pepco group

Pepco Group N.V.

Annual Report and Consolidated Financial Statements 2023

Building a foundation for profitable growth

We are a large-scale variety discount retailer operating across Europe. We are committed to offering our shoppers – and especially families on a budget – everything they need to replenish and enhance their home across key apparel, general merchandise and FMCG categories.

> For more on Pepco Group, visit our website: **www.pepcogroup.eu**

Highlights

Stores[1]	**4,629**		
	FY23	4,629	+17%
	FY22	3,961	+13%
Revenue	**€5,649m**		
	FY23	5,649	+17%
	FY22	4,823	+17%
Like-for-like sales	**6.0%**		
	FY23	6.0	+0.8pp
	FY22	5.2	-1.3pp
Underlying (IFRS16) EBITDA[2]	**€753m**		
	FY23	753	+3%
	FY22	731	+13%
Underlying (pre-IFRS16) EBITDA[3]	**€396m**		
	FY23	396	-10%
	FY22	439	+10%
Underlying PBT[4]	**€202m**		
	FY23	202	-33%
	FY22	300	+23%
Net debt[5]	**€411m**		
	FY23	411	+€136m
	FY22	275	+€167m
ROIC[6]	**17.0%**		
	FY23	17.0	-8.0pps
	FY22	25.0	-0.5pps
Earnings per share[7]	**17.8 cents (€)**		
	FY23	17.8	-12.4 cents
	FY22	30.2	+7.4 cents

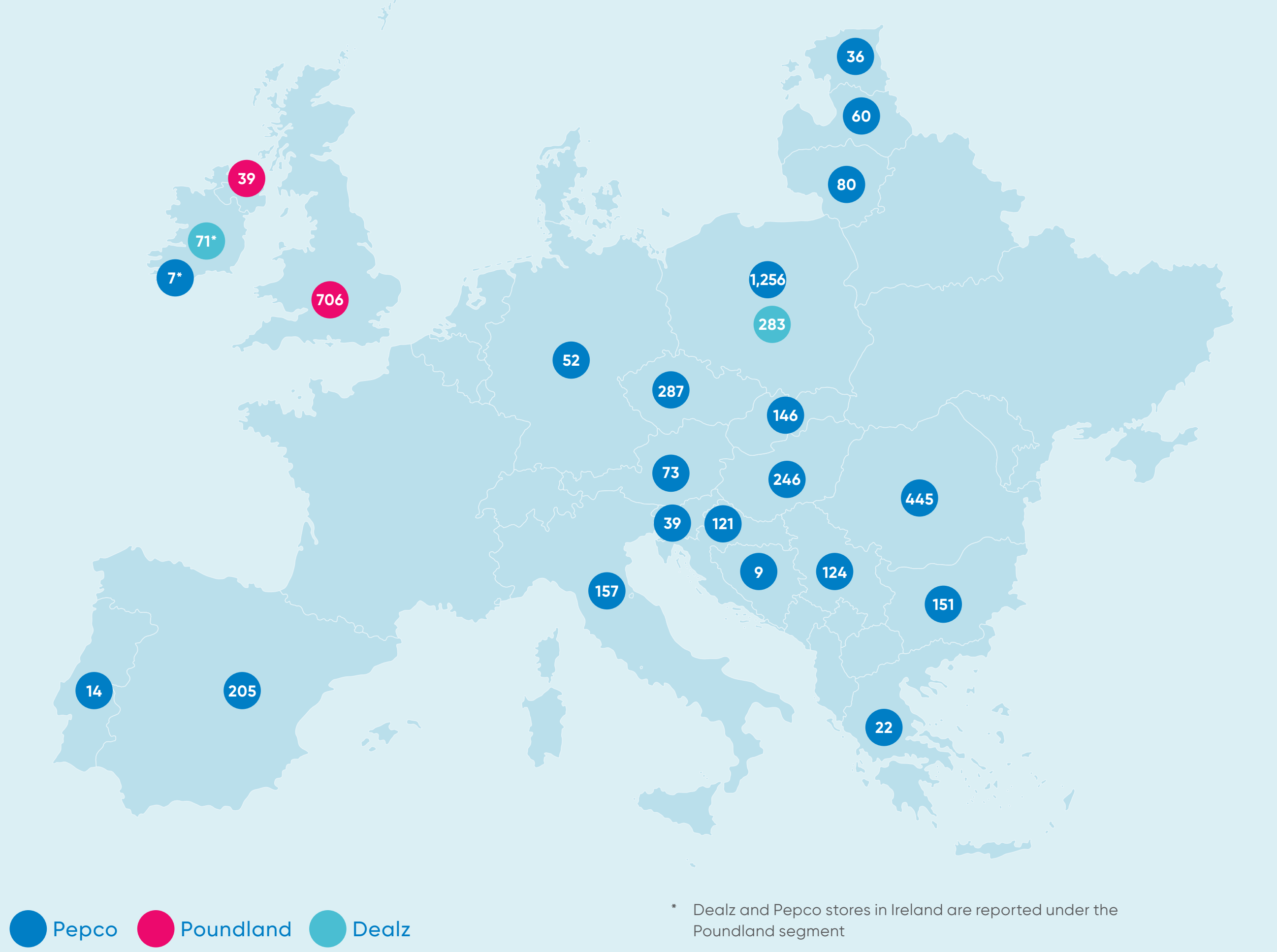
1 Alternative Performance Measure (APM), defined as the number of stores in the estate as at the period end.
2 APM, defined as profit on ordinary activities before depreciation, amortisation, rent, net finance costs and taxation. A reconciliation of underlying EBITDA to statutory measures is presented on note 27 in the financial statements.
3 APM, defined as profit on ordinary activities before depreciation, amortisation, net finance costs and taxation.
4 APM, defined as profit on ordinary activities before tax. A reconciliation of underlying PBT to statutory measures is presented on note 27 in the financial statements.
5 APM, defined as the Group's pre-IFRS 16, long-term borrowings, net of cash and bank balances as at 30 September 2023.
6 APM, defined as NOPAT/IC, where IC (invested capital) = PP&E + intangibles (excl. goodwill) + NWC (current assets – current liabilities excluding IFRS 16 lease liabilities) and NOPAT = net underlying operating profit after tax.
7 EPS, defined as basic earnings per share from continuing operations.

> See note 27 for definitions of APMs

A leader in value retailing

We are a large-scale variety discount retailer operating across Europe. Through our retail brands – Pepco, Poundland and Dealz – we are proud to trade from over 4,600 stores in 21 countries across Europe, serving 57 million shoppers each month.

Our locations



* Dealz and Pepco stores in Ireland are reported under the Poundland segment

Stores	Countries	Employees	Customers (per month)
4,629	21	47,487	57m

Our businesses

Pepco
Pepco operates over 3,500 stores in 19 countries, and is widely recognised as one of Poland's strongest retail brands. Pepco serves over 30 million customers a month, offering clothing for the whole family, and household goods at the lowest prices.

Stores
3,523

Poundland
Since opening its first store in Burton-upon-Trent in 1990, Poundland has built a network of over 800 stores in the UK and the Republic of Ireland (where it operates under the Dealz and Pepco formats). Poundland offers great quality own-brand and third-party products that provide customers with amazing value every day.

Stores
823

Dealz
Dealz has been present on the Polish market since 2018, operating 283 locations in 203 towns and cities across Poland. Dealz offers a variety of over 3,000 FMCG products in 15 categories at the lowest prices.

Stores
283

PGS
PGS provides direct product sourcing, product development and technical services to our Pepco, Poundland and Dealz brands. PGS is a real point of difference as we bring value to customers using our vertically integrated supply operation.

Sourcing countries
9

Our core markets

Long-term retail outlook in CEE favourable
Pepco Group has had to contend with high double-digit levels of inflation in its core Central and Eastern Europe (CEE) markets during 2023, which has suppressed consumer demand for our clothing and general merchandise products, with a focus on essentials instead. There are tentative signs of recovery as real wage growth started to return to positive territory at the end of 2023. Over the long term, the market dynamics across CEE remain structurally favourable with an expectation of growth in GDP, disposable income and growth in offline retail sales.

Sustained market share
Pepco Group has sustained its market share in its core CEE markets over the last five years, despite a huge increase in competition during the same period. This has been validated by our customers who recognise Pepco's leading position leading to superior NPS compared to our peers.

Price leadership focus
Maintaining price leadership across our brands is a core part of our brand values in order to provide a compelling value proposition for our customers and grow market share. Pepco has retained clear entry price leadership, with clothing 30% on average cheaper than its competitors, and general merchandise 50% cheaper.

Why invest?

Unique proposition
Pepco Group has a unique differentiated clothing and general merchandise offering supported by exclusive in-house sourcing office, PGS, which drives efficiencies and speed to market.

Growing market
Pepco Group is positioned in the most attractive segment of the sector – discount retail – offering quality clothing, general merchandise and FMCG products at low prices. The Group is one of the fastest growing pan-European retailers, opening 668 net new stores in FY23.

Strong brand equity
Pepco Group has strong brand equity and leading market share in its core markets, with 'Pepco' being a leading retail brand in Poland, and 'Poundland' having a strong brand presence in the UK. The Group will continue to leverage this position as we expand our offering in existing markets. Our proven profitable store model gives us confidence in the opportunity to continue building Europe's leading variety discount retailer.

Robust financials
The Group has funded all of its growth over recent years from operating cash flow, without the need to raise external debt or equity capital. The Group maintains a strong balance sheet with access to over €400 million in liquidity (from cash and credit facilities).

Measured and focused growth

Andy Bond
Executive Chair

"We have a clear, compelling and exciting future, but we need to do less to achieve more, re-earning the right to grow in a targeted way and transition into a single business."

Introduction

Our 2023 financial year can be characterised by a contrast of highs and lows. The business delivered a record financial performance, with our highest ever revenue and EBITDA outturn, alongside opening a record number of 668 net new stores across Europe. The ability of the team to ramp up to roll out over 340 stores in the fourth quarter alone highlights the capability and execution that our business has to open stores at scale and simultaneously across geographies.

However, our financial performance did not meet the targets we set ourselves at the start of the year. The Group faced an increasingly challenging consumer and macro-economic backdrop in the second half of the year with high inflation and interest rates across our core markets. Sales did not match the performance we enjoyed in the first half of the year, leading to a build-up of stock levels and higher costs that impacted profitability. Performance worsened further in the fourth quarter on the back of unseasonably warm weather in August and September, negatively impacting the launch of our Autumn and Winter ranges, resulting in unexpected negative like-for-like sales performance and a significant profit miss. While we recognise these failings and are acting quickly to address them, the underlying strength of our business model remains intact and we will see improvements during 2024.

> See our business model on page 8

Trevor Masters stood down from his role as CEO with immediate effect in September 2023, alongside the announcement of a weaker profit outturn for the year, and at the request of the Board I stepped into the role of Executive Chair, to manage the Group until a successor is selected. Since taking on this new role, I have taken decisive steps to reorientate the Group management structure and establish a new Group Executive Committee to focus on the delivery of key strategic initiatives and address costs in the near term. I am excited to be once again taking an active role in leading the Group, providing continuity for a business that I have enjoyed being involved with since 2012. Along with the Board, I would like to thank Trevor for his leadership during his time at Pepco Group.

Key priorities

I outlined my key priorities at our recent Capital Markets Day that took place in Warsaw in October 2023. These measures include refocusing on customers in our core Central and Eastern Europe (CEE) business and implementing a more targeted growth plan in markets where we have a presence. This includes a renewed commitment to the UK as the Group's largest market with an ambition to make it the most profitable market over time and accelerating the transition into a single business. In taking these actions, we aim to improve profitability in our core business, while enhancing cash generation with the delivery of more measured growth – doing less, to achieve more.

Crucially, our core strategy of optimising and expanding our store network, enhancing the customer offer, driving cost and operational efficiency, and investing in infrastructure and people to support targeted growth remains intact. Pepco Group will remain a growth company, given the opportunity we can clearly see for our offer with customers. However, we will spend 2024 addressing the areas where we have misfired, retuning the core profit engine of the Group in CEE, accelerating the delivery of a single leadership team and operating platform and refocusing store expansion to be more targeted in order to achieve our expected returns.

> Read more in our strategy section on pages 10 to 13

The Group maintains a robust balance sheet with resilient operating cash flows, and access to over €400 million in liquidity (from cash and credit facilities). As a reminder, the Group has largely funded all of its growth over recent years from operating cash flow, without the need to raise external debt or equity capital. This strong financial foundation, alongside strong brand equity and leading market share in our core CEE markets, with a proven profitable store model, gives us confidence in the opportunity to continue building Europe's leading variety discount retailer.

FY23 performance

The Group delivered record revenues during the year, increasing by 18% on a constant-currency basis. Like-for-like revenues grew 6% across the year, reflecting an enhanced customer offer despite facing a challenging market backdrop. This highlights the importance, more than ever, of maintaining price leadership and offering the best possible value for money to our customers, helping us to sustain our market share advantage.

The trading environment deteriorated significantly in the last quarter across Pepco's markets, notably in CEE, with weaker consumer demand for our key clothing and general merchandise categories, a lower than forecast gross margin and higher costs, resulting in a reduced level of profitability in our core markets. The underperformance in Pepco was partly offset by stronger than expected performance from Poundland, largely driven by the strength of its FMCG offer, as consumers prioritised spending on this category over clothing and general merchandise. Despite the weaker second half of the year, the business delivered our highest ever EBITDA outturn of €753m.

Notwithstanding the more challenging trading environment, in June 2023, we successfully executed the refinancing of a €300 million Term Loan A (due in 2024), with the issue of an inaugural five-year €375 million high-yield bond (due in 2028), which was heavily oversubscribed by a blue-chip investor base. Alongside this, we increased the size of our RCF (revolving credit facility) by €200 million to €390 million, which was supported by increased commitments from our bank group. This has further strengthened our balance sheet to support future growth opportunities and reflects the strong support we have from the investor community.

ESG

We are committed to maintaining high standards of ethics, integrity, environmental impact, colleague development, supplier support and enhancement of the communities across our supply chain. We continue to develop our ESG strategy, which is founded upon and increasingly integrated with the Group's business strategy. We have been working in 2023 to build on this framework and enhance our disclosure – see our ESG report on pages 16 to 37.

Our focus will continue to be on providing value to our customers, driving sustainability into every price point and product offering. We believe in the democratisation of sustainability, ensuring fair working conditions and being a good citizen – so everyone can participate in protecting the planet, no matter the size of their budget. I am pleased to note that we have continued to embed our ESG strategy within our overall Pepco Group strategy and believe we have made progress in this regard during 2023 in a number of ways, including establishing a Group ESG Executive Committee – see further details on page 21.

> Read more in our sustainability section on pages 16 to 37

People

I would like to recognise all my colleagues and our suppliers across the business and thank them for their hard work, commitment and support over the year. Our people are fundamental to the Group's success – our strategy is predicated on a strong focus of employee retention, development and engagement. It is their relentless focus and their dedication to serving our customers that have enabled us to build the strong foundations we have in place today.

We remain focused on offering families on a budget great range, value and convenience; this is underpinned by the core values we share across our retail formats. This includes putting our customers first, respecting all colleagues, working as a team to deliver great service and providing an environment for colleagues to thrive and to be the best version of themselves.

In addition to the departure of the CEO as highlighted earlier, there have been a number of other management changes during the year. Barry Williams, the Managing Director of Poundland, replaced Anand Patel, who stepped down in September 2023, as the Managing Director of Pepco. Austin Cooke, the previous Chief Operating Officer (COO) of Poundland, assumed the role of Managing Director of Poundland.

We welcomed Neil Galloway into the role of Group CFO in April 2023. Neil joined from IWG plc, the leading global provider of flexible workspace in 120 countries, where he was Executive Vice-President. Neil is an experienced public company CFO who has worked in senior finance and commercial roles at multinationals over the last 15 years, including in cross-border retail. Neil has already made a strong contribution to the Group as we set out to improve processes and adopt best practices, along with helping to drive an acceleration towards a single business.

Finally, I would like to thank my predecessor Richard Burrows from whom I took over as Chair in February 2023. Richard helped guide the business from IPO through a period of significant change, giving the business the solid foundation in order to successfully grow. I appreciated the wisdom of his advice as he led the Board and wish him well for the future.

Current trading and outlook

The Group saw like-for-like revenues decline by 3.1% in the eight weeks to 26 November 2023, against a strong trading period in the prior year, although we are seeing sequential improvements week-on-week. While we expect challenging trading conditions to continue in the near term, we are cautiously optimistic as we enter 2024. We are increasingly confident of the gross margin opportunity in FY24, evidenced by a 100 basis point improvement seen year-to-date versus the quarterly exit rate achieved at the end of FY23.

We have an attractive and unique product offer that resonates strongly with our core customer, supported by passionate colleagues and price leadership that enables us to maintain and grow market share through the structural advantages of our discount proposition.

The business has a significant white space opportunity to grow in our existing core markets, with over 400 net new store openings planned for FY24 – comfortably remaining one of the fastest growing retailers in Europe. We will leverage these opportunities in a more targeted and measured way, with an enhanced emphasis on capital, returns and free cash flow. We are confident we have the right strategy and leadership team to grow the business in line with our ambitious targets over the medium term.

Andy Bond
Executive Chair

Q&A with Andy Bond

What is your history with Pepco Group?

I have been involved with the business for many years. Initially I acted as an advisor to the legacy Pepkor South Africa group in 2012, before jointly setting up Pepkor Europe as a founder-investor in 2015 and assuming the role of Chief Executive. In September 2019, the business rebranded from Pepkor Europe to Pepco Group, and I led the business through its public listing on the Warsaw Stock Exchange in May 2021. I stepped down as CEO of Pepco Group in March 2022 due to health reasons, before returning as Chair in February 2023 after making a full recovery.

My continued enthusiasm for the business stems from the fact that I continue to believe we have a unique retail format backed by a strong in-house sourcing arm - PGS - enabling Pepco Group to offer exclusive products that cannot be found anywhere else. We offer amazing value to our customers across a variety of categories, providing great quality products that save money for our customers, serviced by our wonderful colleagues. There remains significant opportunity, both in market share and operating efficiency, to drive returns for all stakeholders going forward.

I have many years of experience in the discount retail sector. Previously, I spent 16 years at Walmart, with several roles including Managing Director of George Clothing, Chief Operating Officer and then Chief Executive Officer of Asda between 2005 and 2010. I then took the role of Chair of Asda from 2010 for a year.

> **"The Group has a market-leading customer proposition, a strong balance sheet, and resilient operating cash flow to continue success across Europe."**

Are you interested in taking the CEO role permanently?

I have sat in the CEO role at Pepco Group previously and unfortunately had to leave the Group due to health issues. Whilst I am committed to the long-term future of the Group in the role of Chair, I have no intention of continuing as CEO again on a full-time basis. However, it is of paramount importance that we find a successor with the right credentials and cultural fit to take this business to the next stage of its growth. This is unlikely to be a quick search and I have given my commitment to the Board that I will lead the business for as long as it takes to find the right candidate.

What were the biggest challenges faced in 2023?

Notwithstanding a tough consumer environment in our core CEE markets, we tried to do too much too quickly, while juggling too many non-core projects. We simply lost focus. Our growth plan was too ambitious, overstretching our colleague and systems capability. Coupled with this was ill-discipline around project management and slower than required progress in our transformation plans towards one business.

We are addressing these issues with a focus on rebuilding the health of the core business and growing our gross margin and the core profit contribution from our stores, backed by better decision making through the use of data analytics.

What changes are being made to the Company strategy to put it back on track?

My immediate focus is on rebuilding the profitability of Pepco's core business in CEE and accelerating the transformation to a single business and customer offer. We also need to adopt a more disciplined approach to growth and investment capex across the Group to deliver stronger cash generation.

We will open fewer stores – targeting 400 net new stores across the Group in FY24 – while also placing the 'New Look' refit programme in CEE under review (see further detail on page 12). New store growth will be targeted in our existing countries, including growing scale in key Western European markets such as Italy and Spain. We are also committing to the UK as the Group's largest region by revenue, with an ambition to make it the most profitable market over time.

1 See page 14 for APM definitions.

How do you plan to combat increased competition?

Our virtuous circle of "sell for less, buy for less and operate for less" becomes even more important when our customers need it most. Through the economies of scale we continue to achieve with suppliers as a result of our size and our vertically integrated sourcing model PGS, we can benefit the Group and, more importantly, our customers, by offering lower prices.

We also invest in the stores to make them clean, bright, tidy and nice to shop in. Finally, we have well-trained staff who provide quality customer service. This is the formula for success: low prices, good quality products, served by people who love what they do. We pay our people well and they enjoy working with us. As a result, they serve the customers well.

Will you look at taking your Pepco business online to achieve growth in a competitive market?

We are already developing the online channel in our Poundland business, which is growing quickly from a small base (covered on page 12). For our Pepco business, we are currently firmly focused on our retail stores. We are of the view that in the near term we will get much better results by investing that money in our product offering and in keeping prices low. However, we will increasingly invest in a wider digital engagement with our customers.

We believe we are well positioned for growth with our sustained focus on price leadership, in-house direct sourcing model through PGS, profitable and scalable store model, and strength of our brand equity in core markets.

Andy Bond
Executive Chair

Building Europe's leading discount variety retailer

Pepco Group offers price leadership and a differentiated product proposition. This is facilitated by increasing economies of scale and Group-level buying, made possible by our vertically integrated sourcing model. This is all underpinned by our core strategy of optimising and expanding our store network, enhancing the customer offer, driving cost and operational efficiency and investing in infrastructure and people to support growth.

Our inputs

Differentiated products

Leveraging our scale and sourcing strategy, we offer a diverse range of clothing, homeware-led general merchandise (GM) and fast-moving consumer goods (FMCG), providing our core shopper, a "family on a budget", with their regular shopping needs. Understanding customer preferences and focusing on quality is key to delivering customer satisfaction and growing market share.

Local stores in convenient locations

We own and operate a multi-format, Europe-wide variety discount retail business, with 4,629 neighbourhood stores located across 21 countries. By focusing on standardisation and repeatability across our store structures, we are able to expand our store footprint efficiently in line with our growth prospects.

Infrastructure and distribution network

Through our ability to share infrastructure across the Group, we achieve significant support. We continue to invest in the development of high-quality, scalable infrastructure, including information technology, automated warehouses and more efficient and resilient multi-point distribution.

Direct sourcing operation

PGS maximises buying scale and operating efficiencies, thereby lowering costs and improving margins. With the full product development chain for clothing and merchandise managed within the Group, the vertically integrated model also provides a high degree of visibility and control over our supply chain as well as flexibility in sourcing.

Our colleagues

Talent retention and development is central to the success of our business, and we aim to maintain the right pipeline of skills within the Group to facilitate the long-term success of our growth strategy. We maintain a strong commitment to ethical and responsible business conduct, honesty and integrity, both within the Group and throughout our value chain.

Natural resources

We aim to use natural resources responsibly, minimise waste and increase our use of sustainable and recyclable packaging. We continue to introduce sustainable and ethically produced products in line with our ESG ambitions.

Our key retail brands

We are proud of the brands we have built up as part of the Pepco Group. As part of our growth strategy, we are transitioning at speed to one business, with a unified customer offer.

Pepco

Leading variety discount retailer in Central and Eastern Europe expanding into Western Europe

- Focus on price leadership with market leading entry prices
- Clothing for the whole family (with a particular strength in kids and babywear), home décor, toys and seasonal products
- 3,523 stores across 19 countries, which includes 523 stores in Western Europe.
- Integrated with PGS, our global sourcing office dealing with a supply network of 375+ vendors utilising 700+ factories

Poundland

Delivering amazing value in branded quality, everyday essentials

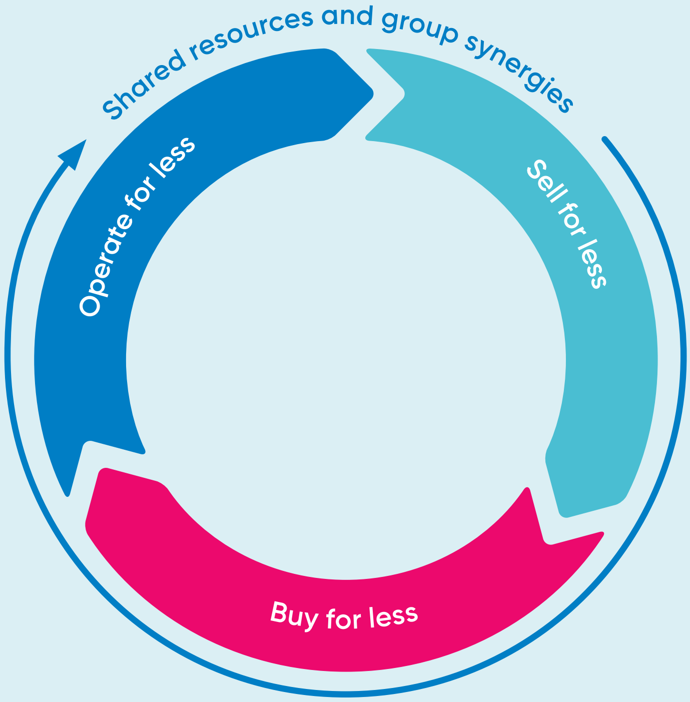
- FMCG-led offering with a price architecture anchored around a limited number of simple price points
- Growing product offering of clothing and general merchandise including home, garden, food, toys, health, beauty, pets & more
- 823 stores across the UK and Ireland

Dealz

Fast growing discount retailer

- Dealz offers unique international FMCG and general merchandise products at the lowest prices with 3,000 products across 15 categories
- The best deals and brands are sourced from Poland, Europe and Asia, offering thousands of branded products for the whole family
- 283 Dealz stores in Poland

Our proposition



Sell for less	Buy for less	Operate for less
Price leadership	€1.4bn sourcing scale	Standardised store format
Low-risk inventory	Seasonal buying model	Volume leverage on operating costs
Simple price architecture	Direct to suppliers	Discount mindset
Optimised markdown management	Consolidated volume	

Our outputs

Creating value for our stakeholders

Shareholders
Record growth in revenues

+17.1%

in FY23

Customers

>57m

customer transactions per month across 21 countries

Colleagues

>4,350

colleague promotions across the Group during FY23; Pepco was again recognised as one of Poland's best employers in 2023 according to Forbes

Society

Supporting charitable activities across the Group, including the Poundland Foundation

Supply chain

€1.4bn

of shipment value in FY23

Governments

Significant economic contribution to our operating countries through our role as both taxpayer and tax collector, including payroll-related taxes remitted in employing >47,000 colleagues across the Group

Delivering our strategy

Our core strategy is outlined by the key pillars below:

Optimising and expanding our store network

Enhancing the customer offer

Driving cost and operational efficiency

Investing in infrastructure and people to support growth

> This strategy informs our ESG strategy, which can be found on page 16

"I am confident we have the right strategy and leadership team to grow the business in line with our ambitious targets over the medium term."

Andy Bond
Executive Chair

Optimising and expanding our store network

Net new store openings

668

The Group delivered a record 668 net new store openings in 2023 (826 store openings and 158 store closures). It is clear that this pace of growth stretched the business and consequently, going forward, we will adopt a more measured approach to growth, with new store openings focused on our existing markets and an enhanced emphasis on capital returns and free cash flow. We plan to open at least 400 net new stores across the Group in FY24.

Using our proven, profitable and scalable model, we will look to strengthen the Group's store profitability and customer positioning in key regions, with a particular focus on our core Central and Eastern European (CEE) business, as well as growing scale in Italy and Spain, our largest markets in Western Europe. We have also committed firmly to the UK as the Group's largest market by revenue, with an ambition for it to become the most profitable country over the medium term.

Pepco

The Group opened 556 net new Pepco stores during the 2023 financial year. This includes 294 net new stores in CEE and 262 net new stores in Western Europe, our fastest growing region.

There remains a significant white space opportunity in our core CEE markets, where we have strong brand equity, particularly outside Poland, where we had 1,256 stores in operation at the period end. We launched the Pepco brand in Bosnia and Herzegovina in September 2023, with nine stores operating at the period end and a strong entry into the region. In March, Pepco opened its 100th store in Serbia, where the brand continues to strengthen its presence and further capitalises on the strong demand for its products in the country.

Western Europe remains an important area of growth for Pepco, with new store openings in the region approaching half of the total opened across the year. Italy and Spain are our largest and fastest-growing Western Europe territories, and we will focus new openings in these countries in FY24 building order to create greater scale efficiencies through network density. We had 205 stores in Spain at year end and 157 in Italy. Revenue performance across the estate generally remains strong, particularly in our larger Pepco 'Plus' stores in Spain, which include FMCG categories, while we have work to do to improve the store contribution margins and investment returns. This will be a focus area in 2024.

During FY23, we opened in two new regions in Western Europe during the year – Greece and Portugal. Having launched our first stores in Greece in October 2022, we currently operate 22 stores in the region with a positive customer reception and performance to date. In May 2023, following the successful roll out in Spain, Pepco launched its first stores in Portugal, where we currently have 14 stores and plan to add sites selectively over the coming year.

Overall, our Western European presence currently spans Spain, Italy, Austria, Germany, Greece, and Portugal. Going forward, the majority of new Pepco stores in Western Europe will combine the best of the Group's clothing, GM and FMCG ranges.

Poundland

We see strong potential for the UK discount space over the coming years, as one of the largest markets in Europe, which is forecast to grow quicker than Germany and France.[1] To take advantage of this, we will ensure that Poundland can leverage this growth by adapting our product ranges to utilise Pepco's strength in clothing and GM over FY24. We will also accelerate the opening of new stores and selective refreshing of our existing estate for a better customer experience.

Poundland opened 53 stores during FY23, while closing 51 underperforming stores as part of its long-term estate management plan. In September 2023, Poundland agreed to take over up to 71 Wilko store leases in the UK. By mid-December 2023, 64 former Wilko stores had already been reopened as Poundland stores, with 10 stores opening in the FY23 financial year and the balance at the start of FY24. The stores will trade through the important Christmas period of 2023, carrying the new range of Pepco clothing, alongside the extensive FMCG and general merchandise ranges that Poundland is known for.

We will selectively continue our store development programme, where we can deliver target returns on investment. This includes upgrading both external and internal signage, improving lighting, fitting new flooring and enhancing colleague areas. We will also look to deliver incremental store space growth which allows us to extend our ranges and drive existing store profitability.

