a risk management culture. The board and the audit and risk committee are provided with a view of the risk profile of the company and any major exposures and relevant mitigating actions are identified.

The system of risk management is designed so that the different business units are able to tailor and adapt their risk management processes to suit their specific circumstances.

Regular management reporting and internal audit reports provide a balanced assessment of key risks and controls. The financial director provides quarterly confirmation to the board that financial and accounting control frameworks have operated satisfactorily and consistently.

	<b>Loans and receivables and other financial liabilities at amortised cost<sup>1</sup></b>	
	<b>30 September 2023 Rm</b>	30 September 2022 Rm
<b>15.1 Total financial assets and liabilities</b>		
Related-party loans receivable	<b>3 309</b>	4 666
<b>Non-current financial assets</b>	<b>3 309</b>	4 666
Related-party loans receivable	<b>308</b>	165
Other receivables	<b>106</b>	188
Cash and cash equivalents	<b>–</b>	–
<b>Current financial assets</b>	<b>414</b>	353
Interest-bearing loans and borrowings	<b>(2 169)</b>	(2 406)
<b>Non-current financial liabilities</b>	<b>(2 169)</b>	(2 406)
Interest-bearing loans and borrowings	<b>(1 435)</b>	(800)
Other payables and accruals	<b>(92)</b>	(223)
Related-party loans payable	<b>(42)</b>	–
<b>Current financial liabilities</b>	<b>(1 569)</b>	(1 023)
	<b>(15)</b>	1 590

No items were classified as 'at fair value through profit or loss' or 'at fair value through other comprehensive income' during the current and previous financial year.

No fair value adjustments were made to any of the financial assets and liabilities.

### 15.2 Foreign currency risk

All the financial assets and liabilities of the company are denominated in the company's functional currency of South African rand.

<sup>1</sup> Financial assets and liabilities carried at amortised cost which approximates their fair value.

## 15. FINANCIAL INSTRUMENTS (continued)

### 15.3 Interest rate risk

As part of the process of managing the company's borrowings mix, the interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates. Interest rate exposure is managed within limits agreed by the board.

At the reporting date, the interest rate profile of the company's financial instruments was as follows:

	Subject to interest rate movements			Total Rm
	Variable South African prime Rm	Variable Jibar Rm	Non-interest bearing Rm	
<b>30 September 2023</b>				
Non-current financial assets	2 139	–	1 170	3 309
Current financial assets	308	–	106	414
Non-current financial liabilities	–	(2 169)	–	(2 169)
Current financial liabilities	–	(1 435)	(134)	(1 569)
	<b>2 447</b>	<b>(3 604)</b>	<b>1 142</b>	<b>(15)</b>
<b>30 September 2022</b>				
Non-current financial assets	3 496	–	1 170	4 666
Current financial assets	165	–	188	353
Non-current financial liabilities	–	(2 406)	–	(2 406)
Current financial liabilities	–	(800)	(223)	(1 023)
	<b>3 661</b>	<b>(3 206)</b>	<b>1 135</b>	<b>1 590</b>

#### Sensitivity analysis

The company is sensitive to movements in the Jibar and SA prime rates, which are the primary interest rates to which the company is exposed.

The sensitivities calculated below are based on an increase of 200 basis points (2022: 200 basis points) for each interest category. These rates are also used when reporting sensitivities internally to key management employees.

	30 September 2023 Rm	30 September 2022 Rm
<i>Through (profit)/loss</i>		
SA prime – 200 basis point increase	(98)	(146)
Jibar – 200 basis point increase	72	64

A 200 basis point decrease in the above rates would have had an equal, but opposite, effect on profit or loss.

	30 September 2023 Rm	30 September 2022 Rm
<b>15. FINANCIAL INSTRUMENTS (continued)</b>		
<b>15.4 Credit risk</b>		
Potential concentration of credit risk consists principally of related-party loans receivable. Management has assessed the ECL for these current financial assets in both the current and prior year and found it to be immaterial.		
The carrying amounts of financial assets represent the maximum credit exposure.		
The maximum exposure to credit risk at the reporting date, without taking account of the value of any collateral and financial guarantees are as follows:		
Non-current financial assets	<b>3 309</b>	4 666
Current financial assets	<b>414</b>	353
Maximum exposure to financial guarantees	<b>19 080</b>	18 247
	<b>22 803</b>	23 266

Credit risk is concentrated within southern Africa, which has been assessed based on the ECL model. Management has concluded that the effect would not be material in the current and prior year as there is no material deterioration in credit risk related to the counterparties.

### 15.5 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the entity could be required to pay its liabilities earlier than expected. The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate borrowing facilities are available. The company can also call on financial assistance from certain companies within the Pepkor group of companies based on an agreement if the need arise.