1 Source: Globaldata Five-Year Retail Market Forecast – August 2023.

Dealz

Following a strategic review of our operating brands, Dealz will now focus on developing its business in Poland over the next 12 months, with further expansion into Central and Eastern Europe contingent on delivering the appropriate level of profitability and returns.

Our Dealz stores complement the Pepco business in Poland, offering unique international FMCG brands and general merchandise with 3,000 products across 15 sub categories. Brand awareness is growing quickly for our key target customers aged between 19 to 45 years old, with over 750,000 customers shopping at Dealz every week.

Dealz Poland opened 115 net new stores during the period, reaching a landmark of 283 stores at the year end, with an expectation of reaching 300 stores by the end of the 2023 calendar year. The vision for Dealz is to become the largest value discounter in Poland, with a potential to operate 1,000 stores in Poland.

Enhancing the customer offer

Pepco 'Plus' stores

53

The Group's ambition remains to be Europe's leading variety discount retailer. It will achieve this by offering quality clothing, general merchandise and FMCG products at the best prices, with stores conveniently located close to our customers, whether that it is in high streets, retail parks or shopping malls. Maintaining our price leadership is critical in order to provide a compelling value proposition for our customers and grow market share.

As part of our focus on providing value to our customers, we want to address the myth that price is a barrier to sustainable and ethically produced products. One of the most impactful ways we can positively contribute to our customers and communities is through offering a larger range of affordable and sustainable products available in our stores.

> Read more about our sustainable products on page 29

Store refits and renewals

At the start of 2023, we commenced our Pepco "New Look" programme, where we were initially targeting to re-fit all 2,500 Pepco stores in CEE by the end of 2025. Initial trading in refitted stores had been promising with early LFL performance up over 10% against a control group of stores. However, as a result of a weaker macro and consumer environment in our core CEE markets, the programme has increasingly not been delivering the required level of incremental sales and returns to justify the capital spend. As a result, the programme is currently under review while we evaluate the direction of the programme and understand the reasons impacting better performance.

During FY23, we completed 715 conversions across Poland, Czechia, Romania, Slovakia and Hungary. As part of our commitments to our landlords, we expect a further 219 conversions to take place in the above regions during the first quarter of FY24. Future conversions will be determined on a case-by-case basis. To date, the LFL revenue growth performance of the stores converted so far is running at around three percentage points higher than the control group, with an increase in both volume of transactions and average basket size.

Pepco 'Plus' (Western Europe)

Our Pepco 'Plus' format of stores that offer three categories (FMCG in addition to clothing and GM) continues to deliver the strongest revenue results of all store formats in the Group, alongside Poundland. Following the conversion of all Dealz stores in Spain to the Pepco format, the Group currently operates 53 Pepco 'Plus' stores, mostly located in Spain. Like-for-like (LFL) revenues for our Pepco 'Plus' stores during the year were up 5.7% compared to the same period last year.

Poundland development

As part of our drive to leverage the Group's scale and become a better business, Poundland is now sourcing its clothing and GM offerings from Pepco to bring new, exciting ranges into the UK market. The first Pepco-branded clothing items in Poundland were introduced in September 2023, helping to drive increased brand awareness and enhanced purchasing terms with suppliers, and to leverage the Group's fully integrated end-to-end sourcing entity, PGS.

The initial customer reaction from the new Pepco clothing ranges has driven higher net promoter scores (NPS) and positive feedback. The Poundland business will start to receive Pepco general merchandise starting in early 2024, bringing a better product offer to customers.

Poundland has also continued to explore the potential for its digital business. The online business has grown rapidly following the 2022 acquisition of Poundshop.com, with orders more than doubling under Poundland ownership. The operation has used a picking and fulfilment operations centre in Wednesbury, West Midlands, and is well progressed in the transition of operations to a digital distribution hub at Darton, which gives the business extra capacity to expand its online operations at pace. The business recently combined Poundshop.com with its principal Poundland.co.uk website as the natural next step in order to allow customers to shop an expanded Poundland range online for delivery to their homes. It is clear customers are using the online channel for a different shopping mission with a significantly higher average basket online versus in store.

Driving cost and operational efficiency

Operating costs (IFRS 16, excl. rent) as % of sales

26.8%

Transitioning at speed to one business, with a unified customer offer and a single sourcing strategy through PGS, will be central to the Group's ability to drive cost and operational efficiency over the next 12 months, particularly in light of elevated inflationary pressures.

The business will continue to further leverage PGS – which we consider a key competitive advantage for the Group – as very few discount retailers have an integrated sourcing entity, instead relying on third-party agents. In addition, we are driving improvements in our cost of doing business; primarily through a focus on labour and end-to-end supply chain efficiencies.

PGS was fully integrated into the Pepco business during the year, which will help maximise and align the buying cycle, as well as help drive further operating efficiencies. In addition, PGS opened a near-shore sourcing operation in Poland, thereby increasing our sourcing flexibility out of countries such as Turkey, Poland and Romania. We are also continuing to diversify our Asian capabilities in countries such as Cambodia, Pakistan, and Indonesia.

In addition to this, we have made good progress in our efforts to be part of a responsible and efficient supply chain in FY23, with the introduction of environmental guidelines which have been added to the existing social and ethical expectations.

> See valued supply chain on page 31

Labour efficiencies are a focus area in both Pepco and Poundland, against a backdrop of a sustained high wage inflation environment in Central Europe. The businesses have delivered a reduction in labour hours in stores through a combination of investment in technology such as self-service tills and enablement of more management activity on the shop floor, as well as changes in processes to reduce the stock handling.

The Group's work to offer a simpler business model continued with the most meaningful change during the period within Spain where we amalgamated two businesses (Dealz and Pepco) into one (Pepco). The integration creates a simpler operating model, with one brand, one range and one team. All Dealz stores in Spain have now been converted to Pepco stores, with a general focus on opening larger stores that incorporate an FMCG offer alongside clothing and general merchandise.

Investing in infrastructure and people to support growth

Internal employee promotions

>4,350

To enable us to meet our strategic objectives, we have clear plans to develop high-quality, enterprise-grade, scalable infrastructure.

We also continue to invest in technology, both in new stores and in our refits, to make our customers and colleagues lives easier. Initiatives include the installation of self-scan tills, and the implementation of modern retail point-of-sale systems which improves the speed and quality of service to our customers and simplifies the work for our colleagues.

The roll out of a modern Oracle ERP (enterprise resource planning) IT platform across the Group is continuing; with Poundland successfully launching new modules during summer 2023. The Oracle solution gives Poundland a single, modern inventory management and finance solution, while introducing enhanced visibility and management of financial data, along with greater efficiency in managing accounts payable. Pepco is in the final stages of advanced planning and testing for an expected go live on the Oracle platform during 2024. These investments are fundamental to the future successful growth of the business, providing a robust system, while delivering operating efficiencies.

Within our distribution and supply chain, the Group continued to deliver on process and technology efficiencies with warehouse management system (WMS) blueprinting now in place across all Pepco distribution centres, a second automated sorter live in our largest DC in Gyal, Hungary, and the commencement of an end-to-end supply chain review in Poundland. However, against these underlying improvements, fuel and labour inflation and higher levels of stock impacted the overall cost of operating our supply chain which was the primary driver of an increase in operating costs in the Pepco business.

We believe that the ability for colleagues to build rewarding careers enhances both the service we provide to our customers and our employment brand. We continue to invest in the capability of our people both in terms of developing our existing colleagues, and attracting new, high-calibre recruits into the business to continue to support and drive our growth agenda. Reflecting our commitment to the development of our colleagues, 81% of our store managers across the Group were internally promoted and we promoted over 4,350 colleagues during FY23, which we believe demonstrates our strong commitment to internal development especially against the challenging backdrop the past year.

> See employee section in ESG for further details on page 34

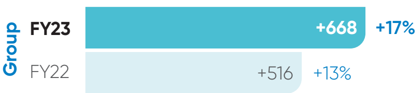
Monitoring performance across the Group

The following key performance indicators (KPIs) include Alternative Performance Measures (APMs). The Directors use APMs[1] as they believe these measures provide additional useful information on the Group's performance.

> The Group has clear environmental and social KPIs and targets which are shown on page 17

Store growth

Number of net new stores[2,3]



Achieving profitable growth drives our ability to create value in the long term.

As we commit to taking a more disciplined and targeted approach to growth in FY24, we nonetheless delivered a record increase of 668 (17%) net new store openings in FY23, increasing to 4,629 stores.

Definition and relevance:
Net store numbers accounts for store closures during the year[1].

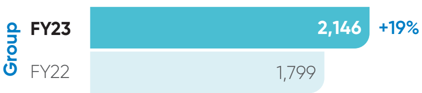
Disciplined and controlled store growth is fundamental to our Group strategy.

2 New store numbers exclude the retirement of Dealz Spain banner and the 57 stores which have been converted to Pepco across FY22 and FY23.
3 FY22 excludes the closure of 59 Fultons stores.

Link to strategy

Total Space

Retail trading space ('000)



Retail trading space of 2.1m square metres represents an increase of 19% year on year against the store growth of 17%, thereby accelerating revenues.

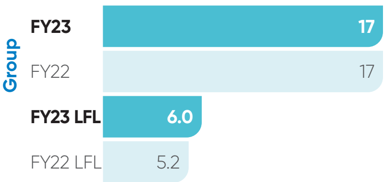
Definition and relevance:
Trading space is defined as retail trading space including tills, excluding back-of-house and changing rooms.

Store space growth allows us to extend our ranges and drive profitability.

Link to strategy

Revenue growth

Total and like-for-like sales growth (%)



Sales of €5.6bn represented an increase of 17% year on year underpinned by store growth and positive LFL sales growth.

LFL revenue of +6.0% supported this growth, with Poundland benefitting from FMCG performance and Pepco supported by a strong performance in H1.

Definition and relevance:
LFL revenue growth is defined as year-on-year revenue growth for stores open beyond their trading anniversary and is reported on a constant currency basis.

LFL growth is fundamental to our Group strategy in delivering operating leverage.

Link to strategy

1 APMs are not defined under IFRS and therefore may not be directly comparable with other companies' APMs. These measures are not intended to be a substitute for, or superior to, IFRS measurements. See note 27 for definitions of APMs.

Link to strategy

Optimising and expanding our store network
Enhancing the customer offer
Driving cost and operational efficiency
Investing in infrastructure and people to support growth

> Read more in our strategy section on pages 10 to 13

Profit

Underlying pre-IFRS 16 EBITDA (€m)

Underlying EBITDA of €396m represents a challenging year, and a decline of 10% against FY22.

As a consequence of challenges on gross profit margin and operating cost leverage, whilst we have added over €800m (+17%) to the top line revenue in FY23 this has not flowed through to pre-IFRS 16 EBITDA.

Definition and relevance:
Underlying profit before tax, net finance costs, depreciation and amortisation. Prepared on an pre-IFRS 16 basis.

Our vision to be Europe's biggest and best discount variety business is underpinned by delivering profit growth. Pre-IFRS 16 EBITDA is the Group's leading metric on profitability.

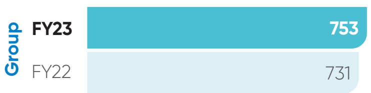
Underlying pre-IFRS 16 EBITDA Margin (%)

EBITDA margin is 2.1pp down year-on-year with slower than anticipated recovery on gross margin and operating cost headwinds.

Definition and relevance:
Underlying profit before tax, net finance costs, depreciation and amortisation, divided by sales excluding VAT. Prepared on an pre-IFRS 16 basis.

Growing our EBITDA margins is the key focus within our P&L.

Underlying IFRS 16 EBITDA (€m)



Underlying increase of 3% driven by revenue growth partially offset by margin and operating cost headwinds.

Definition and relevance:
Underlying profit before tax, net finance costs, depreciation and amortisation. Prepared on an IFRS 16 basis.

IFRS 16 is the accounting requirement under which EBITDA is reported and a legacy approach that the Group historically led with.

Link to strategy

Underlying IFRS 16 EBITDA margin (%)

EBITDA margin is 1.8pp down year-on-year with slower than anticipated recovery on gross margin and operating cost headwinds.

Definition and relevance:
Underlying profit before tax, net finance costs, depreciation and amortisation, divided by sales excluding VAT. Prepared on an IFRS 16 basis.

IFRS 16 is the accounting requirement under which EBITDA is reported and a legacy approach that the Group historically led with.

Link to strategy

Stock

Stock holding (€m)

Group stock holding has increased by 18% against FY22 as a result of both the growth of the business (+19% space growth YoY) and the sales headwinds across Q4. We see a significant opportunity to improve cash conversion cycle through more effective stock management.

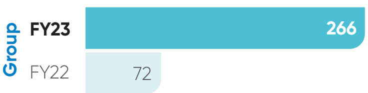
Definition and relevance:
Stock at cost post NRV (net realisable value) provisions.

The cost of stock underpins the profitability of sales and the linkage to sales expectations is key to ensuring optimal holding.

Link to strategy

Cash generation

Net Cash From Operations (pre Capex)



The Group's cash generation materially stepped up reflecting solid EBITDA generation in conjunction with working capital unwind against the prior year.

Definition and relevance:
Cash generated from operations, after lease costs and working capital movements but pre-capex, funding and investment.

Executing in a disciplined manner with a strong emphasis on efficient working capital and returns will deliver strong cash flows.

Link to strategy

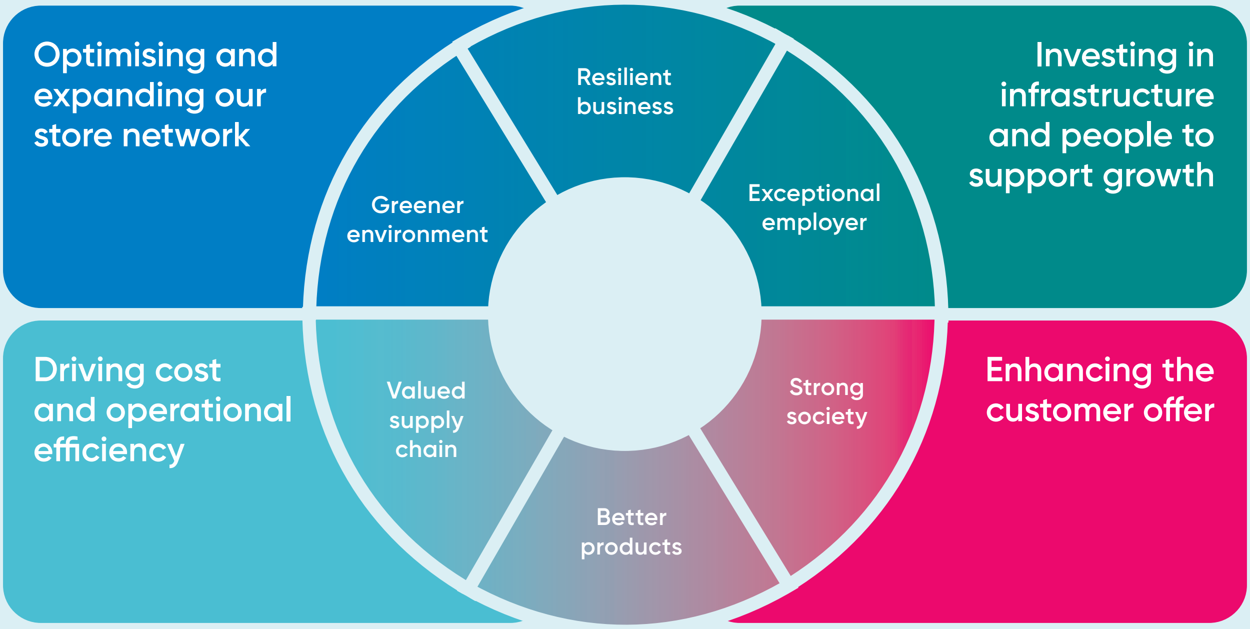
Link to strategy

- Optimising and expanding our store network
- Enhancing the customer offer
- Driving cost and operational efficiency
- Investing in infrastructure and people to support growth

> Read more in our strategy section on pages 10 to 13

Our ESG strategy

The Group's business strategy comprises the pillars: optimising and expanding our store network, enhancing the customer offer, driving cost and operational efficiency and investing in infrastructure and people to support growth. As shown below, these four pillars also form the foundation of our approach to ESG. Our focus is on providing value to our customers, driving sustainability into every price point and product offering. We believe in the democratisation of sustainability – so everyone can participate in protecting the planet, ensuring fair working conditions and being a good citizen – no matter the size of their budget.



Sustainability context

4,629
stores

2,146,007
m^2 store space

57m
customer transactions a month

372,982
m^2 warehouse space

21
countries of retail operation

47,487
colleagues

102,421
people supported through our charitable work

100%
ethical supplier compliance audits completed in FY23

385
suppliers, representing 743 factories

Reporting approach

We report on an annual basis and have continued to develop our approach to ESG reporting in FY23. This ESG report, which covers the 12 month period from 1 October 2022 to 30 September 2023, has been prepared in consideration of the GRI Standards, and draft CSRD ESRS standards were considered as part of the reporting process. As several EU regulations have only recently been finalised, we believe we have made a positive start to the process of complying.

We welcome stakeholder feedback on our ESG reporting – please contact **investorrelations@pepcogroup.eu.**

Our ESG strategy is set at Group level and pulls together the ESG plans and actions of our operating companies. We share best practice and leverage expertise through our internal working groups. For reporting purposes, data and target setting approaches are harmonised. Governance is managed through ensuring accountability and the effective operation of Committees at both operating company and Group levels.

We continue to further embed our ESG strategy within our overall Pepco Group strategy and believe we have made progress in this regard during FY23 in a number of ways, including establishing a Group ESG Executive Committee. We recognise the importance of collaborating across the value chain and with other industries and NGOs to create a more sustainable future and a fair society. Therefore, Pepco Group has joined a number of external organisations and sought accreditations which demonstrate our commitment to ESG. We have noted these in the relevant areas throughout this report.

In this ESG section of the report, we describe how we have further developed our governance processes and the progress we have made in completing a double materiality assessment in FY23. These are key steps in showing how we will meet future regulatory ESG requirements, allowing for our progress against our key performance indicators and in preparing for future ESG disclosures and meeting stakeholder expectations. We are on a journey to becoming more mature in our ESG strategy and disclosures, aligning across the Group and building on the past achievements of Poundland and Pepco.

Business, value chain and regulatory context

With 4,629 stores in 21 countries across Europe and over 47,000 colleagues serving 57m shoppers each month, we are a large, growing business, which brings employment opportunities and operational best practices to the geographically, economically and culturally diverse markets in which we operate. We are acutely aware of the impact we have on the environment and our communities and have a clear strategy described in this section to address this.

Stretching beyond Europe, our value chain encompasses products that are sourced from a wide variety of domestic and international suppliers and includes our vertically integrated sourcing operation, PGS, which works with over 385 suppliers, representing over 743 factories in Asia. For further detail on our supply chain, see page 31. Our business model on page 10 includes additional information on the commercial and operational benefits of our direct sourcing model.

Regulatory context

The Group is subject to a number of non-financial disclosure requirements which incorporate ESG-related reporting, including:

- the European Union (EU) Non-Financial Reporting Directive (NFRD) – in accordance with the NFRD, our Annual Report includes information on the performance, position and impact of our activity relating to environmental, social and employee matters, respect for human rights, and anti-bribery and corruption matters. This includes:
  - a description of our business model – see page 8;
  - a description of the policies implemented in relation to those matters, including due diligence processes implemented and the outcomes of these policies. Our approach to environmental, social and governance matters is explained in the following sub-section, "Our approach to ESG", which includes an explanation of our ESG management structures, our engagement with stakeholders and our strategy. Our approach to business ethics on pages 22-24 provides an explanation of our approach to governance matters across the Group, while the following sections on environmental (page 25) and social (page 31) matters provide further information regarding the policies, practices and initiatives we have undertaken in each of these areas;
  - the principal risks related to those matters – ESG-related risks are included as a risk category within our overall risk framework (see pages 38-44) for further explanation of our approach to risk management and ESG risk description;
  - non-financial key performance indicators relevant to the particular business – our environmental and social goals and KPIs are presented below in this section; and
- the EU Green Taxonomy Regulation – we report in line with the EU's Green Taxonomy classification system for environmentally sustainable activities – see page 26.

Goals and KPIs

Whilst we track numerous KPIs across our operating companies, which also have their own respective local priority areas and targets, we consider the external disclosure of Group-level KPIs and goals to be an integral part of communicating the progress and development of our ESG strategy to stakeholders. We have also shown how our goals link to the United Nations Sustainable Development Goals (SDGs).

Having established a set of Group-wide environmental and social goals, with corresponding KPIs in FY22, we have further expanded and developed these in FY23. As noted in our previous report, there are certain areas where we believe data-based KPI reporting is inapplicable. Governance and ethics are areas we believe to be best suited to qualitative discussion for demonstrating our focus on these vital areas of business and these are therefore not included below.

Our goals	Link to SDGs	KPIs	FY23 performance	FY22 performance
Reduce the carbon intensity of our operations		Scope 1 and 2 emission	Absolute: 101,674 tCO_2e (-4.3%) YoY Intensity: 18.0 tCO_2e/€m turnover -4.0 tCO_2e/€m (-18.3%)YoY	– Absolute: 106,214 tCO_2e +7.2% YoY – Intensity: 22.0 tCO_2e/€m turnover -1.9 tCO_2e/€m (-7.8%) YoY
Increase recyclable packaging		% of packaging that is recyclable	We have upgraded our packaging policies and guidance. A KPI will be established for reporting purposes in FY24	
Reduce waste to landfill		% of waste diverted from landfill	Less than 1% of operational waste was sent to landfill in Poundland in FY23	Less than 1% of operational waste was sent to landfill in Poundland in FY22
Grow the range of affordable, sustainable product options		% of sustainable products offered	21% cotton fibres in clothing is BCI assured[1]	
Perform annual audit of our factories		% of factories audited against our audit plan[2]	100% ethical audits completed	100%
Engaged all colleagues regularly for feedback		% of colleagues surveyed	78% response rate with 73% agreeing with the statement – 'I am aware of what initiatives we are doing to be more sustainable and help the environment'[3]	79% participation score

1 To be confirmed by the Better Cotton Initiative audit in January 2024. FY23 estimate includes both Pepco and Poundland sourced fibres. In FY22 we disclosed Poundland sourced fibres only.
2 Our factory audit KPI is defined as the percentage of social and ethical audits completed by our Group Sourcing Compliance team against the annual audit plan.
3 For Poundland only in FY23. Pepco carries out employee surveys every 2 years. FY22 data covers all Poundland and Pepco employees.

Our approach to ESG

Overview

At Pepco Group, we aim to democratise sustainability for our customers by offering affordable choice and demonstrating that price is not a barrier to sustainable and ethically produced products. Driving efficiency improvements throughout the business is an integral element of the Group's strategy and we believe there is an important link between increasing cost efficiencies and enhancing the long-term sustainability of our operations. As a large employer with over 47,000 employees, we bring employment and training opportunities to thousands of individuals in multiple countries. As a retailer with 57m customer transactions per month we develop engagement possibilities with a diverse range of communities and individuals across the world.

An example of this is our September 2023 UK store campaign together with the Energy Saving Trust and Smart Energy GB. It is designed to help our customers consider how they could reduce energy consumption and save money by thinking smartly about what products they buy and how they use them.

We apply a holistic approach in our assessment of risk and in the development of our ESG strategy, adapting our approach in response to the evolving regulatory landscape. In FY23, we continued to strengthen our ESG governance frameworks. The Group now has an ESG Executive Committee which includes all the key decision makers across the various parts of the business, from Group management to operating company leadership and into the relevant functions such as procurement and operations. Our governance and decision-making forums related to ESG are further described below.

We are mindful of stakeholder expectations for us to operate in a sustainable and responsible manner and regularly engage with our stakeholders to better understand their views.

UK store campaign to raise awareness around energy consumption reduction and saving money amongst our customers.

Materiality review

We conducted our first double materiality assessment in FY23 to determine the most material environmental, social, governance and human rights topics for the Group. This is a key foundational step for reporting under both GRI Standards and the EU's Corporate Sustainability Reporting Directive (CSRD). Undertaking a materiality assessment helps us to identify and gain insight into the issues that matter the most to our key stakeholder groups. It enables us to assess which issues will have the greatest impact on our business and also supports us in identifying areas of emerging importance.

The materiality assessment approach considers the impact of topics both outwardly on the economy, environment and society and inwardly on the Group (i.e. how sustainability issues might create financial risks for the Group or affect its ability to create value over the long term).

The three main steps of the materiality assessment undertaken were as follows:

1. **Identify issues:** with internal and external experts; taking into account international standards and frameworks, regulations, global risks, sectoral issues and trends and peer analysis – we identified a long list of potentially material issues, which were then refined to 19 topics for materiality review.
2. **Assess and analyse:** using a double materiality lens, we carried out a detailed review of the topics; quantifying and assessing their actual or potential impact against the criteria of:
   a. impact materiality (at a Company or value chain level); and
   b. financial materiality.
3. **Stakeholder engagement:** input and views were gathered from a range of internal and external stakeholders across the value chain (including colleagues, investors and capital providers, customers and suppliers) to understand the Group's impacts and gain feedback on material topics as well as the Group's ESG management approach.

The outcome of this work has resulted in a 'short list' of eight priority material topics which have been approved by the Board through the Audit Committee.

Our material topics map to our existing ESG Strategic Framework and will inform reporting and strategic focus.

Our intention is to revisit material topics on an annual basis, with full reassessment every two years. The materiality assessment is part of demonstrating our strengthening commitment and governance maturity and will be used to inform and develop our ESG strategy.

Stakeholder engagement

Stakeholder engagement is fundamental in guiding our overall strategy and approach to ESG topics. We have identified the following key stakeholder groups and aim to engage with them on a regular basis and to ensure open and transparent lines of communication. We work with these key stakeholders at both Group and operating company level to develop our ESG approach and have included some examples of engagement below.

	Engagement in FY23	Impact on our strategy and decision making
Customers	Engaged as part of the materiality assessment.	Priority topics are mapped to our ESG strategy and will drive future strategic decisions and value.
Colleagues	Training opportunities, Pepco diversity and inclusion policy. Annual employee survey includes ESG questions. Engaged as part of the materiality assessment.	Priority topics are mapped to our ESG strategy and will drive future strategic decisions and value. Colleague input is considered in our choice of charitable donation recipients.
Suppliers	Issued Environmental Compliance Guidelines and held a Supplier Info Day for 25 key suppliers.	To end FY23, 121 suppliers acknowledged the guidelines which is a key step in further developing a responsible and valued supply chain.
Communities	The Poundland Foundation published its first annual report. Pepco Poland has joined the working group of the Polish Government's Responsible Business Forum to develop a 'Children's Charter'.	These actions are an important part of showing our value to our customers and communities and of being an exceptional employer. We will continue to consolidate and highlight these actions.
Investors	Engaged as part of the materiality assessment.	Priority topics are mapped to our ESG strategy and will drive future strategic decisions and value.

Material topics

A topic is considered by the Group to be material if it has a significant impact on the economy, environment and society and/or has the ability to affect the Group's ability to create long-term value for stakeholders.

Across our various stakeholder groups there was significant consistency in responses and priority allocated to the top material topics. Value for our customers and human rights/ethics topics were either first or second for all stakeholder groups. This indicates that we must continue to focus our efforts on leading value retail in demonstrating that sustainability is both achievable and good for business. Internal stakeholders ranked climate and emissions higher than external stakeholders, reflecting perhaps a greater awareness within the business of climate impacts and our opportunity to address them e.g. through energy or logistics efficiency programmes. Biodiversity and water topics ranked low for almost all stakeholders, however this does not mean that we will ignore these topics – instead we will look to address them through operational efficiency programmes, supplier environmental engagement or our participation in industry initiatives such as Better Cotton Initiative or the Zero Discharge Hazardous Chemicals (ZDHC) programme. Whilst the Group has always adopted comprehensive data and cyber security policies and frameworks, data protection and privacy was identified as a new material topic this year and will therefore have increased emphasis from a reporting perspective.

Material topic	Impact	Financial materiality
1. Serving our customers and communities **Link to ESG strategy:** ***Strong society***	Providing our customers with low cost, high value products is central to our business model, allowing us to democratise value and support them in meeting the challenges of the current cost of living crisis, contributing to the raising of living standards in society. The Group provides employment, investment, community support and charitable donations in the regions in which we operate, thereby supporting local economies and the livelihoods of local people.	Our success in offering value to families on a budget is fundamental to our ability to attract and retain customers, enabling long-term sales growth. The Group's contributions to local economies and communities influences our reputation with stakeholders and our 'licence to operate'.
2. Business ethics and human rights **Link to ESG strategy:** ***Resilient business***	Taking a strong stance on business ethics and human rights is fundamental in providing responsible employment and ethical working conditions for, and protecting the wellbeing and livelihoods of, our employees and those throughout our supply chain. The right to decent work and to make a living allows people and communities to flourish, supports economic prosperity and wellbeing.	Strong business ethics and approach to human rights, with the appropriate accompanying policies can help to facilitate effective decision making, strong employee performance and retention and attraction of investment, as well as reducing exposure to reputational, regulatory and financial risks and fines.

Materiality review continued

Material topics continued

Material topic	Impact	Financial materiality
3. Responsible supply chain **Link to ESG strategy:** ***Valued supply chain***	Ensuring responsible sourcing policies and practices throughout its supply chain supports the Group in procuring products and services in an ethical, sustainable and socially conscious way, bringing positive impacts to the people and economies in which it operates, as well as minimising any negative environmental impacts.	We believe that ethical and sustainable supply chain practices can lead to improved operational performance, as well as protecting the Group's reputation and supporting the business as an attractive investment proposition. Responsible sourcing failures have the potential to expose the Group to reputational and regulatory risk, with financial consequences.
4. Employment **Link to ESG strategy:** ***Exceptional employer***	Pepco Group employs c. 47,000 people in its direct operations and indirectly supports the employment of many others through its supply chain. Providing fairly paid employment opportunities with good workplace standards provides income and opportunities to workers in the communities in which the Group operates, in turn providing a multiplier effect into local economies, thereby contributing to socio-economic development. This is specifically important given the geographically, socially and economically diverse contexts in which we operate.	We believe that responsible employment practices, with high levels of employee engagement, can lead to improved efficiency and productivity, as well as talent attraction and retention, supporting and driving overall business success and long-term value.
5. Waste **Link to ESG strategy:** ***Greener environment***	Our activity generates waste through both products and product packaging, in our supply chain, in store, distribution and head office operations and tertiary waste in customer households. A responsible approach to the disposal of waste is vital in avoiding negative impacts on the environment, which in turn affects people and economies.	Failure to adopt responsible business practices and meet increasingly stringent regulations and accepted practices could result in financial fines and damage to reputation.
6. Corporate Governance (incl. our approach to tax) **Link to ESG strategy:** ***Resilient business***	Strong corporate governance is based on accountability. We believe that positive impacts are more likely when a company places accountability to stakeholders at the heart of its decision-making processes and business practices.	Good corporate governance helps the business to operate more efficiently as a result of effective decision making and appropriate risk and controls environment. This improves business performance, promotes long-term viability and reduces the risk of exposure to reputational risks and fines.
7. Data protection and privacy **Link to ESG strategy:** ***Resilient business***	While the Group does not hold significant amounts of customer data, a data leak or privacy incident could negatively impact the Group's customers, as well as having the potential to contribute to wider public distrust in business.	By taking a robust and responsible approach to data protection and privacy, the Group looks to comply with the applicable regulations and avoid any reputational risks and fines.
8. Climate and emissions **Link to ESG strategy:** ***Greener environment and better products***	The Group's activities generate greenhouse gas emissions through both its own operations and in its supply chain. The impact of climate change has far-reaching and potentially catastrophic consequences for the natural environment, human populations and economies across the world.	We recognise we have a key role to play, helping lead the value retail sector in the transition to a low-carbon economy. While any significant financial risks from climate change are yet to be felt day-to-day, versus some of the other risks we monitor, we recognise the need to start building a more environmentally resilient business. We will continue to build capability and enhance our governance and strategic priorities as we progress.

ESG management

Pepco Group NV Board Audit Committee	The Committee reviews ESG strategies, goals and targets and monitors progress quarterly, advising the Board as appropriate
ESG ExCo	The ESG ExCo meets monthly to determine and align strategy, reviewing progress and next steps for ESG across Pepco Group and its companies and functions
Group-wide ESG Internal Strategy Group	Coordination and reporting of ESG work across the Group
OpCo Sustainability Committee	Implement ESG action plans and roadmaps at operating company level, report on progress against agreed KPIs

The Group CFO is responsible for setting the Group's ESG Strategic Framework and has overall responsibility for execution. The Group CFO is supported by senior management teams in the Group's operating companies, which are responsible for day-to-day operational decision making with regards to ESG strategy execution, as well as the Group's Head of ESG. Updates on ESG progress are made for approval and review to the Audit Committee of the Group Board each quarter.

Demonstrating our commitment to driving development of our ESG approach, in FY23 we have established an ESG Executive Committee; the purpose of which is to determine, align and review progress and next steps for ESG across Pepco Group and its companies and functions. It is chaired by the Group CFO and its objectives are to:

- create alignment and drive progress across the Group when it comes to ESG priorities, KPIs, goals, policies, resourcing, data systems and transparency/assurance;
- review progress across Group and operating company KPIs/goals;
- manage ESG risks and agree/implement mitigation actions; and
- develop strategy and decisions to bring to the Group Executive Committee and the Board as appropriate.

The terms of reference and standing agenda of this Committee cover all the priority material topics as identified in the recent materiality assessment.

Each of the Group's operating companies also has ESG management and decision-making structures, including dedicated sustainability personnel:

Pepco: Pepco's ESG strategy is managed by a dedicated Sustainability Manager, who provides regular ESG updates to the Pepco management team. Reflecting the increasing momentum of ESG strategy and initiatives within Pepco, a Sustainability Committee was established in FY23, with its primary goal being to develop Pepco's decarbonisation strategy. The Committee is composed of senior business leaders across departments including operations, buying and commercial.

Poundland: The Poundland Sustainability Committee has been in place for a number of years and is chaired by Poundland's Managing Director. It is comprised of a team of cross-department colleagues tasked with executing environmental strategy in the Poundland business. Execution of sustainability initiatives is managed by the Director of Property Services & Sustainability, who is supported by a dedicated Sustainability Manager.

The sustainability managers within the operating companies provide regular ESG updates for employees through internal communication channels such as newsletters, posters and Company meetings.

Group-wide ESG Internal Strategy Group (ISG) is made up of representatives from the Group's operating companies and Group-level ESG team. The ISG meets regularly, providing a forum for cross-group decision making, information sharing and discussion to drive forward our ESG strategy.

In PGS, the Group's in-house sourcing business, we have predominantly Asia-based expert teams covering both ethical and environmental supplier engagement and controls. We have expanded these teams in FY23 to further manage risks from supplier activities in our material environmental and social aspects, see more on pages 38-44.

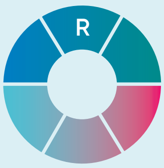
ESG risks are managed through the Group's risk register which is reviewed by the Group's Audit Committee, further details can be found in the risk management section of this report.

> Read more in our risk management section on pages 38-44

Resilient business

With a strong commitment to ethical and responsible business conduct, honesty and integrity, both within the Group and throughout our value chain, Pepco maintains high standards of corporate governance underpinned by clear policies which set a culture of responsible and resilient business for all our operating companies, colleagues and suppliers.

Our priority areas



Resilient business

Material topics
Business ethics and human rights; corporate governance, data protection and privacy

Policies
- Anti-Bribery and Corruption Policy
- Speak Out Policy
- Supplier Code of Conduct
- Modern Slavery Statement
- Tax Strategy and Corporate Criminal Offence Policy

Associations and accreditations
- Ethical Trading Initiative aligned
- SEDEX: global data platform for supply chain assessment
- Better Cotton Initiative
- Sustainalytics Low Risk Rating

SDGs

Business ethics and human rights
As described at the start of this section, Pepco Group is a multinational group operating across a wide range of geographies and jurisdictions. Strong business ethics and accompanying policies help to encourage responsible practices, protect human rights across the Group and its value chain and maintain our reputation with our stakeholders. We are aware of the potential impact on the wellbeing and livelihoods of our employees as well as the people within our supply chain that any breach of ethical standards could have.

Our approach
Pepco Group is committed to ethical conduct, honesty and integrity. The Audit Committee exercises oversight over the Group's approach to ethical and responsible business practices and reports to the Board on topics as appropriate. The Group is committed to embedding ethical practices across its businesses.

We have made several key improvements in our processes and procedures in FY23:

- We understand that the ongoing evolution in legislation, regulatory guidelines and standards mean our compliance function has to continuously evolve to keep pace. In focusing our efforts on our core operations and territories we have developed our central compliance programme and its associated monitoring metrics. Monitoring performance and outputs not only allows us to observe the effectiveness of our overall programme but enables us to set the tone for the behaviour we expect from our colleagues and partners; an essential part of allowing the Group to grow in the right way.
- We embrace the development and advancements in technology to support our ongoing objective to continually evolve our compliance programme, as such, we have introduced a third-party onboarding risk management solution. This allows us to access an ever changing and increasing range of global compliance data, enabling us to make crucial, data-driven decisions on whom we form business partnerships with. This tool allows us to screen for sanctions, politically exposed persons, violations of fraud and modern slavery, and identify controlling ownership of entities or any adverse media associated with the subject entity, in turn affording us an improved understanding of any exposure the Group may be subject to.

Anti-bribery and corruption

Pepco Group has an Anti-Bribery and Corruption Policy which sets out the standards of conduct which we expect of our workforce and our business partners. The policy includes our procedure regarding hospitality and the giving and receiving of gifts and political donations, and the mechanisms through which our workforce can report concerns relating to misconduct, including confidential reporting. We will consider taking disciplinary action up to and including dismissal against anyone who fails to comply with the standards of behaviour set out in our Anti-Bribery and Corruption Policy.

To reinforce the policy and further enhance our overall programme we have engaged a solution provider and we are currently developing a centralised compliance training platform. This will enable us to train our colleagues on a variety of compliance topics such as anti-bribery and corruption, anti-money laundering and modern slavery and human rights at a level appropriately tailored for colleagues and their role within the business. In addition, we will be able to monitor the effectiveness of learning though qualitative and quantitative measures, and report on those topics when required.

There were no confirmed cases of bribery and corruption in FY23.

Human rights

We recognise that whilst our business activities can contribute positively to the lives and livelihoods of our stakeholders, there is the potential for impacts on human rights and therefore we have a zero-tolerance approach toward any infringements or violations of human rights in our business or identified in our supply chain. All forms of modern slavery, including child labour, forced labour and human trafficking, are strictly forbidden by our Code of Conduct.

We have an Ethical Trading Code of Conduct for suppliers and compliance with this Code of Conduct is a key condition of doing business with us. The Code is closely based on the Core Conventions and the Fundamental Principles and Rights at Work of the International Labour Organization (ILO), a UN agency. We arrange regular training and meetings with our suppliers and employees to make sure they understand our Code of Conduct and that they respect it.

During our audit process, we rigorously check potential human rights and modern slavery risk indicators such as restriction on freedom of movement, forced labour, young/child labour, employment fee (if any being charged), unauthorised deduction from workers' wages, no procedure to raise grievance for human right violation, withholding workers payment and any form of discrimination by employer.

There were no confirmed incidents regarding human rights impacts in FY23.

Grievance mechanisms and remediation

Pepco Group has a Speak Out Policy and provides colleagues across the Group various mechanisms by which to report inappropriate conduct, including an external independent reporting facility for whistleblowing. The Group selected SafeCall, a provider with significant experience in this space, which offers a safe and confidential reporting environment and multiple reporting channels. Underpinned by the ability to provide their service in a wide range of languages, this allows the reporter to explain their concerns in the dialect they are most comfortable with, resulting in higher quality reports which facilitate the investigation and resolution.

We continue to review and improve our whistleblowing procedures as they naturally embed over time. Our training programme on this subject will be further expanded in the coming months, providing colleagues with an increased knowledge and confidence, enabling them to recognise and speak up about misconduct.

Corporate governance

Strong corporate governance, business resilience, transparency and accountability are essential in the effective management of our business, promoting long-term sustainability and value creation. Governance frameworks are required to ensure the effectiveness of the Board and to protect the interests of our shareholders and other stakeholders, also helping to build trust, without which we would not be able to operate.

Our approach to corporate governance

Pepco Group is committed to high standards of corporate governance, transparency and accountability. The Group has clear corporate governance policies which set a culture of responsible business for all our operating companies and our colleagues, customers and suppliers. Key elements of the Group's strategy drive towards a resilient business; our materiality assessment completed this year also highlights the importance of corporate governance and business ethics to our key stakeholders.

We aim to build and maintain business resilience by embracing technology to improve infrastructure and operational performance, taking a responsible approach to data protection and privacy, and by implementing robust and responsible data protection and privacy measures to meet regulations and protect customer and supplier confidentiality and security of personal information.

Our approach to tax

We understand that the taxes we pay to governments in the countries in which we operate are central to fiscal policy and macroeconomic stability, being an important source of revenue in providing a stable infrastructure, social fabric, and economic environment for citizens of those countries who are also our colleagues and customers.

We are committed to conducting our business in an honest and ethical manner, and our core tax principle is to manage our tax affairs responsibly, which means ensuring that we pay the right and fair amount of tax at the right time in the countries in which we operate, in compliance with local and international law. We believe this sits comfortably alongside our business purpose to deliver growth and long-term value for our stakeholders whilst also maintaining high standards of ethics, honesty and integrity, managing our impact on the environment, developing our colleagues, and enhancing the communities across our supply chain.

Our Board-approved tax strategy is reviewed and re-published annually and, whilst a requirement under UK law, is intended to summarise our overall tax strategy as a Group. Our tax strategy can be found on our website under "Our approach to tax": **www.pepcogroup.eu/about/how-we-operate/.**

Corporate governance continued

Our approach to tax continued

Ultimate responsibility for tax governance and management of tax risk sits with the Board and the CFO, supported by the Director of Treasury, Tax and Risk and the Head of Group Tax, who engage with the Group Audit Committee. Day-to-day management of tax risk for our operating companies is delegated to the relevant CFO or Finance Director. Regular communication channels ensure that the Group maintains oversight of key tax matters, and advice is sought from leading external professional advisors where considered appropriate (for example, where there is an element of uncertainty) given the complex and dynamic nature of tax law and practice.

We operate a system of tax risk assessment and controls as a component of the overall internal control framework applicable to our financial reporting system. We seek to reduce the level of tax risk arising from our operations as far as is reasonably practicable by ensuring that reasonable care is applied in relation to all processes which could materially affect compliance with our tax obligations. Known risks are monitored for business and legislative changes which may impact them and changes to processes or controls are made when required. As a multinational group operating in an increasingly complex and developing tax environment, some risk is unavoidable. Nevertheless, the level of risk which we are prepared to accept is consistent with our objective of achieving certainty with regard to our tax affairs.

When entering into commercial transactions we seek to utilise available tax incentives, reliefs, and exemptions in line with, and in the spirit of, applicable tax law and prevailing practice. We observe guidelines published by the Organisation for Economic Co-operation and Development (OECD) and endeavour to conduct intercompany transactions on an arm's length basis. We do not undertake tax planning unrelated to commercial or strategic transactions, nor do we undertake tax planning that is contrived or artificial.

We seek to foster positive relationships with tax authorities and to undertake all dealings with tax authorities in a professional, courteous, and timely manner. We aim to be clear and proactive in our interactions with tax authorities.

Alongside our Corporate Criminal Offence Policy, our Speak Out Policy and whistleblowing hotline are available in the event that concerns are raised about our business conduct and integrity in relation to tax matters. No specific concerns were raised in this respect through these channels in FY23. We do not currently report on assurance metrics specifically related to tax matters however this is an area that we will consider for future development.

Further description of the risk and its potential impact as well as the steps we take to mitigate the risk are set out in the Risk and Governance section of this report.

Data protection and privacy

Without core online operations, Pepco Group does not hold significant amounts of customer data. Nonetheless, strong data controls, which involve handling customer data with care and respect, are essential in protecting the information we do hold.

Implementing robust and responsible data protection and privacy measures are essential to ensure that Pepco Group meets regulations and protects customer and supplier confidentiality and security of personal information. We demonstrate commitment to our customers by prioritising data protection.

Our approach

The Group's operating companies have comprehensive data and cyber security policies in place, with dedicated cyber security specialists and Data Protection Officers, to protect data and information infrastructure. The Group is subject to significant data protection regulation (e.g. GDPR) and any breaches could result in significant customer reputational damage and fines/penalties as well as costs to rectify mistakes.

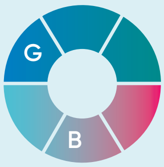
The Group is committed to having the right technical and operational controls in place and developing those further to ensure the security of the data we manage. This commitment is demonstrated by the various data protection committees and teams across the Group. Risk management controls are operational such as data protection impact assessments, a statutory requirement when embarking on projects involving the processing of personal data. Processes in respect of individual rights are also active. As we move towards a more centralised way of working in the coming months, we look to open lines of communication between the operating companies, further align teams, functional accountability, policies and frameworks and improve our overall efficiency.

No filings which meet the Supervisory Authorities' threshold for severe breaches have been submitted in FY23.

Environment

Working across the Group and with our partners and stakeholders to drive efficiencies and minimise the environmental impacts of our business, our value chain and our products.

Our priority areas



Greener environment
Better products

Material topics

Climate and emissions; waste

Priority areas

- Reduce the carbon intensity of our operations
- Increase recyclable packaging
- Reduce waste to landfill
- Grow the range of affordable products that contribute to a sustainable lifestyle

FY23 KPIs

- Scope 1 and 2 emissions (absolute and intensity)
- % recyclable packaging
- % waste diverted from landfill
- % sustainable products offered

Policies

- Poundland waste food policy
- Responsible packaging policy and packaging handbook (including On-Pack Recycling Labelling (OPRL) guidance)
- Sustainable Travel Policy
- Airfreight Policy

Associations and accreditations

- Responsible Business Forum Poland
- Poland Plastic Pact (Ellen MacArthur Foundation)
- Forestry Stewardship Council (FSC)
- PEFC – Programme for the Endorsement of Forest Certification
- Oeko-tex® Standard 100 – certification for textile product safety including organic cotton

SDGs

Greener environment

We recognise that the actual and potential environmental impacts of our operations, both as a Group and throughout our supply chain, are wide-reaching. These include energy and resource use, carbon emissions, water use, waste generation and biodiversity. However, as a result of our materiality assessment, we have prioritised the most material for the purposes of our reporting and therefore focus on climate and emissions and waste.

Our overarching intention is to minimise our negative environmental impacts and improve efficiency wherever possible to reduce the intensity of our impacts.

The Group's principal source of water usage is embedded water in our products, rather than water used in our store or distribution operations – therefore, whilst it is not included as a material topic, we have included an overview of our approach below.

One way we can influence the environmental impacts throughout our value chain is through supplier training – see the supply chain section below for more detail.

Data collection is a vital element of our environmental strategies, enabling us to monitor progress and drive performance improvements. In the coming year we will continue our focus on developing our data collection processes and systems.

Climate and emissions

The Group's activity generates greenhouse gas emissions through operations (stores, warehousing and shipping), products and product packaging. We are committed to minimising the environmental impact involved in the manufacturing, transportation, storage and consumption of the products we sell.

The main direct sources of emissions within our value chain are electricity in our stores, warehouses and distribution centres (DCs) and fuels used in the transportation of goods.

By taking a responsible and appropriate approach to environmental management both within the Group and working with our partners and stakeholders, we can reduce environmental risks and negative impacts.

The impact of climate change has wide-reaching and potentially catastrophic consequences for the natural environment, human populations, and economies across the world. Pepco Group is committed to managing the impact of carbon emissions generated as a result of our direct activities (scope 1 and 2 emissions) and working with our supply chain on scope 3 emissions. We have a role in decarbonisation through being more efficient with our use of energy, switching to renewable forms of energy and reducing waste throughout our product lifetimes. We can influence our suppliers to reduce their carbon footprints and engage with our customers to help them participate in a lower carbon world.

Greener environment continued

Climate and emissions continued

The energy management strategies in place at our retail operating companies increase the efficiency and sustainability of energy supply in our stores and distribution centres, thereby reducing the carbon intensity of our operations. Through the Sustainability and Energy Committees within our operating companies, energy efficiency projects are identified, implemented and monitored. The Committees meet regularly to review progress and report to management on achievements. As one of our top materiality issues, we will step up our focus on addressing climate risks and carbon emissions in FY24.

Given the nature of embedded water usage, our primary approach to understanding, monitoring and improving water usage will be through our supplier environmental guidelines and audit programme and by collaborating on industry initiatives such as Better Cotton and ZDHC.

Actions taken to manage climate and carbon emissions are as follows. Many of these environmental initiatives are equally impactful at Group strategy level in our efforts to optimise our store network and drive cost and operational efficiency.

Energy efficient stores and DCs

Poundland has upgraded its whole refrigeration fleet with doors, increasing energy efficiency by 80%. We are also using messaging on the fridge doors to communicate to our customers about energy savings. Almost all of our stores are now using energy efficient LED lighting and all our new stores install LED lighting. In FY24, solar panels will be installed at two of our UK DCs.

Sustainable energy

Poundland sources 100% renewable electricity. The Pepco Energy Committee is developing renewable energy sourcing strategies across all 21 European markets. This is quite challenging as there is often a lack of renewable energy availability in some markets.

Efficient logistics: DC to store, employee commuting and fuel sourcing

We have banned the use of airfreight for own-brand product shipping and are enforcing this through our Airfreight Policy. Poundland now only provides electric vehicles in the employee company fleet. In the UK, we have invested in gas-powered tractor units and long-semi and double-deck trailers; these are higher capacity which enables us to deliver more and reduces miles driven. In the next year, we will further investigate alternative, lower-carbon fuels for our logistics operations and continue to work on logistics planning efficiencies to reduce road miles and transport-related carbon emissions. In Pepco, about 750 shops are serviced directly by DCs, which additionally lowers costs of trans-shipment and number of kilometres driven.

Energy usage and carbon emissions data

In FY23 we have further developed our approach to carbon reporting by standardising our data templates and improving our data collection processes. We have also brought in external advice to ensure consistency of approach and methodology between our operating companies. This is in preparation of data in consideration of the GHG protocol, collation of data at Group level and setting consistent goals across the Group.

	FY23	FY22	YoY
Absolute	**101,674 tCO_2e**	106,214 tCO_2e	-4.3%
	1,032 TJ energy consumption		
Intensity	**18.0 tCO_2e/€m turnover**	22.0 tCO_2e/€m turnover	-18.3%
	-4.0 tCO_2e/€m		

We have seen a significant improvement in both absolute terms and the intensity of carbon emissions. This is due to moving our UK operations onto renewable energy for the majority of those sites. We will work in FY24 to transition more of our sites across Europe to renewable power.

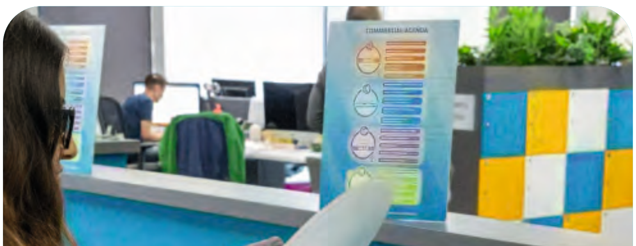
In FY24, we will extend our emissions reporting to scope 3 for the whole Group and use the information to build a low-carbon strategy and Group-wide carbon emission goals and KPIs. In line with many companies, we expect the majority of our carbon emissions to reside in products, their packaging and transport to our stores and DCs. We will develop a net zero strategy covering scopes 1, 2 and 3 with an associated decarbonisation roadmap. The strategy and goals will be reviewed and agreed at the ESG Executive Committee and progress against the goals will be reported to the Executive Committee and the Board quarterly. Projects contributing to the reduction of scope 1, 2 and 3 carbon emissions will be managed through the Sustainability and Energy Committees at the operating company level.

As part of our commitment to driving progress across our ESG initiatives and improving transparency and disclosure on an annual basis, we have continued reporting according to the EU Taxonomy and commenced reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in FY23.

EU Taxonomy is a cornerstone of the EU's sustainable finance framework and an important market transparency tool. It helps direct investments to the economic activities most needed for the transition to a low-carbon economy, in line with the European Green Deal objectives. The Taxonomy is a classification system that defines criteria for economic activities that are aligned with a net zero trajectory by 2050 and the broader environmental goals

In-store refrigeration

In-store refrigeration accounts for 5% of Poundland scope 1 and 2 carbon emissions. In FY23, we invested in doors for all our in-store refrigeration. This has increased energy efficiency on average, per store by 80%. We have also added stickers to the doors – using this as a way to engage our customers in our sustainability strategy.



Waste management

Poundland has achieved its zero waste to landfill goal two years earlier than planned, this was achieved through initiatives including launching a waste management guide, and clear in-store signage to enable store colleagues to better segregate waste. A revised food markdown policy was implemented, and a new unsold food policy introduced which is offered to colleagues at the end of the day.

other than climate. It is a key part of the EU Corporate Sustainable Reporting Directive (CSRD).

Under the Taxonomy, economic activities that qualify as environmentally sustainable are those that: (i) contribute substantially to any one of six environmental objectives using science-based criteria; (ii) cause no significant harm to any of the other environmental objectives; (iii) ensure compliance with minimum social safeguards and (iv) meet the technical eligibility screening criteria that have been set by the Commission.

Companies must disclose specific KPIs – turnover, capital expenditure (capex) and operating expenditure (opex) – which indicate the portion of their economic activities which are environmentally sustainable. In addition to these KPIs, this section also sets out our methodology and approach and additional explanatory information.

For the period under review, economic activities which contribute to two of the six environmental objectives are in scope for reporting: (i) climate change mitigation; and (ii) climate change adaptation. We will report against the other four environmental objectives where appropriate next year.

Approach

In order to present the required KPI disclosures we have assessed our activities in terms of Taxonomy eligibility and Taxonomy alignment under the following methodology:

Step 1: Identify activities eligible under the Taxonomy (Taxonomy eligible activities) – as in the previous year, all activities listed in the Taxonomy were analysed in terms of revenue, capex and opex.

Step 2: Identify activities that are eligible and aligned under the Taxonomy (Taxonomy aligned activities) – review eligible activities against the Taxonomy's technical screen criteria, "do no harm principle" and minimum guarantee requirements.

Activities that have been identified as complying with the Taxonomy are aligned to one of the two environmental objectives currently applicable: (i) climate change mitigation; or (ii) climate change adaptation - ensuring no double counting between objectives. With our current records and datasets, it has proven difficult to establish alignment with the technical criteria (i.e. we have installed low-energy LED lighting in many stores in FY23 however, our facilities records do not confirm if the bulbs meet the exact energy-rating requirements stated in the technical screening criteria). In FY24, we will ensure that future low-energy installations (air-conditioning and LED lighting) state their energy ratings in line with the screening criteria.

Eligible activities for climate change mitigation and climate change adaptation

Following a review of activities listed in the Taxonomy, it was concluded that the main revenue-generating activity of the Pepco Group – retail of FMCG, GM, and apparel goods – is not included in the current regulation and therefore 0% eligible turnover is reported.

Capex spend on activities related to the purchase of output from Taxonomy eligible economic activities that support our core activity was identified. It was determined that these activities should be allocated to the climate change mitigation objective, as the contribution to climate change adaptation objective is of lesser importance and the Taxonomy does not allow for double counting.

This capex spend relates to the following categories:

- 7.3 Installation, maintenance and repair of energy efficiency equipment – installation and replacement of energy efficient air conditioning units in Poundland stores and installation of energy efficient LED lighting in Pepco and Poundland stores;
- 7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings) – installation of electric vehicle charging points at our Poundland head office and warehouse sites; and
- 7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings – installation of smart meters and other building and equipment management systems which improve energy efficiency.

The percentage of eligible capex is calculated by dividing the Taxonomy eligible capex as described above, by total capex, as defined in International Financial Reporting Standards.

A summary of the KPIs required to be reported under the Taxonomy is set out in the following tables.

KPIs

FY23	Share of eligible activities	Share of non-eligible activities
Turnover	0%	100%
Capex	4%	96%
Opex	0%	100%

FY23	Share of aligned activities	Share of non-aligned activities
Turnover	0%	100%
Capex	0%	100%
Opex	0%	100%

Our contribution to environmentally sustainable activities

We have concluded that our main activities (retail of FMCG, GM and apparel goods) are not in the activities listed in the Taxonomy, and consequently our Taxonomy-eligible turnover and opex is 0% and Taxonomy-eligible capex is 4%. However, we believe our commitment to conducting business in an environmentally sustainable way, as described in this section, enables the Group to make a broader contribution to the EU's environmentally sustainable objectives. It should be noted that the Taxonomy is subject to periodic revisions, which in the future may define a separate category and specific technical qualification criteria for retail activities. For the time being, the Group has provided the appropriate disclosures in relation to its supporting activities that are included in the Taxonomy.

In order to ensure compliance with Taxonomy reporting requirements in the future, we will continue to monitor updates to the existing regulation and inclusion of new economic activities, as well as review economic activities listed for the remaining four objectives. The "Transition to a circular economy" objective is expected to be particularly relevant to the Group. To prepare for the inclusion of additional economic activities and reporting against all six environmental objectives, we will continue to review the way in which information is classified and organised in FY24 by Group companies in our finance and IT systems. We will also identify opportunities for improvement in collecting and managing information to enable better reporting in the future.

Greener environment continued

Task Force on Climate-related Financial Disclosures

We know climate change is a growing future risk to people, communities and businesses, but it also provides opportunities for new products and services. We have provided climate-related financial disclosures in line with the UK Companies Act for Poundland; our UK business. A summary against the 4 key sections, aligned to the 11 recommendations is below. As a business that is not listed in the UK, we are reporting as a large company that exceeds the relevant disclosure threshold.

Governance	Poundland implemented a formal environmental sustainability strategy. The strategy was formally approved by the Poundland Board and a management level Sustainability Committee was created to oversee and drive progress. Next year, these processes will be further enhanced in alignment with TCFD recommendations.
Strategy	In line with the recommendations of the TCFD, we undertook scenario analysis to identify a series of plausible potential future climate-related pathways. In this, our first TCFD report, we have balanced being overly complex with creating a tool that would be useful to our finance and risk teams. We followed three key steps in its development; firstly, we identified three credible potential temperature pathways. Secondly, we applied a timescale that is relevant to how we manage risk and strategy today and, thirdly, we reviewed the long list of transition and physical risks and opportunities to identify those most material to us.
Risk management	Our current environmental sustainability strategy manages and mitigates any short-term climate-related risks. As such, our overall analysis is that these risks are not yet business critical today, although require continued mitigating actions as climate impacts become more material. This approach is intended to ensure that the business is well prepared for key future risks in the medium to long term. Key future risks are: – Increased pricing of greenhouse gas emissions – Mandates on regulation of existing products and services – Substitution of existing products and services with lower emissions options – Costs to transition to lower emissions technology – Changing customer behaviour – Increased cost of raw materials – Shifts in consumer preferences In our full report we have indicated a timescale, potential risks and mitigating actions for each of the key areas. In FY23, risk processes were centralised at Group level. We have a central risk register and process for all operating companies, supported by the Risk and Audit team in each business unit. From FY24, it is intended to continue to build on existing climate-related risks across all Group entities. The outcomes of our TCFD scenario planning, both physical and transitional risks, will help to inform this process.
Metrics and targets	We established a set of Group-wide environmental and social goals, with corresponding KPIs in FY22, as seen at the front of this section. These built on the metrics already developed by Poundland in 2020. We report on an annual basis and have continued to develop our approach to ESG reporting in FY23. We consider the external disclosure of Group-level KPIs and goals to be an integral part of communicating the progress and development of our ESG strategy to stakeholders.

Waste

The Group's activity generates waste through both products and product packaging, in its supply chain, in store, distribution and head office operations and tertiary waste in customer households.

Efficient and effective stock management is the most important tool the Group uses to minimise product waste in our stores and distribution lines and reduce our impact on the environment while ensuring commercially efficient operations. We are also conscious of the fact that wasteful packaging can contribute to pollution in a variety of ways and customers increasingly seek more sustainable packaging.

Avoiding or minimising waste is a key element of our approach to sustainability and is covered in the Better Products section.