The following are the contractual maturities of financial liabilities:

	Total Rm	0 to 3 months Rm	4 to 12 months Rm	Year 2 Rm	Years 3 to 5 Rm
<b>2023</b>					
Non-current financial liabilities	<b>2 886</b>	<b>55</b>	<b>166</b>	<b>417</b>	<b>2 248</b>
Current financial liabilities	<b>1 730</b>	<b>222</b>	<b>1 508</b>	–	–
Financial guarantee contracts	<b>19 080</b>	<b>19 080</b>	–	–	–
	<b>23 696</b>	<b>19 357</b>	<b>1 674</b>	<b>417</b>	<b>2 248</b>
<b>2022</b>					
Non-current financial liabilities	2 868	57	143	1 587	1 081
Current financial liabilities	1 052	1 052	–	–	–
Financial guarantee contracts	18 247	18 247	–	–	–
	22 167	19 356	143	1 587	1 081

Further details of financial guarantee contracts are provided in note 16.

## 15. FINANCIAL INSTRUMENTS (continued)

### 15.6 Treasury risk

A finance forum, consisting of senior executives of the company, meets on a regular basis to analyse currency and interest rate exposure and to review and, if required, to adjust the company's treasury management strategies in the context of prevailing and forecast economic conditions.

### 15.7 Capital risk

The company manages its capital to ensure that the company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the company consists of equity, comprising issued capital, distributable reserves and retained earnings as disclosed in the statement of changes in equity.

The company's audit and risk committee reviews the capital structure of the company on a quarterly basis. As a part of this review, the committee considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the committee, the company will balance its overall capital structure through the payment of dividends, new share issues and share buybacks as well as the issue of new debt or the redemption of existing debt.

## 16. FINANCIAL GUARANTEE CONTRACTS

The company along with other subsidiaries guaranteed the term loans, revolving credit facilities and general banking facilities under the terms of the guarantee. The company will make payments to reimburse the lenders upon failure of the guarantee entity to make payments when due. The company has secured a letter of support from fellow subsidiaries within the group in the event that the company is called upon to perform on such commitment.

	Face value 2023 Rm	Drawdown balance 2023 Rm	Face value 2022 Rm	Drawdown balance 2022 Rm
Term loans	5 705	5 705	6 000	6 000
Revolving credit facilities	1 500	1 500	1 500	1 500
General banking facilities	10 203	2 025	9 218	1 278
Guarantee facilities	672	500	529	434
Bridge facilities	1 000	–	1 000	–
	<b>19 080</b>	<b>9 730</b>	18 247	9 212

The financial liability relating to the current guarantee contracts has been provided by Pepkor Trading Proprietary Limited as it is probable that the trading entity will pay the guarantees in the event of default at group level.



## 17. DISTRIBUTION TO ORDINARY SHAREHOLDERS

The board has declared a dividend to shareholders in respect of the year ended 30 September 2023 of 48.1 cents (2022: 55.2 cents). The dividend will be payable to the holders of ordinary shares in the share capital of the company recorded in the securities register of the company on 22 January 2024. The last date to trade in order to be eligible to receive the dividend will be 16 January 2024, and the ex-dividend date will be 17 January 2024. The dividend will be paid and broker accounts updated, as the case may be, on 22 January 2024.

## 18. EVENTS AFTER THE BALANCE SHEET DATE

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

## 19. GOING CONCERN

The board of directors have evaluated the going concern assumption as at 30 September 2023, taking into account the current financial position and existing borrowing facilities, the directors are satisfied that the group is a going concern and have continued to adopt the going concern basis in preparing the annual financial statements.

The cash flows and liquidity projections of the group have been prepared for a period exceeding 12 months from the reporting date and included performing sensitivity analyses based on various scenarios.

## 20. RESTATEMENT OF PRIOR YEAR COMPARATIVES

### Separate statement of cash flows

Prior year cash flows from investing and financing activities have been restated to correctly reflect the nature of the share buy-back as a financing activity and to show the gross cash inflows and outflows of the related-party loans receivable.

	Previously reported 30 September 2022 Rm	Share buy-back reclassified to financing activities 30 September 2022 Rm	Related-party cash flows split between gross inflows and outflows 30 September 2022 Rm	Restated 30 September 2023 Rm
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Amounts received from related-party loans receivable	1 736	643	3 013	<b>5 392</b>
Amounts paid to related-party loans receivable	–	–	(3 013)	<b>(3 013)</b>
<b>Net cash inflow from investing activities</b>	<b>1 736</b>	<b>643</b>	<b>–</b>	<b>2 379</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Amount paid on share buy-back	–	(643)	–	<b>(643)</b>
<b>Net cash outflow from financing activities</b>	<b>–</b>	<b>(643)</b>	<b>–</b>	<b>(643)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Cash and cash equivalents at beginning of the year	–	–	–	–
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