Pepco Group takes a responsible approach to waste management. This involves working with our suppliers to minimise packaging waste, reducing the use of plastic and reusing and recycling wherever possible – see 'Product packaging' below for further detail.

However, it is also important to note that packaging can play an important role in minimising waste – particularly related to food. We work with our specialist waste management suppliers to ensure that waste is recycled correctly and, within our Poundland stores, we achieved our zero waste to landfill goal two years early and have now set a goal to reduce all waste by 50% by 2024, from a baseline set in 2019.

Responsible waste management

As our operating companies are present in different countries with different national recycling infrastructure and capabilities, we have several different recycling and waste management programmes across the 21 markets.

In the UK, once again we hit our zero waste to landfill goal. In FY23, 21,327 tonnes of waste was generated, with 99.7% of this being diverted from landfill and 55 tonnes directed to disposal.

Below we describe some of the activities we have undertaken to reduce waste and increase recycling. In FY24, we intend to set a Group-wide goal, sharing best practice and programmes across all operating companies and countries.

In March and April 2023, we organised a second clothing collection event in selected stores in Italy and Spain. This was the second edition of the campaign "#Old clothes, New stories" held in collaboration with our social partner Humana People to People. In total, we collected 1,316 kg of used clothing in over a month, of which as much as 70% will be reused. Reuse and recycling can have many positive environmental impacts which include avoiding CO_2 emissions, water consumption and use of pesticides and fertilisers.

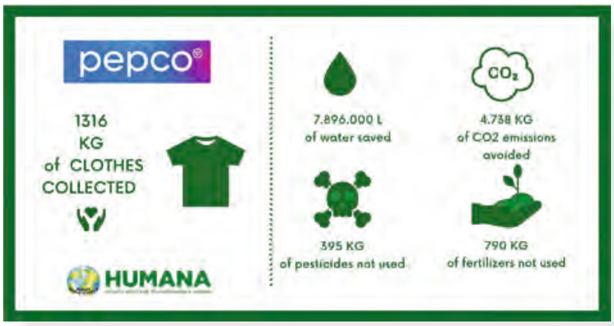
Environmental training and awareness

- "Every footprint is better than a carbon one" is a campaign organised by Pepco Croatia, the aim of which was to educate customers and young people about the importance of caring for the environment. The event included: interactive workshops for students conveying the importance of forests in our lives and voluntary action of reforestation, in which 3,000 trees were planted.
- "WE DO" was a one-day environmental clean-up campaign organised by our colleagues from Pepco Lithuania. Its aim was to remove rubbish and waste from public areas on the shoreline of a local lake in Vilnius. This initiative not only had a positive impact on the environment and the local community, but also provided a great forum for team integration and working together outside the Company.
- At Poundland, we trained our store staff in optimising recycling practices, with new bins to separate waste streams and posters explaining what goes where. We have also updated our packaging handbook to make it more user-friendly and trained 100% of our buyers in its use.

Better products

As part of our focus on providing value to our customers, we want to address the myth that price is a barrier to sustainable and ethically produced products. One of the most impactful ways we can positively contribute to our customers and communities is through offering a larger range of affordable and sustainable products available in our stores.

We know that, through the depletion of natural resources, apparel, general merchandise, food and beverage and personal care products carry potentially negative environmental impacts. The societies in which we sell our goods are becoming progressively more interested in product sustainability and, whilst affordability continues to be a key concern amongst our customers, customer research indicates an increasing focus on environmentally and ethically sound products and practices.



We want to increase the percentage of own-brand and private label products that we offer to customers as a way to contribute to their sustainable lifestyles. We currently define this as products with reduced packaging, those made from recycled or environmentally-preferable materials, or products that are externally accredited. In FY24, we will further refine this definition within product categories.

In FY23, we initiated a major IT project to improve our ability to collect and control product attribute data from our suppliers; this will enable us to closely monitor our progress and provides controls in our supply chain and procurement processes. We are committed to working with partners across our supply chain to monitor and improve environmentally responsible production methods.

While the Group's direct operations have limited impact on global biodiversity and our own water use is not considered to be specifically material, the impacts of the Group's supply chain and manufacturing of products carry greater potential negative impacts. Biodiversity and water availability support life, our economies and enhance the wellbeing of human and animal populations across the globe. We look to manage these aspects through operational efficiency programmes, supplier environmental engagement or our participation in industry initiatives and accreditation processes.

In addition to our focus on environmental protection, Pepco Group attaches the highest importance to the quality and safety of our products. Our quality assurance processes ensure that our products comply with safety standards and current legislation. Our suppliers receive clear instructions on legal requirements and product specifications.

In order to verify whether the suppliers comply with our recommendations, we run a multi-stage testing system. In addition to product testing performed by suppliers, we conduct our own tests in external laboratories in Asia and Europe to check whether the supplier complies with all these standards and work with independent partners to increase the level of scrutiny.

A good example of this is the increasing number of products with certifications such as Recycled Claim Standard (RCS) or Global Recycled Standard (GRS) for recycled materials, Organic Content Standard (OCS) or Global Organic Textile Standard (GOTS) for cotton, Forest Stewardship Council for products from forestry, such as paper or wood, or Oeko-TEX for textiles.

Better products continued

Avoiding waste – product packaging

In the previous section, we described our focus on waste prevention and recycling activities. In addition to this, our revised packaging handbook is applied to all our suppliers through PGS and used by our buying teams across the Group.

Clear packaging materials labelling provides our customers with information on how they can better recycle packaging at home – in the UK we have adopted the OPRL guidelines and are rolling them out across our own-label products.

Pepco Group has three main aims when it comes to packaging:

- 100% of our packaging to be recyclable in all the markets we operate in;
- reduce the amount of packaging produced by 20% by 2025; and
- use 30% recycled materials in packaging.

We implemented a comprehensive packaging policy in FY23 in response to the need for collective action in limiting plastic pollution and driving towards a circular economy. The policy is aimed at identifying and eliminating all unnecessary or problematic packaging through design, innovations, and use of alternative resources. We also want to reduce weight and increase the recyclability of our packaging among other factors. In FY24, we will establish Group-wide goals against each of these aims.

Additionally, in order to learn about the best industry standards, we joined the Polish Plastic Pact in February of 2023.

Environmentally responsible production

Some of our own-brand clothing has been a member of the Better Cotton Initiative (BCI) for a number of years. We have extended this further across the whole Group, with Pepco achieving membership in FY23 for all own-brand clothing and textiles. Through our retail partnerships with Better Cotton, the tonnage of cotton sourced under the BCI scheme is recorded via the BCI membership platform each calendar year, independently assessed and subsequently reported at Group level, providing an external membership validation of this data point. By extending the membership and reporting across more product lines, we have in effect re-baselined our goal. This does mean in FY23, our overall percentage of BCI-sourced fibres has reduced to (an estimated) 21% in FY23 from 40% in FY22 (21% now applies to the whole group-sourced cotton fibres. 40% applied to FY22 Poundland-sourced fibres). However, we believe that the more comprehensive goal and wider membership will enable us to offer more sustainable products to more customers. Our clothing range also includes organic cotton items sourced under the Global Organic Textile Standard (GOTS) and the Organic Content Standard (OCS).

Shopping bags

Customer shopping bags are a highly visible indicator of waste and plastic use, so making sure they are recyclable and made of recycled material is an important first step. To further encourage customers to reuse, Poundland have begun to introduce their new 100% recycled and recyclable bag for life.

Better Cotton Initiative

In FY23, the Group became a proud member of the Better Cotton Initiative (BCI) – the largest sustainability programme in the world formed of over 2,500 multi-stakeholder members, which aims to support farming communities socially, environmentally and economically. In the 2022-2023 cotton season, the Better Cotton programme reached more than 2.8m cotton farmers in 22 countries and trained them to use water efficiently, care for soil health and natural habitats, reduce use of the most harmful chemicals and respect workers' rights and wellbeing.

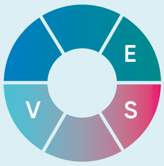
Pepco is the first Poland-based company which is part of this initiative. By sourcing cotton through Better Cotton, Pepco contributes to raising the standards of cotton production, which translates into the wellbeing of farmers and the local environment. By 2025, our target is to source at least 25% of our cotton from sustainable crops.

In addition to responsibly sourced cotton, we provide our customers with a range of affordable, sustainable product options across our clothing, general merchandise and FMCG lines including Oeko-Tex and Forest Stewardship Council (FSC) eco-certified products, recycled polyester clothing and vegan and vegetarian ranges. We label those products accordingly, to help our customers clearly identify more sustainable choices and show our commitment to environmentally responsible production.

Social

Serving our customers and communities. Valuing our people, contributing to a strong society and placing the Pepco Group at the heart of a responsible and efficient supply chain.

Our priority areas



Strong society

Valued supply chain

Exceptional employer

Material topics

Serving our customers and communities; responsible supply chain; employment

Goals

- Perform annual audit of all factories
- Engage all colleagues regularly for feedback

FY23 KPIs

- % factories audited
- % colleagues surveyed
- Number of people supported through our charitable work

Policies

- Supplier Code of Conduct
- Group Board Diversity Policy
- Diversity and Inclusion Policy
- Global Quality Assurance and Quality Control Policy
- Gender Pay Gap reporting
- Modern Slavery statement
- Zero-Tolerance Policy
- Parental Leave Policy

Associations and accreditations

- Ethical Trading Initiative aligned
- SEDEX: global data platform for supply chain assessment
- Better Cotton Initiative

SDGs

Valued supply chain

Our sourcing business, PGS, manages a supply chain comprising 385 vendors using 743 factory production sites and is responsible for sourcing 88% of our own-label products. To simplify our operations, PGS was further integrated into the Pepco business in FY23, which will help maximise and align the buying cycle, as well as help drive further operating efficiencies. We work with our suppliers to develop sustainable product options which meet our customers' preferences at an affordable price point, which is made possible through the commercial advantage provided by PGS.

Having a vertically integrated sourcing model provides the Group with enhanced visibility across the overall supply chain and optimises the level of control and coordination we have with our sourcing and buying teams, enabling better oversight and influence over the social, ethical and environmental management practices of our partners and improved risk mitigation.

Our FMCG products are sourced directly from both domestic and international suppliers including some of the world's biggest brands such as Nestlé, Unilever and Proctor & Gamble.

Owing to the scale of Pepco Group's operations and the significant investment in our supply chain, we have the opportunity to support economic development, industry and employment opportunities. By implementing responsible sourcing policies and practices throughout our supply chain, Pepco Group aims to procure products and services in an ethical, sustainable and socially conscious way, bringing positive impacts to the people and economies in which we operate, as well as minimising any negative environmental impacts.

Valued supply chain continued

Our approach

We have strong policies in place to protect the integrity of our supply chain, including a Pepco Group Supplier Code of Conduct which applies to all suppliers and contractors. The Code of Conduct is aligned with the Ethical Trading Initiative (ETI) Base Code, an internationally recognised code of labour practice founded on the conventions of the International Labour Organisation (ILO). It includes expectations concerning human rights (with specific reference to child labour), ensures colleagues in factories are treated fairly, and lays out our position on bribery, transparency and unauthorised subcontracting as well as environmental provisions.

Before onboarding a new supplier or factory, the buying, sourcing and merchandising team from PGS will visit the facility to perform a high-level technical, social and environmental audit to check if the supplier or factory can meet our Cost, Quality, Ethical and Environmental Compliance Standards. New suppliers are required to confirm adherence to the Code of Conduct and acknowledge the Pepco Group ethical and environmental guidelines for suppliers before starting a business relationship.

We then continue to work closely with our suppliers to improve the sustainability and responsible business practices within our value chain and look to provide a positive influence through regular engagement and auditing. Factories actively producing goods for the Group are audited at least once per year by the Group's sourcing compliance team in accordance with the Supplier Code of Conduct. We also perform additional announced and unannounced factory audits during the course of the year, to further strengthen our review procedures.

We firmly believe that addressing the root cause is essential to achieving sustainable and responsible business practices. In instances where potential negative impacts are detected, we collaborate closely with our suppliers, requesting their active participation in conducting thorough risk assessments. This evaluation helps us gauge the likelihood of the situation occurring and guides us in determining the appropriate course of action. If there is even a remote possibility of an impact arising, we urge our suppliers to proactively implement preventive measures to mitigate any potential adverse effects.

We understand that immediate preventive action may not always be feasible. In such cases, we expect our suppliers to present a well-thought-out mitigative or remediation plan that will effectively address the negative impact when it arises. This proactive approach ensures that we are prepared to take swift action whenever necessary, minimising any potential or negative impacts. By fostering transparency and collaboration throughout our supply chain, the Group aims to ensure that our valued partners are fully aware of the social, ethical and environmental impacts associated with their practices.

The compliance team arranges regular induction training and holds meetings with suppliers to ensure they understand our Code of Conduct, Zero Tolerance Policy, and auditing standards.

Working with our supply chain

Supplier social and ethical practices

We believe in helping our suppliers to continuously develop their social and ethical standards in partnership with the Group. As part of this, we prioritise:

1

Commitment to developing the livelihoods of the people who make our products, which includes ensuring that the workers in our supply chain are:

- working willingly and not forced to work;
- not discriminated against by their employer;
- working in safe working conditions and are not exposed to dangerous working conditions; and
- receive all due wages for their work.

2

Providing support for suppliers to help them develop and improve their workers' livelihood through safe working conditions, fair wages and other basic human rights.

3

Supporting our suppliers to contribute to sustainable development through partnerships such as the Heart to Heart charity described in the exceptional employer section below.

4

We have a risk-based audit approach, taking into consideration of factories' geographic location, reputation, the type of manufacturing process and the most recent ethical audit rating. Frequency of audits are increased based on risk associated with the factory.

Auditing process

All active factories are audited at least once a year. All potential new factories must go through the ethical audit process and must pass the ethical compliance audit to be eligible to do business with us. During the audit, we rigorously check issues related to human right violation e.g. wage retention, child labour, discrimination, restriction on freedom of movement, any form of forced labour and safe working conditions. We develop a Corrective Action Plan (CAP), which is agreed with the supplier and factory management during the closing meeting on audit date.

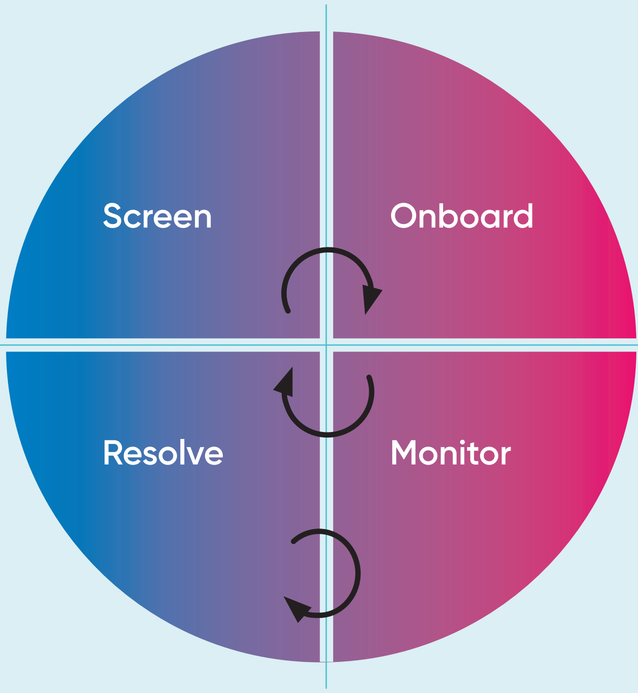
After each audit, we share an ethical audit report with compliance (CAT) risk ratings with the suppliers and factories. Factories with CAT 1, CAT 2 and CAT 3 are deemed to have no-risk to medium-risk issues and approved for new business. Business restrictions are imposed on factories with CAT 4 and CAT 5 grading for having high-risk or critical issues. Factories need to submit a CAP for all high-risk issues identified during the audit.

The compliance team reviews the CAP submitted by factory management and arranges follow-up audits to review and monitor progress against the Corrective Action Plan. Frequency of audits are increased based on the most recent ethical audit rating, reputation and other risk factors.

In addition, the compliance team conducts unannounced supply chain monitoring audits to control unauthorised subcontracting of Pepco Group merchandise manufacturing. See the case study on page 34 for an example of how our auditing process led to social and safety improvements at a factory in Bangladesh.

- Potential new suppliers are sent our Code of Conduct
- Approved factories acknowledge our Code of Conduct

- Supplier and colleague Code of Conduct training programme
- All potential new factories must go through the ethical audit process and must pass the ethical compliance audit to be eligible to do business with us. A CAT rating is then applied, with CAT 1-3 indicating supplier approval and CAT 4-5 setting out restrictions with 180 days to remediate
- New suppliers are given their CAP, onboarded and added to active factory list



- Supplier works on CAP corrective actions
- Regular supplier meetings and follow-ups
- Subsequent audits arranged if required

- Ethical and environmental audits
- Audit rating and follow-up actions provided to suppliers
- Annual audit repeated for all active factories

Training and engagement to develop our supplier standards

Before introducing our environmental guidelines to our suppliers, training was provided to our buying, sourcing and merchandising teams. As part of the launch programme, introductory ESG workshops were held with representatives from each of the suppliers. The workshops provided an opportunity to engage with suppliers on the importance of ESG topics to the Group and an explanation of the Group's ESG strategy, followed by a training session on the guidelines. The guidelines were then sent to our largest suppliers, who were asked to sign an acknowledgement slip and complete a "checklist" review of their environmental practices. The results of this preliminary questionnaire indicate a range of knowledge and performance across our suppliers, with some suppliers requiring further training or support to meet our expectations. This preliminary research will be used to develop the full audit and compliance programme and target future training and development resources to work collaboratively with suppliers to support them in meeting the Group's environmental standards.

Additionally, we proactively invested in the professional development of our Bangladesh suppliers and factories by facilitating third-party training programmes. These programmes covered seven key environmental topics, including environmental management systems, chemicals, wastewater, water, energy, air emissions, and waste.

By placing environmental education and collaboration at the core of our supply chain operations, we strive to foster a culture of sustainability and responsibility.

Valued supply chain continued

Supplier environmental practices

In FY23, the Group developed a voluntary set of Pepco Group Environmental Guidelines For Suppliers which cover the following key areas:

- environmental management system;
- environmental regulations;
- recording and minimising greenhouse gases (GHGs);
- waste management;
- increased water usage efficiency;
- chemical management;
- safeguarding natural resources and biodiversity;
- sustainable packaging; and
- sustainable raw material sourcing for products.

Environmental due diligence and auditing

We have introduced this environmental due diligence to our supplier selection process. We intend to audit new suppliers for compliance against the environmental guidelines, allowing us to identify and address any current or potential negative environmental impacts within our supply chain, with any improvement areas provided in a CAP. This will further help us to mitigate environmental risks in our supply chain and drive towards our future Group-wide Net Zero strategies.

Upon identification of current environmental impacts, our dedicated team creates a comprehensive CAP, which is meticulously designed to remediate issues and prevent their recurrence in the future. Together, we strive to implement appropriate measures that prevent, mitigate, or remediate any adverse effects. Through these proactive initiatives, we aim to set a benchmark for environmental responsibility within our industry and contribute to a sustainable future. We are fully committed to expanding our efforts in upskilling an even greater number of suppliers and factories, ensuring they possess the necessary knowledge and understanding of critical environmental practices and principles.

Supplier performance in FY23

- 100% of new suppliers were screened using Ethical Trading Initiative-aligned criteria.
- 1,548 audits were performed at 1,154 factories. Ethical audits were undertaken either by our own compliance team or by third-party audit companies.
- We supported improvement in standards at 175 factories, successfully remediating critical issues and enhancing their risk ratings from CAT 5 or CAT 4 to CAT 3 or above.
- 97% of our factories categorised as no to medium risk – CAT 1, CAT 2 or CAT 3.
- Demonstrating the strength of our stance, contracts with 22 factories were terminated for repeated infringements of our Code of Conduct and violating our Zero Tolerance Policy.
- New business placement was restricted in 137 factories with high-risk violation e.g. CAT 4 or CAT 5 rating.

We work with our suppliers to develop sustainable product options which meet our customers' preferences at an affordable price point, which is made possible through the commercial advantage provided by PGS.

> See 'Better products' on page 29 for more information

Exceptional employer

Investing in people to support growth is one of our four strategic pillars. By striving to be an exceptional employer, we aim to support our colleagues and ensure that they thrive – we believe that, in order to serve our customers well, our employees should love what they do.

As a large retail organisation spanning multiple countries and employing more than 47,000 colleagues, we absolutely recognise the vital role they play in supporting our growth and continued success. We feel a real responsibility to work with them in creating an environment where they experience a sense of value and support where they can truly be the best version of themselves. Opportunities to progress internally are actively encouraged and we work together to enable both personal fulfilment and opportunities for progression.

Above: 2023-04-03: Photo of fire alarm control panel of factory's Addressable Smoke detection & fire alarm system.

Below: 2022-12-13: No Addressable Smoke detection or fire alarm system installed.

Improving working conditions for workers – one of many success stories in FY23:

In December 2022, we audited a ready-made knit garments manufacturer in the outskirts of Dhaka, Bangladesh. The factory failed our initial audit for these reasons:

- failure to pay minimum wages to 23 workers of total 570 workforce;
- dangerous working conditions e.g. no automated smoke detection and fire alarm system, locking feature on exit door; and
- inadequate building approval and fire licence coverage for factory.

Following our audit, the factory management started taking the necessary corrective action. We worked closely with the factory in the remediation process by reviewing their CAP progress report and guiding them to take appropriate corrective action. As a result, the following improvements were made:

- factory management pay at least minimum wages to all workers since our audit; and
- automated smoke detection and fire alarm systems were installed and building construction approval and fire licences were obtained from the local Government authority.

In April 2023, on request of the supplier, we arranged an unannounced follow-up audit in the factory and the factory was assessed as CAT 3 by resolving all Zero Tolerance issues. Due to our audit process, living conditions of several workers were improved in the factory.

We have a combined commitment throughout the Group to ensure that we foster a great experience for all our colleagues, regardless of their role and location. This includes, but is not limited to, fair and regularly reviewed competitive pay, providing career progression opportunities, effective employee engagement, creating an inclusive environment with clear and supportive people policies. Furthermore, we place a strong focus on the role of culture and leadership in shaping our colleagues' experience. That's why we're dedicated to fostering a collaborative culture based on our core values that drive the right behaviours.

We continue to invest time and resources in making sure that our leaders are well trained, building further on our established internal suite of development programmes. It is important that access to learning via different options including e-learning, classroom delivery and support guides is accessible and enables everyone to be confident in their role and provide support and guidance to their respective teams. To also adapt to our colleagues' evolving needs of exploring various opportunities, we actively provide various internal and external development options and career advancement opportunities.

Our culture

We implemented the Pepcoolture Masters to embed our values within the organisation and strengthen a daily appreciation culture. Colleagues nominate others, who represent our values in daily life as a role model. During the first phase, there were over 1,200 nominations.

Developing our colleagues

An average of 12 hours of training was provided to employees annually. We are investing into regional training centres and providing tablets in each store to give access to a broader range of online training covering longer term career development, customer service and e-learning. We discuss our top talents and plan succession for key roles in organisation during regular meetings with each ExCo. We have started a strategic project on the recruitment, onboarding and succession planning for stores to ensure high effectiveness and positive candidate satisfaction and to manage retention within the first few months of hiring. We've refreshed the performance and development process so that it focuses on feedback and people development. The processes have been implemented in all our stores and DCs.

Our Group gender pay gap was conducted across all Company entities and according to ESRS methodology[1], is 39%. While we acknowledge that the gender pay gap is a result of the natural distribution of our employees across different business areas, with a significant representation of women in our store staff, we recognise our responsibility to ensure that all colleagues are treated fairly and receive support in their career growth.

Our performance management process encourages career and development conversations, promoting employees' ideas and thoughts regarding their career journeys while ensuring managerial support throughout the process. This has resulted in over 2,709 internal promotions in our Pepco operating company during FY23 among our staff, of which, over 91% are women.

The remuneration for store positions, which is our biggest group of colleagues, is based on standardised rates, which are also published and available to our staff. For other positions, we rely on grading methodologies to ensure effective evaluation. Additionally, we use market benchmark data to formulate our Salary Policy and meticulously monitor our remuneration practices. Comparing same level positions, we see no significant discrepancies. Although different methodologies may currently be used across the Group, our goal for the next year is to work towards adopting a single methodology. This transition will enable us to analyse the gender pay gap in a more detailed manner.

This year we also introduced a Diversity & Inclusion Policy and kicked off the education with workshops for our leaders and Executive groups through our Leaders Forum event. Next year we plan to work on the Diversity & Inclusion strategy for Pepco to align with our colleagues in Poundland, further work on the gender pay gap and unconscious bias training for hiring managers.

Employee engagement

Our colleagues receive the latest information about the Company via the Pepconet intranet platform. They access information through a dedicated online platform called "Pepcopedia". The Pepco distribution centres also have daily briefings with shift managers. Pepco's head office staff also benefit from these initiatives together with online meetings with senior managers. The most important initiatives and achievements are summarised in the quarterly Pepco Voice, available to all Pepco employees. Poundland surveys employees every year, while Pepco operates a full colleague survey every two years.

In FY23, the Poundland employee survey included a new question about sustainability. We achieved a 78% response rate with 73% agreeing with the statement – 'I am aware of what initiatives we are doing to be more sustainable and help the environment'.

In Pepco, the 'difficult case' procedure makes it easier for employees to report possible violations with regard to the violation of Company values, unfair treatment, discrimination, harassment, sexual harassment or mobbing.

1 ESRS S1-16: the male-female pay gap, defined as the difference between average gross hourly earnings of male paid employees and of female paid employees expressed as a percentage of average gross hourly earnings of male paid employees.

Exceptional employer continued

Employee engagement continued

Collective bargaining agreements

Pepco consistently collaborates with trade unions, work councils, and representative groups across Europe, adhering to national CBAs where applicable. Given the notable variations in employee organisations throughout Europe, our most extensive cooperation occurs in Spain and in Poland. In these countries, we conduct regular meetings with trade union representatives. These sessions involve discussions on pertinent organisational projects and changes, employee health and safety, the review of emerging challenges, and consensus-building on alterations to employment terms.

In the UK, we continue to work with our union partner, Usdaw. Our relationship is supported by a collective bargaining agreement (2012). The agreement covers all retail, driving, warehouse and stock colleagues (hourly paid) for negotiations, consultation and collaboration on wages and other aspects of work. We have a good relationship with the National Officer and at local level with the area organisers and shop stewards. We hold bi-annual National Joint Consultative Committee meetings led by the National Officer, and quarterly Health and Safety Committees. The agreement requires us to be transparent with our plans and we are where possible.

Dignity and respect

We continue to focus on diversity, equality and inclusion and regularly review our colleague data in all aspects, from attracting a diverse talent pool to collating feedback via the annual "Your Voice" survey enabling us to create an environment where everyone feels they belong. To drive progression and change, we empower colleagues at all levels to become Champions, playing an active role in driving an inclusive culture. We have a specific Parental Leave Policy applying to employees with at least one year of continuous service in the UK and Ireland; in other countries across Europe, we follow the relevant rules for parental leave.

As an employer, we are responsible for making reasonable adjustments to support colleagues. As we evolve to become more tech-enabled, we identified the need to be more digitally inclusive, introducing resources that will help visually impaired and neurodivergent colleagues. At Poundland, this has included the launch of "Recite Me" in FY23 on our colleague portals.

Pepco actions in FY23:

- introduction of a revised D&I Policy, kicking off education workshops for leaders and Executive groups; and
- updated communication materials, recruitment toolkit and recruitment policy.

In FY23, there were no reported incidents of discrimination.

Promoting wellbeing

Supporting the wellbeing of our colleagues is an important element of our approach to responsible employment.

We recently launched a Wellbeing and Inclusion Committee and use various channels to raise awareness with new dedicated wellbeing and inclusion pages on our internal portal.

Pepcoolture Masters

We introduced a "Pepcoolture Masters" programme in FY23 to promote Company culture and recognise employees who embody Pepco values: growth, team spirit, simplicity, respect, and love of the customer.

During the programme's implementation in 16 markets, we emphasised a fundamental belief that "being appreciated every day at work matters".

Nearly 1,200 nominations came in from across all markets. These were submitted by peers, who highlighted nominees whose values are genuinely reflected in their actions.

In collaboration with our local coordinators, we announced 99 local winners in each of the three quarterly editions. This group included six global winners, one for each value and one for Pepco Management team's special prize.

Health and safety

As a retail organisation, we pay special attention to health and safety. Our general approach is focused on the operations, each market organisation has a team to manage all relevant health and safety matters. In each country we implement advanced health and safety standards and comply with legal obligations.

In our daily work, we strive to maintain a high safety standards, minimise potential risks and raise employee awareness regarding safe working culture:

- In Poland (the market with the largest number of our stores), we employ regional safety inspectors who monitor our stores for safety compliance. Inspectors' visits to stores take place at least twice a year.
- Our headquarters of our Pepco business in Poznan operates a Safety Committee, consisting of employee representatives. This is an advisory body driving the development of safety procedures and regulations within the organisation.
- We conduct a variety of educational activities to prevent potential accidents and we share our best practices across the markets (through newsletters, instructions, posters and educational materials for stores, DCs, etc.).
- We constantly monitor accident rates, descriptions of incidents in stores and tips on how to prevent them in the future are published in our newsletters, which are sent to all Pepco store managers.

Strong society

Serving our customers and communities

At the core of our business model is our aim to provide value to our customers, which is confirmed by our stakeholders through our materiality assessment. For us this means providing our customers with affordable, high-value products, from convenient stores, sourced in an ethical and sustainable way. Given the current inflationary environment, we are committed to supporting customers in meeting the challenges of the cost-of-living crisis and contributing to the raising of living standards in society.

Through its operations, the Group provides employment, development and investment opportunities in the communities where it operates resulting in a "multiplier" effect into the local economy and the livelihoods of local people. As part of its operations the Group also supports community-based initiatives and charity work.

Our operating companies have multiple community partnerships across our markets. These predominantly focus on supporting vulnerable or sick children and their families – from providing terminally ill children with fun days out to supporting literacy and access to sports. We track these activities through our Poundland Foundation and "Pepcolandia" donation management process. In FY23, the Poundland Foundation issued its first public report according to UK Fundraising Commission guidelines. £1.3m in grants were made to UK charities – see here for more details **https://poundlandfoundation.org.uk.**

Local communities and charitable support

In each of our European markets, the Group and its operating companies support projects aimed at equalising educational opportunities for children and young people from disadvantaged backgrounds, strengthening their personal development, mental health and empowerment.

Some of the many projects supported during the year are described below:

Poland: 8 summer camps were provided for 360 children through the care of Society of Children's Friends.

Romania: through the Concordia Humanitarian Association, Pepco supported additional classes for 154 children in underprivileged communities in Prahova.

Croatia: a reforestation programme aimed at educating our customers and young people about the importance of forests and climate change, planted 3,000 trees.

Slovenia: the Pepco Life Academy programme educates teens about human and citizen rights through a series of workshops.

Serbia: workshops for children and youth on building self-esteem and educating on modern addiction diseases (i.e. internet games, shopping, betting).

Bulgaria: "My future with art" project in cooperation with Fusion Foundation educates children in different types of visual arts: fine, applied and craft, and presents various opportunities for professions related to the visual arts.

In the UK, our Poundland Foundation continues to go from strength to strength, supporting more families than ever with the Kits 4 Kids grants programme and helping back the vital work of our charity partners Make-A-Wish®, Tommy's and Whizz-Kidz. Since we launched in May 2021, over £1.8m in grants has been awarded, supporting over 10,000 families in our communities. The Foundation provides help in three key areas: our national charity partnerships, the provision of community grants and inspiring Poundland colleagues, customers and suppliers to support causes they care about in their communities.

To date

4,840 beneficiaries at 600 sports clubs have been supported through our Kits 4 Kids programme, helping kids keep active through sports.

211 Make-A-Wish® wishes have been granted for children who don't have the luxury of time on their side.

5,277 Tommy's families have been helped to keep their babies safe.

124 children and young people at Whizz-Kidz have received life-changing mobility equipment.

Across all our UK stores, "Pennies", a digital charity box roll-out has now been completed giving customers the opportunity to donate a small amount of money.

In October 2022, we launched a charity partnership with Barretstown in the Republic of Ireland. Barretstown runs residential camps for children with a serious illness. During the first year, €250,000 was raised and donated.

In PGS, our Asia sourcing operations, if an unauthorised subcontract is identified at a supplier, we impose a financial penalty. The financial penalty amount is donated to our charity organisations which focus on children's education and wellbeing:

1) School of Hope in Bangladesh

2) School of Hope in India

3) Heart to Heart in China

The School of Hope in Bangladesh and India provides free education and lunch to students, as well as awareness training on social issues, thus improving conditions for garment workers living near those schools. The schools also offer skills and training programmes for students' family members to enable them to achieve financial independence. Heart to Heart is a Shanghai-based charity which provides corrective surgery for children with congenital heart disease.

We are proud of the work we do to support communities around the world that are connected to our value chain.

In summary, at Pepco Group, we aim to democratise sustainability for our customers by offering affordable choice and demonstrating that price is not a barrier to sustainable and ethically produced products. As a large employer, we bring employment and training opportunities to thousands of individuals in multiple countries. As a retailer serving over 57m customers per month, we develop engagement possibilities with a diverse range of communities and individuals across the world. We source products from many suppliers, all over the world, giving us the opportunity to bring positive impacts to the people and economies in which we operate. Our joint strategic focus on environmental and social responsibility drives us to improve our impact on the planet while creating benefits for society, both directly and indirectly. We are committed to delivering growth and long-term value for our stakeholders whilst also maintaining high standards of ethics, honesty and integrity, managing our impact on the environment, developing our colleagues, and enhancing the communities across our supply chain. We commit to continuing our journey to becoming more mature in our ESG strategy and disclosures, aligning across the Group and building on the past achievements of Poundland and Pepco.

Our approach to risk management

Risk management and internal control framework

The Group and its operating companies, like all businesses, are exposed to risks and uncertainties that could impact their business model, business continuity, financial performance, or brand reputation.

Our approach to risk management remains consistent with previous year, and addresses these risks in a conscious manner that increases the likelihood of achieving our strategy and business objectives. This proactive approach ensures risk management is part of our management conversations and is embedded in our processes which benefits our decision making and is essential to creating and preserving long-term value.

The Group Audit Committee, under delegated authority from the Group Board, is accountable for overseeing the adequacy and effectiveness of the Group's risk management processes and ensures the Group Board and management are appropriately discharging their risk responsibilities.

The Group Risk Management Team is responsible for defining the risk management framework and driving consistent application across the Group. The team constructively challenges and supports businesses and functions in following the risk methodology outlined in the Group risk management framework.

The Group's risk management framework is designed to identify and manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, but not absolute, assurance against material misstatement or loss. The framework is designed to be sufficiently agile to respond to changes in macroeconomic and geopolitical circumstances.

The continued expansion of the Group's operations across new geographies and the development of additional categories to serve our customers' needs can increase our risk footprint, while decreasing the impact of any single risk to the business as a whole.

Internal reporting

Group-level risks

- Consolidation of significant risks from underlying risk registers
- Overlay of Group-level risks
- Review and agreement of the principal risks by the Executive Directors
- Review and approval by the Audit Committee

Business and functional risk registers

- Development and ongoing maintenance of risk registers, including consideration of emerging risks, by business owners and leadership teams
- Review and challenge of risk content and the quality of mitigation plans by the Group Risk teams
- Monitoring of risks associated with our operating companies review and challenge of risks at leadership forums

Emerging risks and issues

- Monitoring emerging areas of change or issues that may become significant at a Group level

Top-down

- Review and approval by the Board and Audit Committee
- Full disclosure of principal risks and uncertainties

Bottom-up

- Group Risk team
- Business and functional leadership teams
- Policy and process owners

External reporting

Principal risks and uncertainties

- Review and approval by the Board and Audit Committee
- Full disclosure of principal risks and uncertainties

Risk identification and assessment

To ensure risks are consistently identified and managed, the Group's risk management process is structured as follows:

- identification, measurement and reporting of risks against consistently applied criteria, considering both the likelihood of occurrence and potential impact to the Group, with clear ownership sitting with relevant functional leaders;
- maintenance of detailed risk registers and mitigation plans by operating companies and functions, which are approved by their leadership teams and the operating company's Audit and Risk Committees, and are also incorporated into related governance processes, such as ESG or Safety Committees;
- monitoring of emerging risks where the full extent and implications may not be clear but need to be tracked;
- management action to evaluate changes to the risks created by new or unexpected events. Over the last three years this has included the rapid assessment and business response to Russia's invasion of Ukraine and the Covid-19 pandemic;
- continued assessment of risks to reflect changes in the business operating model, IT infrastructure, supply chain and reporting;
- half-yearly review of all risk registers by the Group Risk Management Team to provide independent challenge and support cross-business alignment;
- internal audit reports on the effectiveness of internal control procedures, which are presented to the Audit Committee; and
- in practice the risk management process mirrors the Group's operating model, with each operating company and functional area contributing to the ongoing identification, assessment and management of their existing and emerging risks.

This "bottom-up" identification of risks is overlaid by those risks highlighted from the "top-down" review and challenge process by the Group Risk Management Team and Group Board. These assessments are aggregated, together with the consideration of risks existing at the Group level, to compile an overall Group-wide view of risk.

The output from the above process is subject to periodic review and challenge by the Executive Directors and, subsequently, the principal risks and uncertainties are submitted to the Audit Committee ahead of final review and approval by the Group Board.

Risk appetite

The Group's risk appetite takes into account its wide geographical spread, careful financial management and commitment to long term value creation and is an expression of the level and type of risk that the Group is willing and able to accept in pursuit of its strategic objectives.

Risks are taken consciously, assessing their impact on the Group's objectives, and risk appetite is typically expressed as a statement of intent by risk category.

The Group has defined seven risk appetite categories, informed by the Group's strategic objectives and Group-wide risks, ensuring alignment to strategic plans and risk language. The amount and type of risk that the Group is prepared to accept and tolerate, or be exposed to, have been considered for each of these.

Changes to risk profile

The Board is committed to ensuring that key risks are managed on an ongoing basis and the Group's activities are within the agreed Group risk appetite. Whilst the principal risks described below all have the potential to affect future performance, work is undertaken to mitigate and manage these risks such that they should not threaten the overall viability of the business.

The impact of each risk across a number of dimensions, including financial and reputational, as well as the likelihood of the risk occurring, is considered both before (inherent risk) and after (residual risk) the mitigating actions being progressed by the Group.

The principal risks outlined below represent, in the judgement of the Group Board, the most significant gross risks to the Group.

Topical and emerging risks

The macroeconomic environment, which can be characterised by inflationary pressures and low unemployment, is impacting on the risks being faced by the Group.

Business profitability could be affected by the increasing costs of doing business, including wage inflation in some of our countries of operation, if not properly controlled.

Consumer sentiment is affected by the inflationary environment and the cost-of-living crisis within the countries and communities in which we operate, which negatively impacts customers' spending habits, their disposable income, and the value of their purchases in our stores.

The Directors confirm that they have carried out a robust assessment of the principal risks and uncertainties facing the Group, including any emerging risks and those that would threaten its business model, future performance, solvency or liquidity.

Principal risks

The Group offers price leadership and a differentiated proposition. This is facilitated by increasing economies of scale and Group-level buying and operating cost synergies made possible by our vertically integrated sourcing model and underpinned by our strategy as described on page 10.

The Group's growth strategy has four core sources of revenue and earnings growth: the expansion of its physical store footprint; like-for-like growth driven by development of the customer proposition; earnings improvement through operating cost efficiencies, and ongoing investment in infrastructure.

These growth opportunities are enabled by the Group's constant investment to improve the capability, scalability and resilience of its infrastructure, and the synergies from activities increasingly being performed consistently or jointly across each of our retail brands.

The principal risks and uncertainties that are faced by the Group, and their impact on the growth strategy of the Group, are summarised below.

Customer and markets	Description and potential impact	Risk mitigation
Long-term expansion strategy and business transformation **Link to strategy:** **Risk movement:**	**Failure to implement the Group's growth strategy:** – **to strengthen market-leading proposition in existing markets and implement long-term expansion into new markets; and** – **to transform the business operations to support growth.** The Group's expansion strategy involves the continued expansion of its Pepco store networks across Europe and Dealz in Poland. This will necessarily include increasing the reach and density of the brands in the countries in which these business units currently operate, as well as identifying suitable new markets for entry. To support the growing number of stores and long-term strategy, we will drive efficiencies in the head office and distribution centre network. In flight business transformation projects include consolidating IT systems and creating centre of excellence from office functions across operating companies.	In FY23 we delivered a record number of 668 net new stores under our accelerated store expansion programme, including 171 new stores in the important Western European markets of Italy, Spain and Portugal. We are continuing our store expansion programme, but are adopting a more disciplined approach to growth, with new store openings focused on our existing markets. We are targeting opening at least 400 net new stores in FY24 across the Group. We continued to enhance our customer offer in FY23 through store and proposition renewals with 846 store renewals completed (715 Pepco brand, 131 Poundland). Transformation programmes are aligned to the Pepco Group business strategy and closely governed by senior management. We have dedicated transformation roles in place to support focus and track delivery of the programs.

Strategy key: **Change key:** Increase Unchanged Decrease New Risk

> Read more about our strategy on page 10

Customer and markets continued	Description and potential impact	Risk mitigation
Competition, consumer trends and behaviours Link to strategy: Risk movement:	**Inability to predict changes to consumer trends and behaviours, anticipate and respond to competitive changes, and maintain our competitive advantage in a timely and cost-effective manner.** This includes the ability of the Group to monitor and adapt to changing behaviours amongst its consumer base. The Group's business is subject to trading peaks and seasonality risk, together with changing consumer trends and behaviours. The Group's success therefore depends, in part, on its ability to predict and respond to changing trends, and to translate those trends into appropriate levels of in-store inventory. This is relevant to the Group's apparel, soft homeware and seasonal product categories. Failure to respond to these trends may result in weak sales during the Group's peak trading period. The Group competes at national and local levels with a wide variety of general and specialist retailers of varying sizes and product offerings across all the geographic markets in which it operates, including with respect to price, product selection and quality, store location and design, inventory, customer service, advertising and marketing. The Group's competitors include small scale, independent stores and organised chains of multi-price discount and non-discount general merchandise retailers, fixed-price discount general merchandise retailers, grocery-led convenience stores, and online retailers or specialty retailers in particular categories such as homeware.	Pepco has very high brand awareness and customer satisfaction, with timely responses to customer feedback and insights. Competition is highly fragmented in many markets, limiting impact. Pepco offers price leadership and a differentiated proposition. This is facilitated by increasing economies of scale and Group-level buying and operating cost synergies. We offer a diverse range of FMCG, homeware-led GM and apparel, providing our core shoppers, with their regular shopping replenishment needs. Our in-house sourcing function, PGS, maximises buying scale and operating efficiencies, thereby lowering costs and improving margins. We own and operate a multi-format, Europe-wide variety discount retail business, through local and therefore convenient stores, located across 21 countries. We continue to invest in the development of high-quality, scalable infrastructure, including information technology, automated warehouses and more efficient and resilient multi-point distribution.

Legal and regulatory	Description and potential impact	Risk mitigation
Legal, regulatory and tax compliance Link to strategy: Risk movement:	**Risk of significant breaches of legal, regulatory or tax compliance, resulting in fines and penalties and potentially a decline in customer visitation due to the reputation of any or all of the Group's retail brands being severely damaged.** The Group is subject to a wide range of laws and regulations (including those relating to health and safety, and intellectual property) across jurisdictions in which it operates, and compliance with these is an essential part of the Group's business operations. Any failure to comply with applicable laws, rules and regulations may result in fines and penalties, and adverse publicity, and reflect poorly on the Group's reputation or that of its retail brands. The Group, as most companies do, have a potential exposure to systems of fraudulent activities (including corruption, financial reporting and misappropriation of assets) that could result in non-compliance, reputational damage, or financial loss to the Group. The Group has an established and mature presence in a number of territories, however as we enter new markets and international tax law continues to evolve, unfamiliar tax environments or regulations present a risk. Furthermore, tax law is often complex and subjective, and tax authorities may not agree with determinations that are made by the Group with respect to the application of tax law.	We have clear corporate governance policies which set a culture of responsible business for all our operating companies and our colleagues, customers and suppliers. A Modern Slavery Act Statement and Anti-Bribery and Corruption policy are in place. These policies are underpinned by training for our colleagues and our external independent reporting facility, which allows colleagues to report in a safe and confidential way. The Group has legal teams at both Group and operating company levels, and has strong relationships with lawyers in all relevant jurisdictions to ensure access to professionally qualified legal advisors. The Group operates in European markets with intellectual property protection in place and can rely on trademark and copyright laws and contractual arrangements. We employ qualified colleagues who monitor proposed changes in legislation and tax law, assess the impact, and seek advice from leading external professional advisors as require, for example to determine country specific requirements where we do not have internal capability. Our core tax principle is to manage our tax affairs responsibly in compliance with local and international law, as set out in our tax strategy which is approved by the Group Board and can be found on our website. We seek to foster positive relationships with tax authorities and to undertake all dealings with tax authorities in a professional, courteous, and timely manner.

Strategy key:

Change key: Increase Unchanged Decrease New Risk

> Read more about our strategy on page 10

Principal risks continued

Supply chain	Description and potential impact	Risk mitigation
Supply chain disruption – sourcing Link to strategy: Risk movement:	**Failure to identify, develop or maintain relationships with a significant number of reputable suppliers, to source high-quality, low-cost, safe products, may impact the Group's financial position or reputation.** The loss of, or a substantial decrease in, the availability of products from the Group's key suppliers could lead to lost sales and reduced saliency of the customer offer. Inadequate product quality or safety could negatively impact financial position and the brand reputation. The Group sources the majority of its own-brand product directly from China, India and Bangladesh where the Group's Supplier Code of Conduct can be significantly stricter than local practices. This significant business risk requires active management of both the Group's employees and our suppliers to ensure compliance with our Code.	The Group's integrated in-house sourcing operation, PGS, sources in excess of 80% of own label goods across clothing and general merchandise through its operations in mainland China, Hong Kong, Bangladesh and India. We believe our in-house sourcing model makes us well placed to leverage the Group's growth plan in order to negotiate scale benefit on pricing and agree long-term partnerships with strategic vendors. The Group continues to expand its sourcing footprint to reduce the risk of over-reliance on any single country and increase flexibility through near-shore sourcing in European countries and additional Asian countries. Strong policies are in place to protect the integrity of our supply chain, including a Group-wide Supplier Code of Conduct and ethical and social audit programme, managed by our Group Sourcing Compliance team (see page 32 for further details). The Group has an established Global Quality Assurance and Quality Control policy with strict quality control measures to bring low prices and value to our customers while protecting our brand integrity.
Supply chain disruption – logistics and inventory management Link to strategy: Risk movement:	**Disruption of the logistics and distribution network resulting in inability to maintain sufficient inventory levels to meet growing customer demands without allowing levels to increase to an extent that causes excessive markdowns.** As a multi-category discount retailer, efficient logistics and inventory management is a key component of the Group's success and profitability. To be successful, the Group must assess a product's lifecycle and maintain sufficient inventory levels both in Distribution Centres and in the stores to meet customers' demands without allowing those levels to increase to such an extent that the Group may be forced to rely on additional promotional markdowns to dispose of excess or slow-moving inventory.	The Group have experienced buying and supply chain teams responsible for maintaining an effective and efficient supply chain. The Group has invested in an end-to-end supply chain redesign and improved efficiency of distribution centres as well as positive impact on optimised markdown management and expansion of retail selling space. The Pepco supply chain design is scalable and repeatable, with a standard blueprint for all elements of the supply chain which is being retrofitted to the existing supply chain and the future deployment models. Consistent levels of stock cover by product category are maintained and regularly reviewed.

People	Description and potential impact	Risk mitigation
Talent acquisition and retention Link to strategy: Risk movement:	**Dependence on key personnel and inability to attract or retain the required knowledge and skills.** The Group is dependent on key personnel at both the Group and operating company level who have extensive experience and knowledge of the discount retail industry in the markets in which the Group operates. There is a risk that failure to recruit or retain individuals with the required knowledge and skills, a lack of succession planning for key roles, or failure to successfully adapt to the expectations of a post-pandemic labour market could impact the Group's performance and achievement of its strategy.	Talent retention and development are central to our success, and we aim to maintain the right pipeline of skills within the Group to facilitate the long-term success of our growth strategy (see page 13). Across the Group there are Executive and senior management with significant experience and leadership in both retail and their own relevant functions. The Remuneration Committee develop performance based reward packages for Executive Directors and Senior Managers to appropriately incentivise key personnel. We work hard to facilitate access to professional and personal development opportunities across the Group, including learning and development opportunities, and supporting our colleagues to gain professional qualifications. We have many talented and committed colleagues across our workforce and where possible we seek to promote internally.

Strategy key:

Change key: Increase Unchanged Decrease New Risk

> Read more about our strategy on page 10

Financial	Description and potential impact	Risk mitigation
Geopolitical and macro-economic environment Link to strategy: Risk movement: Unchanged	**The Group is exposed to short-term political and economic factors which reduce disposable income or increase the cost of doing business in countries where the Group operates.** The Group's business is impacted by the prevailing political and economic climate in the countries in which it operates and globally including: political uncertainty; volatility in foreign exchange rates; rising interest rates, inflation rates, energy prices and availability; levels of employment; levels of disposable income; salaries and wage rates (including any increase as a result of payroll cost inflation or contributions to pension provisions); and lack of consumer confidence. In relation to foreign exchange risk, the Group pays the majority of its overseas suppliers in US Dollars and Chinese Yuan and in certain countries in which the Group operates it is customary for a number of costs, including leases, to be denominated in a foreign currency (such as Euros) rather than the local currency. However, the Group's customers pay for products in the local currency in each of the countries in which the Group operates.	The Group's operations are spread over 21 countries in Western, Central, and Eastern Europe, reducing an over exposure to any single market and providing cyclical protection. The diversified nature of the Group's operations creates a portfolio of currency exposures, creating a natural hedge against currency fluctuations whilst the ongoing expansion into Western Europe increases the percentage of Group revenue in Euros. The Group has established foreign exchange hedging policies providing near-term protection on both the purchase of stock from Asia and the sale of goods in Europe. Whilst inflation remains at recent historic highs, clothing and food remain resilient categories in the Central and Eastern European retail sector. The Group's value-led proposition becomes even more relevant in these challenging times and continues to drive new customers to our stores, expanding our target market across Europe.
Financial, profitability and liquidity Link to strategy: Risk movement: Decrease	**Inadequate cash generation or cost management could have an adverse impact on business performance and/or viability. Failure to meet obligations under credit facilitates and/or inability to access further external financing in the future.** Cash generation is fundamental to liquidity and downturns in sales or inability to produce desired margins may impact our ability to continue investing into future expansion. Operating costs related to both our store network and our head office and central operations could impact the profitability and viability of the business. Any failure to comply with the covenants or payment obligations contained in the Group's financing arrangements could result in a default thereunder. If the Group is unable to refinance in a timely fashion or on acceptable terms in the longer term, would have a material adverse effect on the Group's financial position.	The Group remains cash generative including the largely self-funding of the new store openings and new country expansion. Transformation programmes are in place to drive operating leverage and efficiencies through becoming 'one business'. The Group has significant headroom within the covenants of the existing Senior Facility Agreement. During the year, the Group refinanced a EUR300m Term Loan A, that was due to mature in April 2024, with a EUR375m publicly listed 5 Year Bond. The revolving credit facility was increased during FY23 from EUR190M to EUR390M, which provides additional committed headroom. Linked to its debut bond issuance, Pepco Group obtained its first standalone Credit Ratings (solid BBs from 3 major Credit Rating Agencies). The Term Loan B of EUR250m, that matures in April 2026, remains with a syndicate of strong and supportive relationship banks at competitive interest rates. The Group's and operating companies' currency deposits are maintained across a number of financial institutions to minimise counterparty risk.

Strategy key:

Change key: Increase Unchanged Decrease New Risk

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Principal risks continued

Sustainability	Description and potential impact	Risk mitigation
Environmental, social and governance (ESG) Link to strategy: Risk movement:	**Failure to meet our customers' and wider society's expectations in addressing ESG impacts can lead to public scrutiny and significant reputational damage to the Group and its brands.** The Group recognises the impact that its rapidly growing business may have on the social and natural environment and has a clear strategy to address this (see our ESG section for further details of our ESG strategy and goals). There is a risk of failure to address the growing needs and expectations from society if the Group does not meet its ESG goals, resulting in reputational damage and reduced customer demand for our products and brand. ESG risk also arises from any immediate to long-term physical impact of climate change on the resilience of the Group's business model and operations. This includes the potential for climate change-related disruption to the supply chain or an increase in raw material costs. Climate change also increases the risk of extreme weather events, for example increased severity of flooding. While an extreme weather-related event could severely impact our distribution operations, given the location of our warehouses in Western and Central and Eastern Europe, we consider this risk to be low currently.	The Group has a Group-wide ESG Strategic Framework and goals to set a vision for our ESG strategy (see our ESG section for further details). The Group CFO is responsible for setting the Group's ESG Strategic Framework and has overall responsibility for execution. In FY23 we have established an ESG Executive Committee; the purpose of which is to determine, align and review progress and next steps for ESG across Pepco Group and its companies and functions. It is chaired by the Group CFO and its objectives are to create alignment and drive progress across group in ESG. The terms of reference and standing agenda of this Committee cover all the priority material topics as identified in the recent double materiality assessment. Updates on ESG progress are made for approval and review to the Audit Committee of the Group Board each quarter. We believe that our business model, including both the vertical integration of our sourcing operations through PGS and the work of our in-house Group Sourcing Compliance team, provides us with a high degree of visibility over our supply chain and constructive working relationships with our supply partners. At Pepco Group, our goal is to democratise sustainability for our customers by offering affordable choice and demonstrating that price is not a barrier to sustainable and ethically produced products. Driving efficiency improvements throughout the business is an integral element of the Group's strategy and we believe there is an important link between increasing cost efficiencies and enhancing the long-term sustainability of our operations.
Applies to all risk categories	**Description and potential impact**	**Risk mitigation**
IT systems, cyber security, data protection and business continuity Link to strategy: Risk movement:	**Disruption/failure of the Group's IT systems, including failure to adequately prevent or respond to a data breach or cyber-attack, could adversely impact our reputation, result in legal exposure or business disruption.** The Group depends on its IT systems and infrastructure for the efficient functioning of its business. A failure or disruption in information technology systems (e.g. due to a deliberate or targeted cyber-attack) may result in a loss of business-critical data, compromise data integrity, fraudulent activity or result in an inability to manage operations, in turn leading to financial and regulatory penalties and reputational damage. The Group is also subject to data protection regulations regarding the collection, retention, use and processing of personal information. Failure to operate effective controls to protect confidentiality and security of personal information could potentially lead to regulatory censure, fines, and reputational and financial costs. This includes the risk of unsuccessful or delayed go-live in the delivery/implementation of the Group's new ERP system.	The Group has information security and data protection policies in place with dedicated cyber security specialists and Data Protection Officers. Information security and data protection awareness and training programmes are in place across the Group. A Group-wide ERP consolidation and improvement programme is ongoing, to replace legacy IT infrastructure with one ERP system. There is a strong IT project management across the Group for all change management projects, with change freeze periods implemented during the key trading months. There is an ongoing improvement programme for Tier 1 applications in specialist functions that are not covered by the ERP system. The Group's current limited transactional e-commerce reduces its recording of and exposure to customer data. There is a disaster recovery plan in place at both Pepco and Poundland.

Strategy key: **Change key:** Increase Unchanged Decrease New Risk

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Going concern

The FY23 consolidated financial statements have been prepared on the basis that the Group will continue as a going concern for at least 12 months subsequent to the authorisation of the consolidated financial statements for the period under review.

The Group has continued to show resilience in FY23 despite the challenging economic conditions. Underlying EBITDA growth of 3% to €753m illustrates the strong continued profit delivery. In addition the Group has continued to execute its growth strategy through the opening of 668 net new stores through largely self-funded investment.

Whilst cash is lower year-on-year at €330m (FY22: €344m) this is a function of the Group continuing to expand the estate as evidenced by capital expenditure of €390m. The Group's net debt to underlying EBITDA ratio of 2.3x on an IFRS 16 basis (1.0x pre-IFRS 16 basis) remains low, and well within the targeted range. The Group also remains well financed with expiry of term loans not until at least April 2026 and retains significant liquidity headroom, and covenant headroom, should any further unforeseen volatility arise.

Based on the Group's cash flow forecasts and financial projections, alongside assessment of a robust set of plausible but aggressive downside stress test scenarios, the Directors are satisfied that the Group will be able to operate within the levels of its facilities and resources for the foreseeable future and deem it appropriate to adopt the going concern basis in preparing the financial statements.

Progress in a challenging year

Neil Galloway
Chief Financial Officer

Underlying EBITDA YoY

+3%

Net Cash from Operations (pre-Capex)

€266m

“A weaker consumer environment caused by inflationary challenges increasingly impacted performance during the second half of the year. Despite the challenging economic backdrop the business delivered record store openings, record sales and EBITDA, while further strengthening its balance sheet.”

Introduction

The Group has opened a record number of new stores and delivered strong double-digit revenue growth in FY23, resulting in record revenues and the delivery of our highest ever underlying EBITDA outturn of €753m. The Group has also achieved a significant milestone in the year with the issuance of a €375m five-year debut high-yield bond, following a comprehensive rating process, which has refinanced shorter-term debt, further diversified our debt sources and extended our maturity profile.

In addition to the 72% increase in stores we have achieved over the last five years, we have grown space by 77%, with larger average store size accelerating revenues. In FY23 specifically, store numbers grew by 17% with space growing by 19%.

However, Group performance has been mixed against a challenging market backdrop and our core customer remains under pressure given the continued inflationary headwinds that have persisted following the Covid-19 period and the subsequent Ukraine conflict. This, coupled with increasing competition in core markets, slower than anticipated recovery on gross margin – compounded by weaker H2 sales – and inconsistent execution of over ambitious growth plans has led to profitability being lower than expected for the year.

Strategic focus

From a financial perspective, as an international discount variety retailer, we have four key operating levers at our disposal to drive profitability and cash generation across our business. These levers are covered throughout the financial review to demonstrate how we are addressing the challenges we face. These are:

- **Revenue** underpinned by LFL growth and new store openings, supported by continuously improving product ranges and propositions to attract and retain our customers;
- **Gross margin** influenced by category mix and our ability to buy better including external factors such as freight and commodities, balanced with maintaining price leadership;
- **Operating costs** relating to both our store network and our head office and central operations, where we expect to drive greater operating leverage and efficiencies through becoming 'one business'; and
- **Cash generation** which is fundamental to the success of the business, requiring execution of our trading plans coupled with tight management of stock, optimisation of our supplier payment relationships and discipline with regards to capital expenditure.

The underlying strength of the business remains intact as evidenced by the health of our store network. We continue to offer price leadership to our customers through a growing store network which has driven record sales and underlying EBITDA. However, we need to address the challenges we have faced particularly across H2, ensuring sales growth translates to a better profit growth. This requires a refocus on our core business, stopping non-core projects which are a distraction to our strategic objectives. We will refocus on improving our 4-wall cash EBITDA to bring it back to pre-Covid levels, whilst implementing a more targeted growth plan in markets where we have a presence, and accelerating the transition into a single business. These objectives will be coupled with a more disciplined approach to operating costs, where we must drive operational leverage, and capex where we must generate appropriate returns, being selective and challenging our investment decisions. By doing so, we aim to improve profitability and cash generation in our established business and deliver more measured growth.

Importantly, we have confidence in our ability to achieve gross margin recovery when taking account of the Group's strategic direction, coupled with the normalisation of commodity and freight rates and foreign exchange headwinds which are showing positive signs of recovery as we transition into the new financial year.

Having successfully completed our inaugural €375m bond issuance in June 2023, with credit ratings in line with key competitors from all three major ratings agencies (Moody's Ba3, Fitch BB, S&P BB-), the Group maintains a robust balance sheet with strong operating cashflows, and access to over €400 million in liquidity (from cash and credit facilities) as at 30 September 2023. This foundation, alongside strong brand equity and strong market share in our core CEE market together with a proven profitable store model, gives us continuing confidence in our path to building Europe's leading variety discount retailer.