# Shareholder analysis

Shareholder spread	Ordinary shares			
	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	23 126	68.01	2 133 268	0.06
1 001 – 10 000 shares	8 131	23.91	28 835 787	0.79
10 001 – 100 000 shares	1 874	5.51	54 651 789	1.49
100 001 – 1 000 000 shares	656	1.93	217 802 476	5.94
1 000 001 shares and over	217	0.64	3 364 003 323	91.72
<b>Total</b>	<b>34 004</b>	<b>100.00</b>	<b>3 667 426 643</b>	<b>100.00</b>

Distribution of shareholders	Ordinary shares			
	Number of shareholders	%	Number of shares	%
Strategic investments	3	0.01	1 611 708 550	43.95
Pension funds	232	0.68	565 596 828	15.42
Unit trusts	332	0.98	465 068 608	12.68
Private investors	175	0.51	293 639 244	8.01
Sovereign wealth	12	0.04	256 998 975	7.01
Mutual funds	140	0.41	126 857 831	3.46
Insurance companies	23	0.07	47 193 430	1.29
Trading position	21	0.06	42 517 835	1.16
Hedge funds	14	0.04	39 666 352	1.08
Exchange-traded funds	36	0.11	37 401 467	1.02
Corporate holdings	4	0.01	36 167 670	0.99
Charities	18	0.05	11 806 208	0.32
Medical aid schemes	14	0.04	8 885 892	0.24
Custodians	14	0.04	6 185 730	0.17
Universities	10	0.03	4 714 931	0.13
Local authorities	3	0.01	2 894 597	0.08
Foreign governments	4	0.01	792 171	0.02
ESG	2	0.01	278 998	0.01
Other managed funds	4	0.01	256 028	0.01
Black economic empowerment	2	0.01	150 000	0.00
Remainder	32 941	96.87	108 645 209	2.95
<b>Total</b>	<b>34 004</b>	<b>100.00</b>	<b>3 667 426 643</b>	<b>100.00</b>

Public/non-public shareholders	Number of shareholders	%	Number of shares	%
Public shareholders	33 997	99.98	2 053 259 156	55.98
Non-public shareholders	7	0.02	1 614 167 487	44.01
Directors and associates	4	0.01	2 786 920	0.08
Strategic holdings (more than 10%)	2	0.01	1 610 429 297	43.91
Treasury shares	1	0.00	951 270	0.03
<b>Totals</b>	<b>34 004</b>	<b>100.00</b>	<b>3 667 426 643</b>	<b>100.00</b>

Beneficial shareholders holding 1% or more	Number of shares	%
Ainsley Holdings Proprietary Limited	1 541 708 550	42.04
Government Employees Pension Fund (PIC)	331 439 424	9.04
Titan Premier Investments Proprietary Limited	199 394 550	5.44
GIC Asset Management Private Limited	113 729 455	3.10
Government of Norway	95 953 475	2.62
SAHPL Proprietary Limited	68 720 747	1.87
Various retail investors	59 097 962	1.61
Coronation Top 20 Fund	48 278 950	1.32
<b>Total</b>	<b>2 458 323 113</b>	<b>67.04</b>

Fund managers holding 1% or more	Number of shares	%
PIC	250 890 836	6.84
Titan Premier Investments Proprietary Limited	199 394 550	5.44
Coronation Asset Management Proprietary Limited	191 728 727	5.23
GIC Asset Management Private Limited	112 713 955	3.07
The Vanguard Group Incorporated	81 776 078	2.23
Value Capital Partners	81 351 242	2.22
Sanlam Investment Management Proprietary Limited	78 141 365	2.13
Allan Gray Proprietary Limited	68 147 914	1.86
Fairtree Asset Management Proprietary Limited	67 118 301	1.83
BlackRock Advisors LLC	59 070 534	1.61
Camissa Asset Management	51 312 821	1.40
Truffle Asset Management Proprietary Limited	49 170 299	1.34
Abax Investments	42 192 450	1.15
Sanlam Private Investments	39 472 105	1.08
<b>Total</b>	<b>1 372 481 177</b>	<b>37.43</b>

# Corporate information

**Registration number**

2017/221869/06

**Share code**

PPH

**Debt code**

PPHI

**ISIN**

ZAE000259479

**LEI**

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**Debt sponsor**

Rand Merchant Bank (A division of FirstRand Bank Limited)  
(Registration number 1929/001225/06)  
1 Merchant Place, Corner Fredman Drive and Rivonia Road  
Sandton 2196  
PO Box 786273, Sandton 2146

**Corporate broker**

Rand Merchant Bank  
(A division of FirstRand Bank Limited)

**Transfer secretary**

Computershare Investor Services Proprietary Limited  
Rosebank Towers, 15 Biermann Avenue, Rosebank 2196



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*Holdings Limited*

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