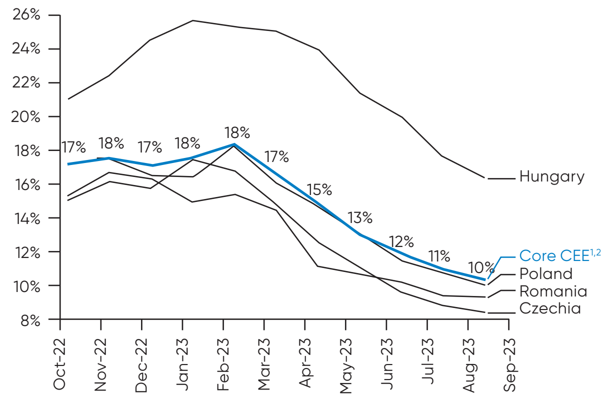
Trading environment

Pepco has retained clear entry price leadership in clothing and home categories, putting the Group in a strong position to support our customers in this period of high inflation. Whilst the impact of Covid-19, which has been a significant feature across FY20 to FY22, has now passed, high inflation has remained across FY23 which has increasingly impacted customer spend and consumption, driving a significant decline in the volume growth of clothing and homewares in our core markets.

Key macroeconomic indicators: July 2022 – September 2023

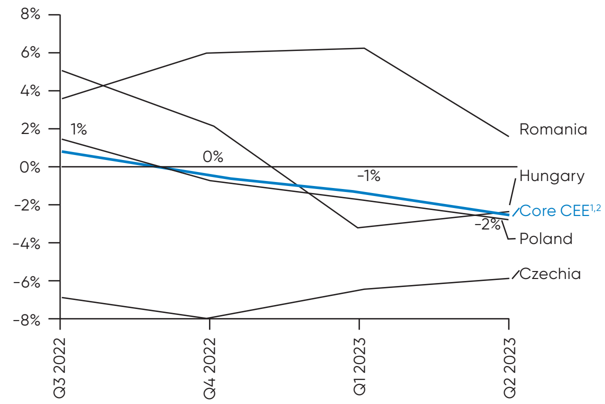
% YoY

Monthly CPI



1 Weighted by quarterly normal GDP.
2 Core CEE includes Poland, Romania, Czechia and Hungary.
Source: INSSE, KSH, CZSO, GUS, Statistical Office SR, OC&C analysis.

Quarterly real household consumption expenditure per capita growth



Trading environment continued

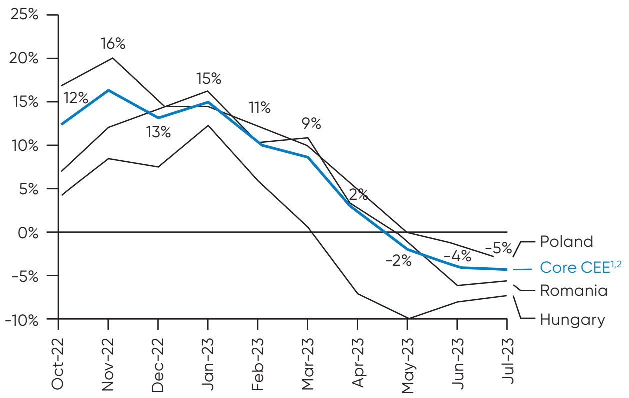
In Pepco, FY23 was a tale of two halves, with H1 trading underpinned by LFL sales of 15.8% including a strong peak Christmas trading performance. As can be seen from the charts below, volumes in the CEE clothing market declined during the summer, correlating strongly with the LFL challenges we experienced in Pepco across H2, where LFL deteriorated to -1.8%. The magnitude and speed of decline in category performance affected Pepco's results and was compounded by (i) increasing levels of organised competition within the markets in which Pepco operates; and (ii) a prolonged period of warm weather across Europe that delayed the transition into the Autumnal seasonal products, materially impacting performance across the final few weeks of the financial year.

Clearly encouraging, however, are the tentative signs of market recovery as real wage growth in our core Pepco markets returns to positive territory as illustrated in the chart below.

Drivers of market growth – Volume: October 2022 to July 2023

3-month rolling YoY % growth

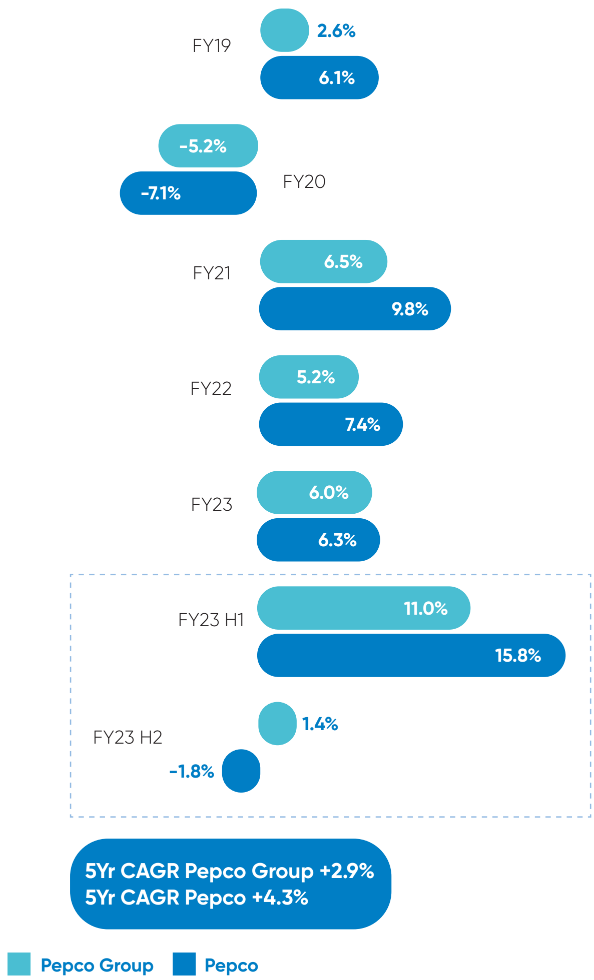
Clothing



1 Weighted by quarterly normal GDP.
2 Core CEE includes Poland, Romania and Hungary.
Source: Institutul National de Statisticá (INSSE), Central Statistical Office (GUS), Hungarian Central Statistics Office, Czech Statistics Office, OC&C analysis.

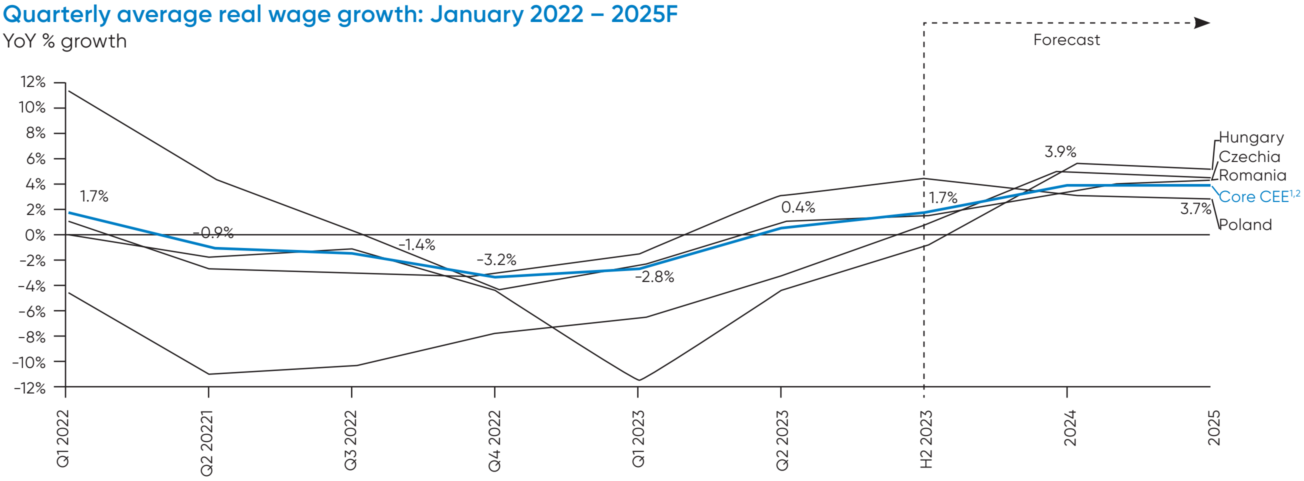
The Group's and Pepco's LFL performance over recent and prior periods helps to illustrate these factors, particularly the performance drop off in H2 FY23 following a strong H1.

LFL% Evolution



Quarterly average real wage growth: January 2022 – 2025F

YoY % growth

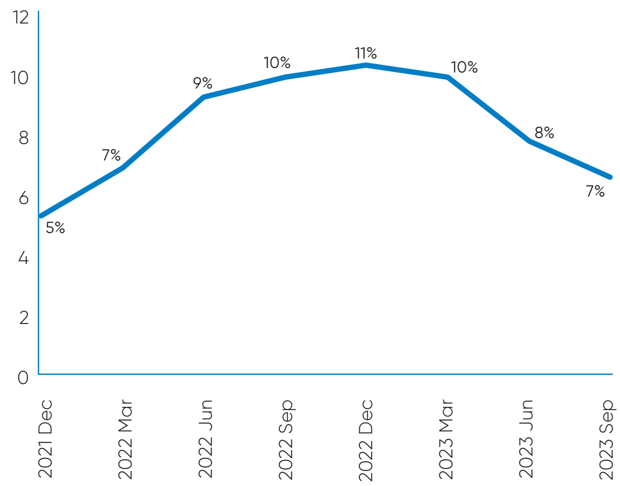


1 Forecasts weighted by quarterly normal GDP of each country as of Q2 2023.
2 Core CEE includes Poland, Romania Czechia and Hungary.
Source: INSSE, KSH, CZSO, GUS, minieterstwo Finansow, The Central Bank of Hungary (MNB), Oxford Economics, OC&C analysis.

In the UK market where Poundland operates, high inflation has also remained a material factor across the year illustrated in the chart below, although has reduced from a high of 11.1% in October 2022 to 6.7% in September 2023. This inflationary trading environment has resulted in a significant squeeze on our customers' disposable income and has necessitated a shift in spending habits, re-focusing on the more essential items such as heating and food, versus discretionary items of clothing and homewares. With its high category mix of FMCG products, Poundland has benefitted from this macro trend across FY23, with FMCG LFL performance of 12.0% underpinning a strong LFL growth of 5.6% year for the business.

On the supply side, we have seen solid improvements in conditions with cotton prices and container costs returning to well below their peak. Given the buying cycle of the Pepco Group (which is roughly 10 months to market for clothing and GM), coupled with weaker sales in the latter stages of H2, the benefits of these supply side conditions are yet to fully manifest in terms of a full recovery of gross margins, but we remain confident that this will come through in the short to medium term and are already seeing an improvement in the early stages of FY24 as we start to sell through our higher margin Autumn and Winter ranges. We have taken measures to optimise buying processes which include the integration of PGS into Pepco to maximise and align the buying cycle and drive efficiencies, as well as introducing some near-shore sourcing operations in Poland alongside increasing Asian capabilities.

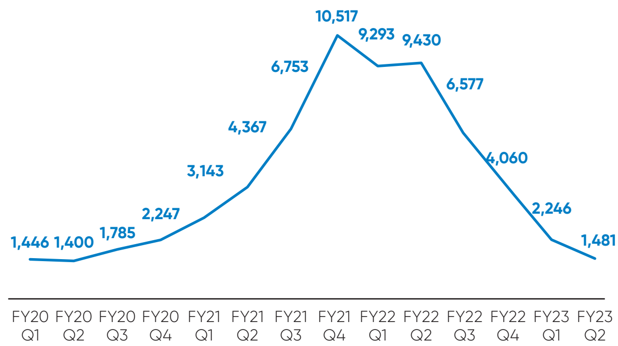
UK Consumer Price Index FY22 and FY23 (YoY % Change)



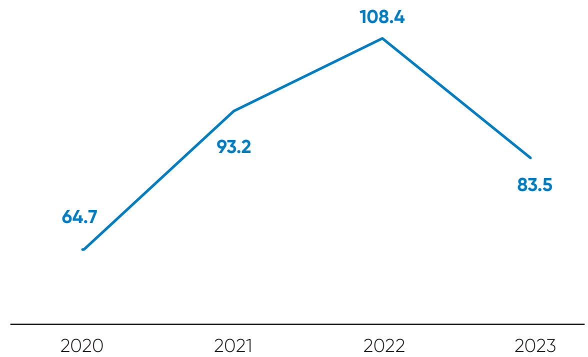
Source: ONS gov.uk

Container costs have recovered from Covid-19 highs of $10k per container, to c. $1.5k with shipping backlogs cleared costs are expected to remain stable going forwards. This further supports our anticipated margin recovery.

Global container freight rate index costs ($)



Cotton prices (USD cents per pound) – long term view



FY23 financial performance

Highlights

Pepco Group (€m)	FY23	FY22	YoY (reported)	YoY (constant)
Revenue	**5,649**	4,823	17.1%	17.7%
Like-for-like revenue (%)	**+6.0%**	+5.2%	n/a	0.8pp
Gross profit	**2,268**	1,968	15.3%	15.6%
Gross profit margin (%)	**40.1%**	40.8%	(0.7)pp	(0.7)pp
Operating costs (IFRS 16)	**(1,514)**	(1,237)	22.4%	23.0%
Operating costs (IFRS 16) (%)	**26.8%**	25.6%	(1.2)pp	(1.2)pp
Underlying (IFRS 16) EBITDA	**753**	731	3.1%	3.1%
Underlying (IFRS 16) EBITDA margin (%)	**13.3%**	15.2%	(1.8)pp	(1.9)pp
Depreciation and amortisation	**(470)**	(378)	-24.3%	-24.4%
Net financial expense	**(82)**	(52)	-57.8%	-60.2%
Underlying PBT	**202**	300	-32.7%	-33.7%
Non-underlying items	**(55)**	(75)	26.3%	27.3%
Reported PBT	**147**	226	-34.9%	-35.8%

€m	FY23	FY22	YoY (reported)	YoY (constant)
Underlying (pre-IFRS 16) EBITDA	**396**	439	-9.9%	-10.0%
Underlying (pre-IFRS 16) EBITDA (%)	**7.0%**	9.1%	(2.1)pp	(2.1)pp
Net debt (pre-IFRS 16)	**411**	275	49.4%	n/a
Leverage (pre-IFRS 16)	**1.0x**	0.6x	0.4x	n/a
Net debt (IFRS 16)	**1,704**	1,404	300	n/a
Leverage (IFRS 16)	**2.3x**	1.9x	0.4x	n/a

1 All foreign currency revenues and costs are translated at the average rate for the month in which they are made.

Group revenue of €5.6bn has grown materially in the year, up 17.1% on a reported basis driven by the continued delivery of our store expansion strategy where we opened a record 668 net new stores in the year. LFL revenue of +6.0% is also contributing to the revenue growth with Poundland benefitting from strong FMCG performance and Pepco supported by a very good first half sales performance.

Gross profit margin was challenge having declined 0.7pp year-on-year to 40.1% impacting profitability within the year. As a result of our relatively long buying cycle for clothing and GM ranges, products sold across FY23 still had the high freight and commodity prices embedded as they were purchased several months prior when input costs were at their historic peaks. In addition, unfavourable year-on-year hedge rates have only partially been offset by pricing. This was due to a strategic decision to ensure we retained our price leadership on entry price point items across Pepco – something that our customers recognise during these challenging times.

The weaker second half in Pepco also included a slower gross margin recovery as weaker sales in August/September – when weather remained warm – meant that sales run-rates on higher margin Autumn/Winter '23/24 season product was lower than anticipated.

Nonetheless, the gross profit margin in Pepco has improved materially across the year which supports management's positive outlook for margin as we see these freight and foreign exchange headwinds subside. Pepco's H2 gross margin was 1.2pps higher than H1, rising to over 43% in Q4 FY23, giving further confidence on recovery as we head into FY24.

Gross Margin %

Period	Pepco	Poundland Group	**Total**
H1	41.2%	37.3%	**40.1%**
H2	42.4%	36.4%	**40.2%**
Full Year	41.8%	36.9%	**40.1%**

A large proportion of the 23.0% increase in IFRS 16 operating costs year-on-year has been driven by the continued store expansion of the Group. However, with weaker than anticipated trade across Q4, particularly in August and September, the Group's operating leverage was degraded. Given that we saw this weaker trading towards the end of the financial year and that we have a relatively high fixed cost base, we were unable materially to adjust the cost base downwards to reflect lower sales run-rate. This, compounded with non-core projects have added cost to the business, resulting in operating cost percentage of 26.8%, an increase of 1.2pps on a constant currency basis versus the prior year.

Recognising these issues, we will take a more disciplined approach to both operating costs and capital investment as we go forward and look to increase the flexibility in the cost base. Our first priority was halting peripheral projects.

As a consequence of the above challenges on gross profit margin and operating cost leverage, whilst we have added over €800m (+17%) to top line revenue in FY23, only a small portion has flowed through to profit with underlying (IFRS 16) EBITDA of €753m being +3.1% higher than the prior year on both an actual and constant basis.

Group level underlying (IFRS16) EBITDA margin reduced 1.9pps to 13.3% (FY22 15.2%) largely operating costs driven. This clearly resets the focus going forward as we look to rationalise our efforts and refocus on driving the core business, delivering gross margin recovery and being more disciplined on cost.

Group underlying (pre-IFRS 16) EBITDA of €396m (7.0% of sales) represents a decline of 10.0% year-on-year as a result of increased rent costs. Whilst on an absolute level rent costs have increased 23%, on a % of sales basis they have increased 0.3pps to 6.3%. This was as a result of inflation-driven indexation and because a large proportion of stores were opened late in the year so, whilst costs were incurred, the corresponding sales and profit contribution from the stores reaching maturity has not yet been delivered.

FX

FY23 saw the appreciation of our main selling currencies of Polish Zloty, British Pound and Euro against the main buying currencies of US Dollars and Chinese Yuan. However, the group's hedging policy builds up cover over the duration of the buying season to support the buying prices of the GM and Apparel purchases from Asia, and we carried those weaker 2022 hedging rates into FY23, predominantly in the second half of the year.

The adverse transactional FX on buying was partially offset by the positive transactional FX for selling our products in the United Kingdom and, increasing, Eurozone markets.

The Group is also exposed to translational FX, which is not hedged. However, in FY23 translational exposure between EUR/PLN and EUR/GBP broadly offset such that our underlying EBITDA of €753m grew at 3.1% year-on-year on both a reported and constant currency

Non-underlying items

The Group manages performance on an underlying basis after adjusting for non-underlying items. In FY23 non-underlying items totalled €55m (FY22: €75m) and were:

- €43.5m relating to ERP Software-as-a-Service (SaaS) costs which are considered to be unusual and material costs by nature.
- €13.5m associated with restructure costs relating mainly to the retirement of the Dealz brand in Spain and conversion to Pepco Plus stores, and closure of Fultons branded stores;
- €(1.9)m of credit relating to the Value Creation Plan (VCP) scheme which relates to adjustments to reflect leavers in the scheme, offset by charges for a new grant.

Audit opinion

Management note that the Auditors have been able to obtain sufficient and appropriate audit evidence on the existence and completeness of the inventory closing balance as at 30 September 2023 meaning there is no qualification relating to the closing balances. The opinion remains qualified but only on the opening balances carried forward from FY22.

Presentation of financial information

Where appropriate the financial information has been quoted on an "underlying" basis, removing the impact of "non-underlying" items, defined as material and unusual in nature, in order to help the reader better understand the key drivers of business performance. Please refer to note 27 of the financial statements for detail on use of APMs for further information.

Group performance summary

Geographic Segments

Below we have summarised some of our key trading metrics into the appropriate geographic segmental split.

Revenue

	Year to 30 September 2023	Year to 30 September 2022	Reported % YoY	Constant currency % YoY
UK & ROI	2,001	1,890	5.9 %	9.0%
Poland	1,414	1,192	18.6%	17.1%
Rest of Europe	2,234	1,741	28.3%	27.4%
	5,649	4,823	17.1%	17.7%

Like-for-like

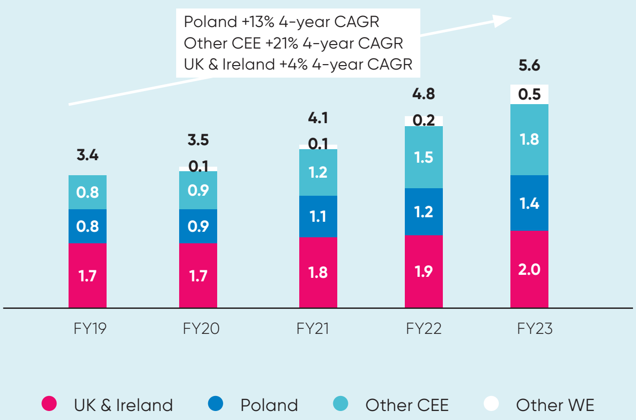
	Year to 30 September 2023 % YoY	Year to 30 September 2022	YoY change (pps
UK & ROI	+5.5%	+2.1%	3.4pp
Poland	+4.9%	+4.2%	0.7pp
Rest of Europe	+7.4%	+10.3%	(2.9)pp
	+6.0%	+5.2%	0.8pp

Store Number: Net

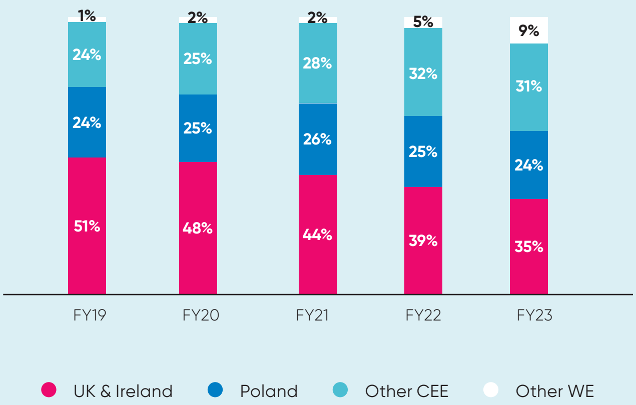
	Year to 30 September 2023	Year to 30 September 2022	YoY
UK & ROI	823	821	2
Poland	1,539	1,335	204
Rest of Europe	2,267	1,805	462
	4,629	3,961	668

As we evolve as a business, our geographic footprint is changing. The UK and Polish markets remain significant although recent expansion into Western Europe sees this segment becoming increasingly material. Below we have summarised our revenue to illustrate the growing significance of Western Europe.

Revenue by Geographic Location (€bn)



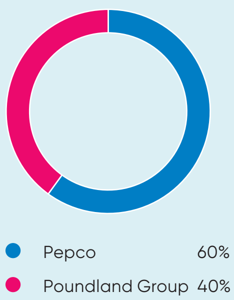
Geographic Location Revenue Mix



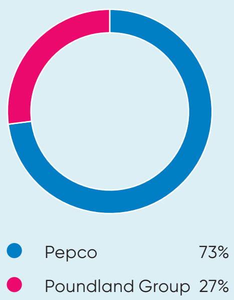
Segmental reporting

For reporting and operating purposes, the Group reports performance across two operating segments, Pepco and Poundland Group. The Pepco segment represents 60% (FY22: 56%) of total revenue and 73% (FY22: 71%) of underlying (IFRS 16) EBITDA with the Poundland Group segment contributing 40% (FY22: 44%) and 27% (FY22: 29%) respectively.

Total revenue



Underlying (IFRS 16) EBITDA



Revenue	Reported Currency FY23	FY22	% YoY	Constant currency % YoY
Pepco (€m)	3,416	2,714	25.9%	24.8%
Like-for-like revenue (%)	+6.3%	+7.4%		(1.1pp)
Poundland Group (€m)	2,233	2,109	5.9%	8.4%
Like-for-like revenue (%)	+5.6%	+2.6%		+3.0pp
Total Group (€m)	5,649	4,823	17.1%	17.7%
Like-for-like revenue (%)	6.0%	5.2%		0.8pp

Gross profit margin %	Reported Currency FY23	FY22	Variance	Constant currency % YoY
Pepco	41.8%	42.3%	(0.5)pp	(0.5)pp
Poundland Group	36.9%	37.6%	(0.7)pp	(0.7)pp
Total Group	40.1%	40.8%	(0.7)pp	(0.7)pp

Operating costs (IFRS 16) %	Reported Currency FY23	FY22	Variance	Constant currency % YoY
Pepco	25.6%	23.1%	2.5pp	2.5pp
Poundland Group	27.7%	27.5%	0.2pp	0.1pp
Total Group	26.8%	25.6%	1.2pp	1.2pp

Underlying (IFRS 16) EBITDA	Reported Currency FY23	FY22	Variance	Constant currency % YoY
Pepco (€m)	552	519	6.3%	5.4%
Poundland Group (€m)	204	214	(4.5%)	(2.7%)
Other (€m)	(3)	(3)	(11.8%)	(12.1%)
Total Group (€m)	753	731	3.1%	3.1%

Underlying (IFRS 16) EBITDA margin %	Reported Currency FY23	FY22	Variance	Constant currency % YoY
Pepco	16.2%	19.1%	(3.0)pp	(3.0)pp
Poundland Group	9.2%	10.2%	(1.0)pp	(1.0)pp
Total Group	13.3%	15.2%	(1.8)pp	(1.9)pp

Underlying (pre-IRFS 16) EBITDA	Reported Currency FY23	FY22	Variance	Constant currency % YoY
Pepco (€m)	330	348	(5.2%)	(5.9%)
Poundland Group (€m)	69	94	(26.3%)	(25.2%)
Other (€m)	(4)	(4)	(17.4%)	(1.2%)
Total Group (£m)	396	439	(9.9%)	(10.0%)

Underlying (pre-IFRS 16) EBITDA margin %	Reported Currency FY23	FY22	Variance	Constant currency % YoY
Pepco	9.7%	12.8%	(3.2)pps	(3.2)pp
Poundland Group	3.1%	4.5%	(1.4)pps	(1.4)pp
Total Group	7.0%	9.1%	(2.1)pps	(2.1)pp

Pepco performance

Revenue growth

+24.8%

(FY22: +28.7%)

LFL

+6.3%

(FY22: +7.4%)

Underlying (IFRS16) EBITDA YoY

+5.4%

(FY22: +16.9%)

Pre-IRFS 16 EBITDA YoY

-5.9%

(FY22: 4.9%)

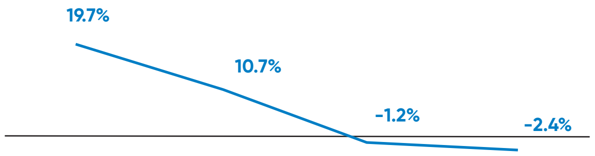
Pepco sales performance in FY23 has once again grown at an impressive +24.8% with the majority of this driven by the annualisation of store openings in FY22 along with the in-year impact of the opening of 556[1] net new stores in FY23 taking the total number of Pepco stores to 3,523.

As we continue to expand our range and customer proposition, Pepco space growth of 22% is ahead of new store openings growth of 19% due to the opening of larger format Pepco "Plus" stores which also include an FMCG offer alongside the Clothing and General Merchandise offer of a standard Pepco store.

Within our Pepco store opening programme, we entered new markets of Greece (22 stores), Portugal (14 stores) and Bosia and Herzegovina (9 stores) in the year. In addition, we successfully completed our conversion of Dealz Spain stores to Pepco Plus stores, a programme which began in FY22 with 15 conversions followed by 42 conversions in FY23. This complemented our expansion in Western Europe where we have added 257 net new stores in the year and now operate from 523 stores across Western Europe, building our scale and customer reach.

Pepco's LFL sales in FY23 of 6.3% also drove the overall revenue growth, but the shape of delivery highlighted the trading challenges we have faced across the financial year. H1 performed well benefitting from a strong Christmas period.

Pepco FY23 quarterly LFL sales growth



H2 LFL sales growth progressively weakened and despite some selected upsides from events like our excellent "Barbie" collaboration, the second half trading period delivered negative like-for-like.

In particular, the final weeks of August and into September weakened significantly driven by a mixture of the impact of prolonged inflation and lagging wage growth really impacting the customer's spending decisions, weaker than anticipated performance of 'Back-to-School', high levels of promotional activity from competition and the prolonged warm weather across Europe negatively impacting on Autumn transitional stock. To put this into context, Pepco's LFL sales in the month of September were -10.7%, with some weeks in September down closer to -20%.

1 The opening balance of 2,910 Pepco stores (as at 30 September 2022) has been restated to 2,967 to account for the Dealz Spain stores which were converted to Pepco stores. At the end of FY22, there were 57 Spanish Dealz stores included within the Poundland Group store total that are now included within the opening FY23 Pepco base 2,910 + 57 = 2,967. This includes 15 converted in FY22 and 42 in FY23. Converted stores are assumed to be LFL stores within the Pepco base.

As we move into FY24, we are seeing some early signs of recovery as real wage growth in our core Pepco markets returns to positive.

Gross profit margin in FY23 fell 0.5pps year-on-year to 41.8% reflecting the continuing drag from high freight and commodity costs and unfavourable FX, as a consequence of our relatively long buying cycle. Increases in average unit prices have only partially offset the FX and freight costs, a conscious decision to ensure we maintained our price leadership against competition, something we see as more important now than ever. Weak sales in Q4, have also hampered margin recovery as the challenging August and September highlighted above have resulted in lower than expected sales on higher margin Autumn/Winter season product.

As these macro headwinds begin to subside, we are already starting to realise a positive outlook on margin recovery, highlighted by the fact that Pepco's Q4 margin exited at 43%, giving us heightened confidence going into FY24.

Underlying (IFRS 16) operating costs in Pepco have increased by almost 40% year on year in absolute terms in FY23. A large portion of this relates to the strategic expansion of the estate, with increases in costs being experienced due to inflation, greater store numbers, higher costs of expanding into Western Europe, the addition of a new warehouse in Romania and a higher spend on IT infrastructure. Inflationary pressures have been a key feature of FY23 with core wage inflation of 13% putting pressure on the operating costs across the business. This along with the drop off in sales in H2 Pepco has driven a step back in operational leverage meaning underlying (IFRS 16) operating costs as a % of sales are 25.6%, 2.5pps higher year-on-year. Going forward, costs will be a key focus in FY24. We will look to increase the flexibility of the cost base to ensure it can be more easily adjusted to sales performance. We have already cut any low value peripheral projects that add material cost to the Company.

Pepco's underlying (IFRS 16) EBITDA of €552m (FY22: €519m) increased by 5.4% versus FY22, with the underlying EBITDA margin of 16.2% declining 3.0pps year on year, driven by the operating cost headwinds and lack of recovery on gross margin. At an pre-IFRS 16 underlying EBITDA level, €330m in FY23 represents a decline of 5.9% versus FY22 driven by inflationary lease indexation challenges and the significant expansion of the Pepco estate.

Poundland Group performance

Revenue growth

+8.4%

(FY22: +5.0%)

LFL

+5.6%

(FY22: +2.6%)

Underlying (IFRS16) EBITDA YoY

-2.7%

(FY22: 6.9%)

Pre-IFRS 16 EBITDA YoY

-25.2%

(FY22: +25.6%)

In the face of inflationary pressures, the Poundland Group delivered a solid performance in FY23 increasing revenue by 8.4% (constant currency) through a mixture of new store roll-out largely in Dealz Poland and through strong FMCG driven LFL performance in Poundland.

Poundland saw a significant customer switch to FMCG products in the year as squeeze on incomes resulted in our consumers choosing 'essential' items over more discretionary items. This was illustrated by Poundland's FMCG LFL sales tracking very strongly at +12.0% in FY23, materially higher than clothing which was broadly flat and general merchandise which was negative.

In Dealz Poland, LFL growth of +11.3% along with roll-out of another 115 net new stores took the total year end store count to 283 and helped support the overall 6% revenue growth in this segment. As highlighted in the October 2023 capital markets day presentations, the focus on Dealz in the short term will be centred around Poland only as we look to refine the strategic positioning of the Dealz brand in CEE.

Poundland Group gross margin is marginally down year-on-year at 36.9% with the mix impact of the strong performance of the lower margin FMCG category partially offset by some recover of freight costs relative to prior year peaks.

From an operating costs perspective, IFRS 16 operating costs as a % of sales have increased marginally by 0.1pps to 27.7%. This is due to provision releases in FY22 compounded by inflationary pressures across FY23 with energy cost increases a key driver. These cost downsides were partially offset by Covid-driven holdover leases being extended to longer-term leases and as such no longer being recognised as operating costs under IFRS16.

At an IFRS 16 level, Poundland Group EBITDA of €204m is marginally down on the prior year of €214m. Pre-IFRS 16 EBITDA of €69m in FY23 has declined by 25.2% versus the prior year driven by provision movements and year-on-year inflationary cost increases as described above.

Profit before tax

Group statutory profit before tax of €147m was down 35.8% (FY22: €226m). Whilst IFRS 16 EBITDA is marginally higher than the prior year, inflation and store expansion driven rent costs (23% YoY) and depreciation (24% YoY) growth, coupled with the increase in external borrowing costs, have more than offset this.

At an underlying level, FY23 underlying PBT of €202m (FY22: €300m) represents a decline of 33.7% on constant currency basis, driven by the rent, depreciation and amortisation and external interest factors summarised above.

Taxation

In FY23 the Group's tax charge was €44.7m (FY22: €51.9m), reflecting an effective tax rate of 30.4% (FY22: 23.0%). The increase in our effective tax rate is principally driven by the profile of Group performance in each operating territory. In FY24 we expect the Group's effective tax rate to more closely reflect the blended rate of tax in the countries in which we operate. In our principal operating markets of the UK and Poland, the tax rate is currently 25% and 19% respectively.

> Read more about our approach to tax on page 23

Financing

FY23 was an important and very successful year for the business in terms of financing. Triggered by the upcoming maturity in April 2024 of a €300m Term Loan external bank facility, the Group undertook a process to replace and diversify this debt with a debut Euro bond issuance.

The process began with obtaining a public credit rating where in June 2023 all three major ratings agencies recognised the success of Pepco Group's compelling strategy and business model and issued positive ratings. Fitch issued a 'BB', Moody's a 'Ba3' and S&P Global issued a 'BB-' rating. This places Pepco Group in line with peers.

Following the ratings process, the Group received significant interest in the debut bond. Due to over-subscription, the quantum of the bond was increased from €300m initially sought, to €375m, taking the opportunity to increase liquidity.

In parallel with the successful debut bond process, we increased the size of the revolving credit facility (RCF) from €190m to €390m to provide additional liquidity given the ongoing growth and expanding scale of the business.

As at 30 September 2023 the Group's total (IFRS16) gross debt of €741m is made up of:

- €375m 7.25% bond due 2028
- €250m Term Loan B due 2026
- €120m drawn RCF (total RCF facility of €390m)
- €11m finance leases
- Less €15m of debt issuance costs which have been capitalised

Whilst the refinancing activity in FY23 has been very positive, the global macro-economic factors have resulted in a significant increase in interest rates. Net external finance expenses have increased from €54.9m in FY22 to €91.7m in FY23. Of this non-lease related interest costs increased by €24.2m to €35.7m, an effective interest rate of 3.75%.

Investment activity

Across FY23, we continued to invest in expansion and infrastructure to support our vision of becoming Europe's biggest and best discount variety business. Capital investment in the year accelerated from 4.7% of sales in FY22 (€225m) to 6.9% of sales in FY23 (€390m), with investment in new stores and the refit programme in Pepco the biggest driver of the increase.

Additions to property, plant and equipment, and intangible assets in FY23 of €390m were €165m higher than the previous year (FY22: €225m).

The key drivers of our capital investment in FY23 include:

- €210m was invested in the opening of a record 826 gross new stores in FY23 (668 net openings). This included 22 stores in Greece, 14 stores in Portugal, and 9 stores in Bosnia and Herzegovina – our new markets in FY23.
- €102m was invested in store refit programmes. This was primarily driven by Pepco's New Look programme, alongside Poundland's investments in store refits as we prepare to sell one clothing and GM range in across the whole group.
- In addition, €50m was invested in IT and supply chain infrastructure as we continue on the journey of underpinning the growth with core infrastructure to support this.
- The remaining €28m investment relates to maintenance capex, largely store upkeep.

In September 2023, Poundland announced a deal to acquire up to 71 Wilko store leases following the well-publicised liquidation of the Wilko business, a rival UK discount retailer. The first store opened on 30 September 2023 and by early December 64 former Wilko stores had been opened, having received a light touch refit and re-branding under the Poundland banner.

The integration of Wilko stores into the Poundland brand provides the Group with an exciting opportunity to accelerate the new store pipeline in the UK, with no additional central cost base increase. It also offers the ability to bring our Poundland proposition to new regions and customers, and provide job opportunities to some of the people who were unfortunately impacted by the Wilko collapse.

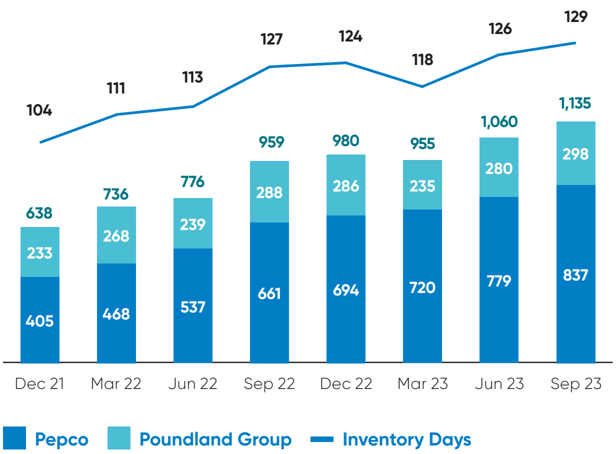
Cash and net debt

Pepco Group (€m)	FY23	FY22	YoY
Cash generated by Operations (reported)	**728**	425	303
Lease payments (IFRS 16 Payments and Interest)	**(387)**	(292)	(95)
Tax Paid	**(75)**	(61)	(14)
Net Cash from Operations (pre-Capex)	**266**	72	194
Capex	**(390)**	(225)	(164)
Net Cash from Operations (post-Capex)	**(124)**	(154)	30
Funding and investment activities	**102**	(7)	108
Net cash flow	**(22)**	(161)	138
Effect of exchange rate fluctuations	**9**	(3)	12
Cash and cash equivalents at the beginning of the period	**344**	508	(164)
Cash and cash equivalents at the end of the period	**330**	344	(14)
Net debt (pre-IFRS 16)	**411**	275	136
Net debt: underlying EBITDA (pre-IFRS 16) multiple (leverage)	**1.0x**	0.6x	0.4x
Current ratio	**0.9x**	1.1x	(0.2)

Cash generated by operations of €728m, which has grown €303m year-on-year, reflects solid IFRS16 EBITDA generation of €753m in the year less a small cash outflow from net working capital (where an improved year on year payables position is offset by a higher inventory position).

Whilst inventory has naturally increased due to the growth of the business, the sales headwinds across Q4 have led to a higher stock build than originally planned with inventory days trending higher than the prior year. Going forward we will closely target stock days as a measure with a view to reduce it to more optimal levels.

Group stock holding (€m) FY22–FY23



For deriving the inventory days, the impact of provisions has been removed.

Cash and net debt continued

Lease payments of €387m have grown +33% year-on-year reflecting the growth in the store portfolio. This, along with capex outflows of €390m, which are driven by store roll out and store refits and tax payments, is partially offset by increased funding as a result of the €375m bond financing, and has resulted in a net cash outflow of €22m in the year.

We see a significant opportunity to improve the Group's cash conversion cycle through focusing on optimising our end-to-end supply chain to enable more efficient stock management, alongside a more disciplined approach to capital investment whereby we will look to reduce overall capex spend and be clearly focused on prioritising the highest returning investments.

The Group ended the year with net debt of €411m on an pre-IFRS16 basis, representing an increase of €136m versus FY22 predominantly reflecting additional borrowings of €115m.

Our net debt to underlying EBITDA leverage ratio of 1.0x (pre-IFRS 16) whilst higher than the prior year, remain below the previously communicated targets and provide significant headroom against our external funding covenants.

Dividends

No dividends were proposed or paid in FY23. The initiation of a dividend remains under review by the Board whilst investment-led growth opportunities are fully explored.

Neil Galloway
Chief Financial Officer
22 December 2023

Introduction to Governance

Andy Bond
Executive Chair

Dear Shareholders,

This section of the report provides an outline of the Group's corporate governance structure and covers corporate governance matters relevant to the Company during the reporting period. As Executive Chair, I am responsible for ensuring that we have the right structure in place to uphold high standards of corporate governance.

This has been of particular importance this year, as it has been a year of significant change in Board composition, with a change in Chair, the departure of our CEO, and the appointment of a new CFO. Our recruitment and selection process, led by our independent Non-Executive Directors through the Nomination Committee, ensures that our Board continues to have the appropriate range of knowledge, skills, and experience to carry out its duties effectively; and to provide the Company with strong leadership as we search for a new CEO and navigate through challenging macroeconomic circumstances.

I would like to thank our Board and our colleagues for their continued commitment to the success of the Company for the benefit of all our customers, colleagues, investors and other stakeholders.

Pepco Group N.V. (the Company) is a public limited liability company incorporated under the laws of the Netherlands on 14 May 2021, having been converted from Pepco Group B.V, incorporated on 17 February 2021. Its shares are listed on the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie) (WSE).

The Company is registered in the commercial register of the Chamber of Commerce and Industry for Amsterdam under number 81928491. The corporate seat of the Company is in Amsterdam and the registered office is 14th Floor, Capital House, 25 Chapel Street, London, NW1 5DH, United Kingdom.

The Company is organised in a one-tier board structure under which managing and supervisory duties are performed by the Board of Directors of the Company (the Board). The Board is responsible for the direction and oversight of the Company and is accountable for all aspects of the Company's business. The Company's corporate governance structure is based on the Articles of Association, the Board of Directors Rules of Procedure (Board Rules), and the terms of reference of the Board's Committees, as well as applicable laws and regulations. The Articles of Association, Board Rules and terms of reference of the Board's Committees can be viewed on the Company's website at www.pepcogroup.eu.

As the Company is incorporated under the laws of the Netherlands and listed on the Warsaw Stock Exchange, the Company complies with the Code of Best Practice for GPW Listed Companies 2021 (the Warsaw Code) and with the Dutch Corporate Governance Code 2016 (the Dutch Code). The Company is moving towards compliance with the Dutch Corporate Governance Code published in 2022, which entered into force for financial years beginning on or after 1 January 2023. This report covers the period from 1 October 2022, and therefore the Dutch Code will be applied.

The full text of the Warsaw Code is available at www.gpw.pl/best-practice2021 and the full text of the Dutch Code can be viewed at www.mccg.nl. Deviations from the Dutch Code and Warsaw Code are explained in this report in accordance with the "comply or explain" principle.

The Board

Seven Non-Executive Directors
Our seven Non-Executive Directors provide independent oversight and constructive challenge to the Executive Directors.

One Executive Director
Our CFO is appointed to the Board as an Executive Director.

Board Committees

Audit Committee
Key responsibilities:

- reviewing the integrity of the financial statements and any formal announcement relating to the Group's financial performance;
- providing oversight of the Group's internal control and risk management systems; and
- assisting the Board with and reviewing risk management, policies and exposures, and ESG strategies, reporting, and goals.

Membership:

Pierre Bouchut (C)

María Fernanda Mejía

Brendan Connolly

Neil Brown

Nomination Committee
Key responsibilities:

- lead the process for Board appointments and succession planning;
- review and make recommendation on the Board profile; and
- make recommendations to the Board on the Board's policy on diversity and inclusion.

Membership:

María Fernanda Mejía (C)

Andy Bond

Brendan Connolly

Neil Brown

Paul Soldatos

Remuneration Committee
Key responsibilities:

- recommending the Remuneration Policy and Executive and senior leadership remuneration framework of the Company;
- advising on the structure and target setting of performance-based incentive plans; and
- reviewing all share incentive plans.

Membership:

Brendan Connolly (C)

Pierre Bouchut

Grazyna Piotrowska-Oliwa

Paul Soldatos

Neil Brown

Executive Committee
The Executive Committee, composed of key leaders, directs the Company's strategies, ensuring alignment with objectives and fostering sustainable growth through collective expertise and decisive leadership.

Senior Leadership Group

1 This diagram shows the structure of the Board and its Committees as at the date of publication. Please see Committee reports for details of membership as at 30 September 2023.

2 Whilst Andy Bond is formally a Non-Executive Director, he temporarily has Executive duties in his role of Executive Chair.

We have a strong, experienced Board of Directors, with a diverse range of professional backgrounds, skills, and perspectives. The collective experience of the Directors and the diverse skills and experience they possess, supported by independent thought and constructive debate, enable the Board to reach decisions in a focused and balanced way, which is crucial to ensuring the continued long-term success of the Company.

Andy Bond
Executive Chair
British, Male, 58
Appointed 2 February 2023;
first term expires 2026

N

Andy has an extensive retail career, focused on the discount sector, having been Chief Executive Officer of Pepco Group until his retirement from the role in January 2022. Prior to this, Andy was COO and later CEO of Asda between 2005 and 2010, and Chair from 2011. Earlier in his career, Andy acted as corporate marketing director and managing director of George clothing. Andy is the non independent Chair of the Pepco Group Board since his appointment in February 2023. From 12 September he also adopted the role of Executive Chair.

Neil Galloway
Chief Financial Officer
British, Male, 55
Appointed 1 April 2023;
first term expires 2026

Neil joined Pepco Group as CFO in April 2023. He is an experienced public company CFO who has worked in senior finance and commercial roles at multi-national businesses over the last 15 years, following an 18-year career in investment banking. Prior to Pepco, Neil was executive vice president at IWG plc and led the corporate finance and business development activities. From 2013 to 2019, Neil was group finance director at DFI Retail Group, the international multi-format retailer based in Hong Kong and operating across 11 markets in Asia. Prior to that he was group finance director of The Hongkong & Shanghai Hotels Limited. He is also a non-executive director of AVI Global Trust plc, a FTSE 250 investment trust.

Pierre Bouchut
Independent Non-Executive Director
French, Male, 68
Appointed 24 May 2021;
first term expires in 2024

A R

Pierre is the former chief executive officer of Casino, the French multi-national grocery group, and the former CFO of the Schneider Electric and Carrefour groups. Pierre has extensive international experience in both senior executive and non-executive roles within finance, European retail, logistics, and property businesses. Pierre's experience of managing large, listed companies gives him a deep insight into how strategic changes may affect the retail and property sectors. He is currently non-executive director of Profi, independent director and chairman of the audit committee of Entain (formerly GVC Holdings), a member of the Board of La Rinascentre spa and non-executive director of GeoPost/DPD.

María Fernanda Mejía
Independent Non-Executive Director
American, Female, 60
Appointed 24 May 2021;
first terms expires in 2024

N A

María Fernanda has broad and deep experience and expertise in general management including strategy development, operations, supply chain and talent development. She stepped down as CEO international at Newell Brands in February 2023. Until February 2020, she served for more than eight years as corporate officer and executive committee member at the Kellogg Company, with her final roles being senior vice president and president of Kellogg Latin America. Prior to this, María Fernanda spent 23 years at the Colgate-Palmolive Company in global marketing and senior management roles within developed and emerging markets. Until February 2022, María Fernanda was a non-executive director of Bunzl plc, where she was a member of the audit, remuneration, and nomination committees, and a non-executive director and member of the audit and risk committee at Grocery Outlet, a US discount retailer. Prior to this, she served as a non-executive director of International Consolidated Airlines Group from 2014 to 2020, including as a member of the audit and compliance and remuneration committees.

Committee membership

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- Chair of Committee

Brendan Connolly
Independent
Non-Executive Director
British, Male, 67
Appointed 24 May 2021; first term expires in 2024

R A N

With extensive executive and non-executive experience, Brendan brings extensive operational, commercial and strategic expertise and insights to Pepco Group. He is a non-executive director at Victrex and Applus. Brendan has more than 30 years' experience in the oil and gas and the testing and inspection industries. He was a senior executive at Intertek Group, having been chief executive officer of Moody International, which was acquired by Intertek in 2011. Brendan was managing director of Atos in the UK after spending more than 25 years with Schlumberger in senior international roles.

Grazyna Piotrowska-Oliwa
Independent
Non-Executive Director
Polish, Female, 54
Appointed 24 May 2021; first term expires in 2024

R

Grazyna has strong experience across government and business both in Poland and Central and Eastern Europe. At the start of her career, Grazyna spent four years at the Polish Ministry of the State Treasury, where she headed two different divisions. With a proven track record in some of Poland's WIG20 companies, Grazyna brings 20 years' experience working on C-level for Telekomunikacja Polska and PTK Centertel (now Orange Polska), PZU (on the supervisory board), PKN Orlen and PGNiG, as well as chief executive officer and president of the management board of Virgin Mobile Poland/CEE, following a period advising private companies and private equity funds. Grazyna is co-owner and CEO/chair of renowned e-commerce platforms Grupa Modne Zakupy and RentPlanet.

Neil Brown
Non-Executive Director
British, Male, 64
Appointed 17 February 2021; first term expires in 2024

A R N

Neil has extensive global experience in corporate restructurings, private equity, dispute resolution, and wide international commercial board experience. He has held a number of chairman, director, and committee positions in international organisations including Magma Fincorp India, Gategroup, Iceland Foods, and Islandsbanki. Earlier in his career Neil helped to build the successful financial services arm of Apax Partners. He acted as a special advisor to the Senior Oversight Committee of the Asset Protection Scheme, operated by an executive arm of HM Treasury. Neil is a qualified Chartered Accountant and a former corporate finance partner at PwC and Deloitte.

Paul Soldatos
Non-Executive Director
American, Male, 74
Appointed 4 May 2021; first term expires in 2024

R N

Paul is a board member and senior advisor in the industrial, service and consumer/retail sectors. He has international experience in M&A, strategic assessment, organisational transformation and financial restructuring with a focus on the US and Europe. Paul has served and is serving as chairman or member of the audit, remuneration, governance, and nomination committees for a number of companies for which he is a board member. Paul previously was a partner and member of the management committee of AEA Investors LP in AEA's London office.

Board changes in FY23

Richard Burrows (Independent Chair, Irish, Male): Resigned on 2 February 2023 (appointed 24 May 2021). Served as Chair of the Nomination Committee until 2 February 2023.
Trevor Masters (Chief Executive Officer, British, Male): Resigned on 11 September 2023 (appointed 2 February 2023).
Helen Lee Bouygues (Non-Executive Director, American, Female): Resigned on 2 October 2023 (appointed 4 May 2021).

Board and Board's Committee changes post year end

- María Fernanda Mejía was appointed as Chair of the Nomination Committee on 2 October 2023.
- Neil Brown, Paul Soldatos and Brendan Connolly were appointed as members of the Nomination Committee on 13 November 2023.

Board of Directors

The role of the Board is to supervise and manage the general affairs of the Company and its affiliated enterprises (the Group). The Board is collectively responsible for supervising the strategy and long-term success of the Company in achieving its objectives, and for ensuring that there is an effective system of internal controls within the Group for the assessment and management of key risks. In discharging its role, the Board ensures that the Group acts ethically and takes into account relevant interests of the Company's stakeholders.

In supervising the strategy of the Company, the Directors also take into account the following matters:

- the implementation and feasibility of the strategy;
- the appropriateness of the Company's business model and the markets in which the Group operates;
- the opportunities and risks for the Company;
- the Company's operational and financial goals and their impact on the Group's future operations in its markets;
- compliance with the Company's legal and regulatory obligations; and
- environmental, social, governance and employee-related matters, the Group's supply chain and respect for human rights.

The tasks, responsibilities and internal procedure matters for the Board are addressed in the Articles of Association and Board Rules.

Roles and responsibilities

The Executive Directors are responsible for the day-to-day management of the Company. The Non-Executive Directors are responsible for supervising and advising the Executive Directors.

The positions of the Chair and CEO are two distinct positions, each with their own areas of responsibility, conferred by and accountable to the Board as a whole. This distinction is explained below, and further details are set out in the Articles of Association and the Board Rules of Procedure available on the Company's website.

The Chair of the Board is a Non-Executive Director and responsible for leading the Board and ensuring its effectiveness, setting its agenda and maintaining high standards of corporate governance. The Chair facilitates the effective contribution of the Non-Executive Directors and constructive relations between them and the Executive Directors.

The Chief Executive Officer is responsible for the day-to-day management of the Group and implementation of the strategy and other Board decisions.

Separate individuals have occupied the positions of the Chair and the CEO until the resignation of the CEO on 11 September 2023. With effect from 12 September 2023, Andy Bond, the Chair of the Board, stepped into the role of Executive Chair to temporarily lead the Executive team and overall management of the Company until a successor CEO is appointed. Whilst both roles are now being performed by the Executive Chair, this does not amend the respective roles and responsibilities of the Chair and CEO. Given Andy's wealth of experience within the retail sector and within the Pepco Group, the Board believes that he is well placed to lead the business as Executive Chair whilst the search for a new CEO is in progress.

At the end of the reporting period, the Board established an Executive Committee. The Executive Committee, composed of key leaders including the Group CFO and business Managing Directors, directs the Company's strategy, ensuring alignment with objectives and fostering sustainable growth through collective expertise and decisive leadership.

Appointment and composition of the Board

At the Company's AGM on 2 February 2023, Andy Bond was appointed Non-Executive member of the Board and Trevor Masters was appointed Executive member of the Board. Neil Galloway was appointed Executive member of the Board with effect from the date of his commencement in the role of Chief Financial Officer on 1 April 2023. Andy Bond was appointed Chair of the Board, replacing Richard Burrows, who stepped down as Non-Executive Director and Chair of the Board following the conclusion of the AGM.

Prior to this reporting period and in accordance with Article 15.5 of the Company's Articles of Association, the Board appointed Neil Brown as Vice Chair of the Board.

On 11 September 2023, Trevor Masters resigned as CEO. Andy Bond was appointed as Executive Chair with effect from 12 September.

As at the end of the reporting period, four of the Non-Executive Directors – Brendan Connolly, María Fernanda Mejía, Pierre Bouchut, and Grazyna Piotrowska Oliwa – are considered to be independent in accordance with best practice provisions of the Warsaw Code and the Dutch Code. The remaining four Non-Executive Directors – Andy Bond, Neil Brown, Helen Lee Bouygues and Paul Soldatos – are not considered to be independent within the best practice provisions of the applicable Codes. Andy Bond as former CEO and Executive Director of the Company does not qualify as independent. Neil Brown, Helen Lee Bouygues, and Paul Soldatos are not independent due to their position as directors of the Company's principal shareholder.

The general meeting appointed Trevor Masters and Neil Galloway as Executive Directors and Andy Bond as Non-Executive Director and Chair of the Board at the Company's AGM in February 2023. Following the resignation of Trevor Masters, at the end of the reporting period the Board comprised of eight members.

Following the end of the reporting period, Helen Lee Bouygues resigned as Non-Executive Director.

All other members of the Board were appointed during the 2021 reporting period and are serving their initial terms. Board members are appointed for an initial period of three years and may then be reappointed for two subsequent three-year terms.

All Directors are subject to formal appointment by shareholders at the AGM and to re-appointment after a three-year term in office, following a binding nomination of the Board and in accordance with the Articles of Association of the Company. The general meeting of shareholders may reject a binding nomination of the Board by a resolution passed by two-thirds of the votes cast representing more than half of the Company's issued share capital.

The general meeting of shareholders can dismiss and suspend members of the Board other than on the proposal of the Board upon a majority of two-thirds of the votes cast representing more than half of the Company's issued share capital. If the proposal is made by the Board, a simple majority of the votes cast is sufficient.

The Chair of the Board and the Board itself are supported by the Company Secretary, who is appointed by the Board and available for advice and assistance to all Board members. The Company Secretary is responsible for ensuring that proper procedures are followed and that the Board acts in accordance with its statutory obligations as well as its obligations under the Articles of Association.

Where Board members have external appointments, the Board is satisfied that such appointments do not impact on the individual Board member's ability to devote adequate time and sufficient attention to the concerns of the Company.

Diversity

Our Board Diversity Policy has been in place since December 2021, and addresses the legal and regulatory requirements to set appropriate and ambitious targets to achieve a more balanced ratio between men and women. Our Board Diversity Policy commits to at least 30% representation of men and women on the Board for both the Executive Directors and the Non-Executive Directors. As at year end, the Board comprised eight Non-Executive Directors and one Executive Director, among whom six are male (66.6%) and three are female (33.3%). The policy is considered in the operation of the Nomination Committee and has continued to be met throughout the financial year.

When considering nominations of new Board members, the Board takes account of the following diversity aspects: nationality, work background, gender, age, and qualifications (including educational and expertise).

Induction, training and development

When appointed to the Board, Directors are provided with induction training and information about the Group, the role of the Board and the matters reserved for its decision, the terms of reference and membership of the Board Committees and the latest financial information about the Group. This is supplemented by meetings with the Company's professional advisors, and, where appropriate, visits to key locations and meetings with certain senior executives to develop the Directors' understanding of the business.

Throughout their period of office, Non-Executive Directors are continually updated on our business, markets and other changes affecting the Group and industry in which we operate, including changes to the legal and governance environment and the obligations on themselves as Directors. Specific updates this year included an externally facilitated Board Risk Workshop.

Board Committees

The Board operates the following principal Committees: the Audit Committee, the Remuneration Committee, and the Nomination Committee. The function of these Committees is to prepare the decision making of the Board.

Each Committee of the Board has established terms of reference which prescribe the role and responsibility of the relevant Committee, its composition, and the process through which the Committee discharges its duties. These terms of reference are available on the Company's website: www.pepcogroup.eu.

During the reporting period, more than half of the members of the Audit Committee (including its Chair) and the Remuneration Committee were independent within the meaning of the applicable best practice provisions of the Warsaw Code and Dutch Code with due observance to the Dutch Decree on Implementation Audit Committee.

Risk Workshop

The Board attended a strategic risk workshop in July 2023 with the support of its external advisors. The workshop objectives were split into short-term and long-term outcomes:

Short-term

- Discussion of strategic risk outlook, including relevant emerging geo-political themes impacting the Group
- Challenge the way principal risks are considered in the context of the Group risk management framework
- Update and refresh Pepco Group appetite for risk

Long-term

- Update the business ecosystem and risk landscape to refresh principal risks
- Overlay a strategic lens to the way principal risks are considered within the Group
- Refresh the parameters within which management should operate, making informed risk-based decisions
- Change the nature of risk conversation and enable more focus on the management of risk and allocation of resources

The Board feedback included a requirement to increase visibility, executive accountability, specific detail, and the speed of risk reporting; all of which has been incorporated into a new Group Risk Register and improvements to the Enterprise Risk Management Roadmap.

Board of Directors continued

Board Committees continued

Board and Committee meetings and attendance

All Directors are expected to attend each Board meeting and each Committee meeting for which they are members, unless there are exceptional circumstances preventing them from participating. Attendance at Board and Committee meetings was as follows:

Directors	Board (16)	Audit Committee (10)	Remuneration Committee (7)	Nomination Committee (3)
Andy Bond (Executive Chair)[1]	6	n/a	n/a	1
Neil Brown (Vice Chair)	15	10	7	n/a
Helen Lee Bouygues	12	8	n/a	2
Paul Soldatos	15	n/a	7	n/a
Pierre Bouchut	16	10	7	n/a
Brendan Connolly	13	6	7	n/a
María Fernanda Mejía	15	10	n/a	3
Grazyna Piotrowska-Oliwa	15	n/a	7	n/a
Trevor Masters[2]	3	n/a	n/a	n/a
Neil Galloway[3]	5	n/a	n/a	n/a
Richard Burrows (Chair)[4]	10	n/a	n/a	2

1 Andy Bond was appointed Non-Executive Director and Chair of the Board with effect from 2 February 2023. He was appointed as Executive Chair on 12 September 2023.
2 Trevor Masters was appointed Executive Director of the Board with effect from 2 February 2023. He resigned on 11 September 2023.
3 Neil Galloway was appointed Executive Director of the Board with effect from the date of his commencement in the role of Chief Financial Officer on 1 April 2023.
4 Richard Burrows resigned as Non-Executive Director and Chair of the Board following the conclusion of the AGM on 2 February 2023.

Board meetings, attendance and decision making

According to the Board Rules, the Board meets in principle once every two months and at least once each financial quarter. Each Director is entitled to cast one vote. In the event of a tie, the Chair has the casting vote. During FY23, meetings of the Board were held both in person and virtually via Microsoft Teams, as permitted by Article 16.6 of the Articles of Association.

Most decisions of the Board require a simple majority of the votes cast. For Board decisions on matters which cannot be resolved upon by the Non-Executive Directors due to a direct or indirect conflict of interest and for Board decisions to approve a related party transaction, such decisions require the majority of the votes cast to include at least a majority of the votes of the independent Non-Executive Directors.

When determining how many votes are cast by members of the Board, no account shall be taken of Board members who are not permitted to take part in the discussions or decision making due to a conflict of interest.

Decisions of the Board may be taken in writing, provided that all Board members (in respect of whom no conflict exists) have consented in writing.

Areas of focus in FY23

The Board focused on the below areas during the reporting period.

Strategy and operational

- Scrutinised operational and business performance in the context of the Company's business plan and long-term strategy, including the status of key projects.
- Reviewed the Group's strategy and approved the five-year business plan for FY24 to FY28.
- Monitored the implementation of the Enterprise Resource Planning system within the Pepco Group.
- Approved the vesting of nil-cost options under the VCP on the recommendation of the Remuneration Committee.
- Approved the bonus payout level for FY22 for colleagues.
- Approved the issuance of new shares in the capital of the Company to satisfy the potential exercise of share options under the incentive schemes, Equity Award Plan and VCP.

External stakeholder engagement

- Reviewed the agenda for the Capital Markets Day.
- Reviewed the content of the Company's external announcements.

Financial performance and risk

- Reviewed financial performance and forecasts.
- Approved the upsizing of the revolving credit facility, made available under the Senior Facilities Agreement, and inaugural bond issuance.
- Evaluated and approved the FY24 budget.
- Approved the Company's Annual Report and Consolidated Financial Statements for FY22, together with the letter of representation in connection with the Annual Report 2022.
- Reviewed approach to risk and risk management framework.

Governance

- Approved the terms of the reference of the Audit Committee, Remuneration Committee, and Nomination Committee.
- Approved the appointment of the new CFO, Neil Galloway, on the recommendation of the Nomination Committee.
- Approved Andy Bond's appointment as Chair, and later as Executive Chair following the resignation of the CEO.
- Approved the external appointments held by Executive Directors.
- Approved the updated Insider Trading Policy and UK tax strategy.
- Approved the updated Board profile as required by the new 2022 Dutch Corporate Governance Code.
- Approved the FY23 Internal Audit Plan.
- Recommended to the shareholders the appointment of Mazars as the Company's external auditors for FY23.
- Approved the 2023 AGM Agenda and Convocation Notice.
- Reviewed and approved the updated Bank Mandates for Treasury Activities.
- Approved changes to the Board Rules.
- Approved the renewal of the Directors and Officers insurance policy.

Remuneration

In line with the Remuneration Policy of the Company, the remuneration of the Executive members of the Board is determined by the Non-Executive members of the Board, upon recommendation of the Remuneration Committee. The Non-Executive Directors appointed via the Relationship Agreement (being Neil Brown, Helen Lee Bouygues, and Paul Soldatos) do not receive remuneration from the Company or its affiliated enterprises. The remuneration of the Non-Executive members of the Board is determined by the Non-Executive members of the Board in accordance with the Remuneration Policy applicable to the Non-Executive Directors, including the Chair of the Board.

The Remuneration Policy and the elements of the remuneration of Board members are set out in the Remuneration report and note 8 to the financial statements.

Conflicts of interest

The Articles of Association and Board Rules prescribe how conflicts of interest between the Company and Board members must be managed.

Transactions between the Company and a Board member who has a conflict of interest must be entered into on arm's length terms. A Board member who has a conflict of interest cannot participate in deliberations and decision making relating to the subject matter of the conflict of interest.

In FY23, payments totalling £47,100 were made to Woodcliffe Associates Limited, a company that Andy Bond has a related party interest in. These costs relate to consultancy services provided by Andy Bond prior to his appointment as Chair in February 2023.

Any decision to enter into a transaction under which a member of the Board has a conflict of interest that is of material significance to the Company and/or the relevant Board member requires the approval of the Board.

There were no material transactions which gave rise to conflicts of interest with any Board members reported during the reporting period. Reference is made to note 25 (Related party transactions) of the consolidated financial statements for a description of any related party transactions.

Risk management activities of the Board

The Board has the overall responsibility for ensuring that the Group maintains a strong system of internal controls.

The system of internal controls is designed to identify, manage and evaluate, rather than eliminate, the risk of failing to achieve business objectives. It can therefore provide reasonable but not absolute assurance against material misstatement, loss or failure to meet objectives of the business, due to the inherent limitations of any such system.

In FY23 internal audit activities were consolidated into one Group internal audit function to provide assurance over key risks in all operating companies. Internal audit activities were performed using a combination of in-house staff based in the UK and Poland as well as co-sourced with EY to leverage industry best practice and subject matter expertise. A Group risk management framework is in place and updates to risk registers are presented to the Group Audit Committee.

The Board is satisfied that the key risks to the business and relevant mitigating actions are acceptable for a business of the type, size and complexity as that operated by the Group.

The key elements of the Group's system of internal controls are as follows:

- **Financial reporting:** Monthly management accounts are provided to members of the Board that contain current financial and operational reports. Reporting includes an analysis of actual versus budgeted performance and overviews of reasons for significant differences in outcomes. The annual budget is reviewed and approved by the Board. The Group reports half yearly.
- **Risk management:** A risk register has been created and is continuously updated and monitored, with full reviews occurring on at least an annual basis. Each risk identified on the risk register is allocated an owner and the action required or acceptance of the risk is also recorded. The risk registers are provided to the Audit Committee as appropriate.
- **Monitoring of controls:** The Audit Committee receives regular reports from the external auditors. There are formal policies and procedures in place to ensure the integrity and accuracy of the accounting records of the Group and to safeguard its assets.
- **Staff policies:** There are formal policies and processes in place within the Group supported by third-party technology in relation to anti-bribery and corruption and anti-slavery, as well as whistleblowing polices and independent reporting mechanisms to facilitate the reporting of any suspected wrongdoing or malpractice.

> Information on the key risks and uncertainties of the Group is set out on pages 38 to 44

General meetings

The Articles require that the AGM be held in the Netherlands within six months of the end of the financial year. Additional general meetings may be convened at other times by the Board as necessary. The Company's FY22 AGM was held at the Hilton Amsterdam Airport Schiphol on 2 February 2023. Shareholders were invited to attend the AGM in person, and the AGM was broadcast via the Company's website. The right to vote at the AGM could be exercised by an electronic voting proxy with voting instructions to a civil-law notary or submitting the voting instructions by means of a proxy form via the Company's website. Shareholders were entitled to submit questions about agenda items prior to the AGM.

The FY23 AGM will be held prior to 31 March 2024. The Articles provide that the agenda for the AGM shall at least be as follows:

- advisory vote in respect of the Remuneration report;
- discussion of the Annual Report;
- discussion and adoption of the annual accounts;
- discharge of the Board members from their liability;
- (if put on the agenda) designation of the Board as competent to issue shares;
- (if put on the agenda) appointment of external auditors; and
- (if required) authorisation of the Board to permit the Company to acquire its own shares.

General meetings continued

Convocation
The AGM is convened by publication of a notice on the Company's website at least 42 days prior to the AGM. Shareholders are entitled to propose items for the agenda of the AGM provided that, alone or jointly, they hold at least 3% of the issued share capital of the Company. Proposals for agenda items must be submitted at least 60 days prior to the date of the meeting. A request of a shareholder for an item to be included on the agenda of the AGM must be explained in writing. The principles of reasonableness and fairness may permit the Board to refuse the request.

Voting rights
The authorised share capital of the Company is €17,250,000.00 and is divided into 1,725,000,000 shares with a nominal value of €0.01 each. The issued share capital is €5,760,273.42 divided into 576,027,342 shares. Each share carries one vote. The shares are listed on the Warsaw Stock Exchange (WSE).

All shares carry equal rights and are freely transferable.

Shareholders who hold shares on a statutory record date (i.e. the 28th day prior to the AGM) are entitled to attend and vote at the AGM.

Shareholders may exercise their rights if they are the shareholders of the Company on the record date and they or their proxy have notified the Company of their intention to attend the AGM in writing or by any other electronic means that can be reproduced on paper ultimately at a date set for that purpose by the Board of Directors, which may not be earlier than the seventh day prior to the AGM.

Each share in the issued share capital of the Company confers the right to cast one vote at the AGM.

Adoption of resolutions
Subject to certain exceptions provided by Dutch law or the Articles of Association, resolutions of the AGM are adopted by a simple majority of the votes cast at the meeting.

Shareholder votes can be cast either in writing or electronically.

Amendment of Articles of Association
The Articles of Association can be amended by resolution of the AGM. A resolution to amend the Articles of Association can only be adopted at the proposal of the Board.

Appointment and dismissal of Directors
The Company has a one-tier system of management that means that managing and supervisory duties are joined in the Board of Directors. Appointment and/or dismissal and/or suspension of the members of the Board of Directors is the prerogative power of the general meeting of the shareholders. Each Executive Director may also, at any time, be suspended by the Board. Pursuant to the Articles of Association, the number of Directors shall be determined by the Board. Following a binding nomination by the Board, with due observation of the provisions under the Articles of Association, the Directors are appointed by the general meeting. If and when selecting and nominating candidates for the Board, the Diversity Policy is taken into consideration.

Substantial shareholdings

Pursuant to the Financial Supervision Act (Wet op het financieel toezicht) and the Dutch Decree on Disclosure of Major Holdings and Capital Interests in Issuing Institutions, the Company has been notified of the following substantial shareholdings regarding the Company as at 30 September 2023:

	Shares	Percentage
Total free float on WSE, of which:		
Non-substantial shareholdings	155,419,470	26.98
Andy Bond*	3,745,301	0.65
Independent Non-Executive Directors**	240,613	0.04
IBEX Retail Investments (Europe) Limited	415,594,616	72.15
Pepco Group Employee Benefit Trust***	1,027,342	0.18
Total	576,027,342	100.00

* Including shares held via Kent Road Investments 2019 Limited and Kent Road Investments 2020 Limited.

** Includes shares held by the previous Chair of the Board, Richard Burrows.

*** The trust operates for the fulfilment of the VCP and LTIP, as described in the Remuneration Report.

72.15% of the Company's issued share capital is ultimately owned by IBEX Topco B.V. (ITBV), with 0.04% owned by the Independent Non-Executive Directors, 0.65% owned by Andy Bond, Executive Chair, and the remaining 26.98% traded on the WSE. Of the shares traded on the WSE, no shareholder owns more than 5%.

At the time of the Company's initial listing on the WSE, the Company entered into a relationship agreement with Steinhoff International Holdings N.V. and certain of its affiliate enterprises. Following the implementation of the Steinhoff reorganisation, the rights of Steinhoff International Holdings N.V. were transferred to ITBV, resulting in an amended and restated agreement between ITBV and certain of its affiliate enterprises (the ITBV Affiliates) to regulate the relationship between the Company and the IBEX group of companies (the Relationship Agreement). The terms of the Relationship Agreement comply with the requirements of principle 2.7.5 of the Dutch Code.

The Relationship Agreement provides that:

a) for so long as the ITBV Affiliates hold, in aggregate, more than 30% of the voting rights of the Company, the ITBV Affiliates will jointly be entitled to nominate three Non-Executive Directors to the Board. This nomination right is reduced to two Non-Executive Directors when the ITBV Affiliates hold, in aggregate, less than 30% of the voting rights of the Company. This nomination right is further reduced when the ITBV Affiliates hold, in aggregate, less than 20% of the voting rights of the Company. If the ITBV Affiliates hold, in aggregate, less than 10% of the voting rights of the Company, they will no longer have the entitlement to nominate any members of the Board;

b) subject to compliance with applicable laws and regulations, including the Market Abuse Regulation, the Company will:

   i. provide certain information to the ITBV Affiliates to enable the ITBV group of companies to fulfil its regulatory and legal obligations and to facilitate the preparation of the accounts of the ITBV Affiliates and connected enterprises for so long as such provision is reasonably required by generally applicable accounting principles; and

   ii. provide reasonable assistance and access to Company management in connection with any planned disposal of shares in the Company that are held by the ITBV Affiliates;

c) transactions and arrangements between the ITBV group of companies and the Pepco Group will be conducted at arm's length and on normal commercial terms; and

d) no member of the ITBV group of companies will propose or procure the proposal of a member resolution which would prevent the Company from complying with its legal and regulatory obligations.

Issuance of shares, acquisition of own shares and disapplication of pre-emption rights

The Articles of Association provide that the general meeting may issue shares (or delegate that authority to the Board). Any delegation to the Board to issue shares must specify the maximum number of shares that can be issued under the delegation and the duration of the delegation cannot exceed five years. The designation can be extended for periods not exceeding five years.

A resolution by the general meeting to issue shares or to designate such authority to the Board can only be taken at the proposal of the Board.

The Articles of Association permit the general meeting to restrict or exclude the pre-emption rights of shareholders at the proposal of the Board. A resolution to exclude shareholders' pre-emption rights requires a majority vote of at least two-thirds of votes cast if less than half of the Company's issued and outstanding share capital is present at the general meeting.

Under the Articles of Association, the Company may acquire its own shares if the general meeting authorises the Board to do so. An authorisation for the Board to acquire shares in the Company is limited to 18 months. Such authorisation was obtained at the general meeting in February 2023, and will be requested at the general meeting in March 2024.

No authorisation of the general meeting is required for the Company to acquire its own shares for the purpose of transferring such shares to employees of the Pepco Group under an applicable share plan.

Lock-up arrangements

Management Selling Shareholder lock-up

Andy Bond, Mark Elliott, and Sean Cardinaal (the Management Selling Shareholders) hold or previously held management positions within the Group and held founder shares that were converted into shares of the Company in May 2021. Each of the Management Selling Shareholders agreed that from 5 May 2021 until 1 January 2024, they will not, without the prior written consent of the Company directly or indirectly, offer, issue, lend, mortgage, assign, charge, pledge, sell or contract to sell, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any shares held by them immediately following the IPO (Locked-up Shares) (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, the Locked-up Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing, such lock-up restrictions being subject to certain customary exceptions. The lock-up undertaking described above has, on 1 January 2023, ceased to apply in respect of two-thirds of the Locked-up Shares held by a Management Selling Shareholder at such date, and from 1 January 2023 applied to one-third of the remaining Locked-up Shares held at such date until 1 January 2024 (unless waived with the prior written consent of the Company). During the October 2021 Board meeting, the Company agreed to allow Sean Cardinaal to sell up to one-third of his Locked-up Shares from 1 January 2022, and his remaining Locked-up Shares from 1 January 2023. The Company waived the remaining lock up provisions relating to Mark Elliott on 7 June 2023.

Independent Non-Executive Director lock-up

In respect of work undertaken by them in relation to and in preparation for roles as Board members, in the period prior to the Company's listing on the WSE one-off fees were paid to Richard Burrows, Brendan Connolly, María Fernanda Mejía, Grazyna Piotrowska-Oliwa, and Pierre Bouchut which were used by these individuals to subscribe for shares in the Company on admission to the WSE (at the admission offer price).

Shares acquired by these Board members on admission must be held until the later of: (i) 26 May 2024; or (ii) the first anniversary of the date on which the relevant Board member ceases his or her directorship of the Company. Richard Burrows stepped down as Non-Executive Director and Chair of the Board following the conclusion of the AGM on 2 February 2023.

Providing oversight and ensuring integrity

Pierre Bouchut
Audit Committee Chair

Dear Shareholders,

Introduction

I am pleased to present the report of the Audit Committee for the year ended 30 September 2023, setting out the ongoing responsibilities and objectives of the Committee and the work that has been conducted during this year.

Committee composition

As at year end, the Committee comprised of five members, each of whom is a Non-Executive Director of the Company (with three members constituting a quorum). María Fernanda Mejía, Brendan Connolly and I are considered to be independent Non-Executive Directors within the meaning of the Dutch Code and Warsaw Code; Helen Lee Bouygues (who resigned from the Board with effect from 2 October 2023) and Neil Brown are not considered to be independent.

The Committee must have at least one member with recent and relevant financial experience and with competence in accounting and/or auditing. The Chair of the Board may not be a member of the Committee. The Company Secretary acts as secretary to the Committee. The Group CFO, Senior Internal Auditor, and external auditors attend all meetings and other individuals including the Group General Counsel, the Group Finance Director, and the Group Director of Treasury, Tax and Risk may also attend and are available to meet on a one-to-one basis as and when required to support me in fulfilling my role as Chair.

The Audit Committee meets as often as is required for its proper functioning and the timing of meetings is agreed in advance and set to accommodate the dates of release of financial information. In addition to scheduled meetings, I regularly liaise with the Group CFO. The Committee has a schedule of regular, structured meetings and consults with external auditors, advisors and Company management where appropriate. We also hold regular meetings with the external auditors without management being present.

The governance structure of the internal audit function was reviewed in FY23. To increase the independence of the function, the Senior Internal Auditor reports organisationally to the Group CFO and functionally to me as the Chair of the Audit Committee. The new Group Head of Internal Audit was appointed in October 2023.

Responsibilities

The responsibilities of the Audit Committee, as delegated by the Board, are set out in its terms of reference and include the following:

- reviewing the integrity of the financial statements and any formal announcement relating to the Group's financial performance. This includes reviewing the significant financial judgements and estimates relating thereto, together with compliance with relevant accounting standards and other legal and regulatory requirements;
- providing oversight of the Group's internal control and risk management systems and considering reports on their effectiveness from the Group CFO and Senior Internal Auditor;
- assisting the Board with the development and execution of the risk management strategy, risk policies and current risk exposures, including the maintenance of the Group's risk register;
- reviewing ESG strategies, reporting, goals and targets, monitoring progress and advising the Board as appropriate;
- monitoring the scope of work, quality, effectiveness and independence of the external auditors and recommending to the Board their appointment, reappointment and fees; and
- reviewing the engagement of the external auditors to ensure that the provision of non-audit services by the external audit firm is in accordance with the Group's policy which seeks to ensure that their independence is not impaired.

ESG Oversight:

I am pleased with the progress we have made across all areas of our ESG agenda, and I am encouraged by the level of engagement across the Group. The Committee structure allows for greater depth of engagement and clear focus in driving forward our ESG agenda. The provision of a quarterly report to the Committee on ESG initiatives and deliverables by the Director of Group Treasury, Tax and Risk and Group Head of Risk and ESG Reporting, provides a clear reporting line on all ESG matters to me. We also continue to prepare the Group to comply with ESG regulatory reporting requirements. During the year, the Group recruited a Head of Group Sustainability to strengthen its ESG governance.

> For further information on the Group's approach to ESG, please see our report at page 16

More detail on the role and duties of the Committee can be found in the terms of reference on the Company's website.

Committee activities in FY23

The Committee has an extensive agenda concerning the Group's financial reporting cycle, with a focus on the Group audit assurance and risk processes. The Committee oversees these matters, working in conjunction with senior management, the external auditor, the internal audit function and the financial reporting team. Additional activities during the year included:

- considered internal audit reports presented to the Committee and satisfied itself that management had resolved, or was in the process of resolving, any outstanding issues or actions;
- received an audit debrief session from management about the key issues identified after the close of the FY22 audit process and progress on the remedial actions being taken;
- reviewed the internal audit plan and approach for 2023;
- at the end of FY23, following an external search and recruitment process, approved the appointment of a dedicated Group Head of Internal Audit;
- reviewed the internal audit team structure for the Pepco Group and key improvement projects for FY24;
- considered the effectiveness of the external auditors and recommended to the Board the reappointment of Mazars as the Company's external auditors (subject to shareholder approval at the Annual General Meeting);
- reviewed and approved the increase in external auditor fees;
- considered the external audit strategy for FY23;
- reviewed the status of the FY23 internal audit programme;
- considered the going concern assessment and key accounting judgements in connection with the FY23 audit review;
- reviewed the Group's principal risks and risk registers;
- considered the status of and financial provisions for material disputes across the Group;
- considered the approach to governance and resource, and implementation plan for Group-level internal audit, risk and ESG functions;
- considered the Group compliance framework;
- considered the ERP update and the background to the implementation programme;

Committee activities in FY23 continued

- reviewed the H1 and H2 FY23 draft financial results announcements prior to Board review;
- reviewed the process through which the Pepco Group ethical sourcing team review supplier compliance with the Pepco Group Compliance Code of Conduct;
- monitored incidents of whistleblowing;
- reviewed the Group's FY23 tax strategy and recommended it to the Board for approval;
- reviewed and approved the Corporate Criminal Offence Policy;
- reviewed and approved the Treasury Policy for recommendation to the Board;
- considered the ESG priorities for FY23, the supplier environmental guidelines, and the ESG reporting framework, including timelines for implementation;
- considered the planning and preparation for enhanced reporting on the pathway to CSRD compliance in FY25; and
- reviewed and approved the Committee's terms of reference, prior to making a recommendation to the Board. In completing its review, the Committee concluded that the terms of reference remained appropriate and reflected the manner in which the Committee was discharging its duties.

In considering the accounting matters referred to above, the Committee was provided with papers and reports prepared by the Group's finance department and the external auditors and the explanations and disclosures made in the Group's financial statements. The Committee also considered the significance of these accounting matters in the context of the Group's financial statements and their impact on the Group statement of comprehensive income and statement of financial position.

Regulation

The Group operates within an increasingly regulated marketplace and is challenged by regulatory requirements across the board, including those controlling bribery and corruption, the importation of goods, data protection, and health and safety.

This creates risk to the organisation as non-compliance can lead to financial penalties and reputational damage in respect of customers, colleagues, suppliers, investors, and other stakeholders.

The Group has policies and processes in place for whistleblowing and the Committee is satisfied that colleagues have the opportunity to raise concerns about possible fraudulent activity and any other concerns that arise within the organisation. The Committee is also satisfied that arrangements are in place for proportionate investigation of such matters, including appropriate follow-up action.

Internal control and risk management

The Board has overall responsibility for ensuring that the Group maintains a sound system of internal control. There are inherent limitations in any system of internal control and no system can provide absolute assurance against material misstatements, loss, or failure. Equally, no system can guarantee elimination of the risk of failure to meet the objectives of the business.

Against that background, the Committee has helped the Board maintain an approach to risk management which incorporates a framework within which risk is managed and the responsibilities and procedures pertaining to the application of that framework. In FY23, this has been further strengthened through the appointment of a dedicated Group Head of Internal Audit.

The Group is proactive in ensuring that Group and operational risks are consistently identified and managed within each operating company. In addition, the Group risk appetite and risk register are maintained which detail:

- the risks and the impact they may have;
- actions to mitigate risks; and
- ownership of risks.

A description of the key risks are set out on pages 38 to 44.

The Board has confirmed that it has conducted an assessment of the principal risks facing the Group, including those which threaten its business model, future performance, solvency or liquidity.

The Board considers that the processes undertaken by the Committee are appropriately robust and effective.

During the year, the Board has not been advised by the Committee of, nor has it identified itself, any failings, fraud, or weaknesses in internal control which it has determined to be material in the context of the financial statements.

The Committee continues to believe that appropriate controls are in place throughout the Group and that the Group has a well-defined organisational structure with clear lines of responsibility and a comprehensive financial reporting system including internal audit reporting to the Audit Committee.

Reviewing the Annual Report and Consolidated Financial Statements

Prior to publication, the Committee reviewed this Annual Report, Consolidated Financial Statements, Company financial statements, and the Independent audit opinion. In particular, it considered the following:

- the accounting principles, policies and practices adopted and the adequacy of related disclosures in the reports;
- the significant accounting issues, estimates and judgements of management in relation to financial reporting;
- whether any significant adjustments were required as a result of the audit;
- compliance with statutory tax obligations;
- whether the information set out in this Annual Report and the financial statements was fair, balanced, comprehensive, clear, and understandable and covered both positive and negative aspects of performance; and
- whether the use of Alternative Performance Measures obscured IFRS measures.

Going concern

The Committee reviewed the appropriateness of adopting the going concern basis of accounting in preparing the Annual Report and Consolidated Financial Statements. The assessment included a review of the liquidity impact of a severe, but plausible, management downside scenario and a series of reverse stress tests.

True and fair view

At the request of the Board, the Committee considered whether the financial statements and the elements of the Annual Report that are relevant to the financial statements, as a whole, are fair, balanced and understandable and whether they provide the necessary information to shareholders to assess the Group's position, performance, business model and strategy.

The Committee considered the Company management's assessment of items included in the financial statements and the prominence given to them. The Committee and subsequently the Board were satisfied that, taken as a whole, the Annual Report and Consolidated Financial Statements are fair, balanced, and understandable.

External auditors

Mazars Accountants NV were appointed as the independent auditors of the Company and its subsidiaries for the financial year ended 30 September 2023. The partner responsible for the Group audit opinion is Nathalie Habers.

Supervision of the external auditors

Auditor independence is maintained by reviewing Mazars' confirmation of their independence and monitoring the nature and value of non-audit services performed.

The Group's policy prevents the external auditors providing any services designated as prohibited within the Dutch Code or the Warsaw Code and requires Audit Committee approval for the provision of any other services regardless of their magnitude. Any non-audit services will be subject to tender processes, with the allocation of work made on the basis of competence, cost effectiveness, regulatory requirements, potential conflicts of interest, and knowledge of the Group's business.

The level of non-audit fees is monitored to ensure it does not exceed 70% of the average annual statutory audit fees payable over the last three years.

Payments were made to Mazars in the financial year ended 30 September 2023 for non-audit services in respect of a review of the bond prospectus and agreed upon procedures provided to PGS, both totalling €132,000 as detailed within note 4 to the financial statements.

I would like to thank the management team and all Committee members for their valuable contribution and support during the year.

Pierre Bouchut
Audit Committee Chair
22 December 2023

Shaping Board excellence

Andy Bond
Nomination Committee Chair

Dear Shareholders,

The Nomination Committee's report for the year ended September 2023 is set out below.

Committee composition

The Committee comprises three members, each of whom is a Non-Executive Director of the Company. Two members constitutes a quorum. Following the departure of Richard Burrows after the conclusion of the AGM in February 2023, I adopted the role of Chair of the Nomination Committee until 2 October 2023 (following the close of the reporting period) when the Board appointed María Fernanda Mejía as the new Chair. María Fernanda Mejía and Helen Lee Bouygues both served as members of the Committee during the year, having been appointed in FY21. María Fernanda Mejía is an independent Non-Executive Director within the meaning of the Dutch Code and Warsaw Code. Helen Lee Bouygues and I are Non-Executive Directors who are not considered to be independent. The Company Secretary acts as secretary to the Committee.

Following the end of the reporting period, Helen Lee Bouygues resigned as a Director and Committee member on 2 October 2023. Neil Brown, Paul Soldatos and Brendan Connolly were appointed as members of the Committee on 13 November 2023.

The timings of Committee meetings are agreed in advance and the Committee makes recommendations to the Board which it deems to be appropriate on any area within its remit where action or improvement is needed.

Responsibilities

The Committee meets at least twice each year and its main duties are:

- to lead the process for Board appointments including selection criteria and appointment procedures;
- to review the structure, size, and composition of the Board;
- to make recommendations to the Board on the Board profile;
- to make recommendations to the Board on the Board's policy on diversity and inclusion;
- to manage succession planning for the Board and senior Executives of the Company; and
- to review the Board evaluation process.

More detail on the role and duties of the Committee can be found in the terms of reference on the Company's website.

Committee activities in FY23

The Committee considered the following matters during the year:

- recommended to the Board the appointment of Neil Galloway as the new Group CFO and his nomination as Executive Director of the Company at the 2023 AGM;
- recommended to the Board the nomination of Andy Bond (i) as Non-Executive member of the Board and designate Chair of the Board for approval at the 2023 AGM; and (ii) in September 2023, as Executive Chair; and
- considered the composition of the Board Committees.

Board profile

The Board has prepared a profile of its size and composition, taking into account the nature of the business, relevant activities, and the preferred expertise and background of Board members.

The combined experience, expertise, background and independence of the Board members enables the Board to effectively carry out its duties and responsibilities in relation to the Company and its stakeholders.

The appointments of Pierre Bouchut, Brendan Connolly, María Fernanda Mejía, and Grazyna Piotrowska-Oliwa ensure that the composition of the Board complies with the independence requirements of the Dutch Code and the Warsaw Code, and the appointments of Neil Brown, Helen Lee Bouygues, and Paul Soldatos to the Board ensure that the composition of the Board complies with the terms of the Relationship Agreement. I was appointed as a Non-Executive member of the Board at the February AGM and subsequently elected Chair of the Board. Following the resignation of the CEO, I have stepped into the role of Executive Chair until a successor CEO is appointed.

Board diversity

The Company has a Board Diversity Policy, which underscores our commitment to promoting equality, diversity and inclusion in the boardroom. Please see our Corporate Governance section on page 63 for more information on Board diversity.

Andy Bond
Nomination Committee Chair
22 December 2023

Statement from Maria Fernanda Mejia

Chair of the Nomination Committee from 2 October 2023.
I am delighted to have been appointed as the Chair of the Nomination Committee and would like to thank Andy for his leadership of the Committee in FY23.

Since the close of the previous reporting period, the Committee has reviewed areas of strategic priority:

- Succession planning;
- Diversity & Inclusion policy;
- Board profile;
- Directors Retirement Schedule;
- Nomination Committee Terms of Reference; and
- Adopted the Nomination Committee report of the former Chair.

Within FY24, the Committee intends to conduct an externally led evaluation of our Board, review the Group's succession plans and, of course, forge ahead with our search for a new CEO.

I look forward to working with the Committee to ensure Board leadership through this next phase of growth for the business.

Rewarding performance

Brendan Connolly
Remuneration Committee Chair

Dear Shareholders,

I would like to thank our shareholders for their continued support in 2023, during which time we have faced many changes as a business. We amended our Remuneration Policy at the AGM in February 2023 to align with our strategy and have continued to operate within this for the year.

As a Dutch company listed on the WSE we have various reporting requirements and, as we did last year, we have chosen to supplement these with additional information in the interests of transparency. This letter and the Remuneration report on pages 77 to 81 will also be presented for an advisory vote at our next AGM. We would like to thank our shareholders for supporting our Remuneration report at our AGM in February 2023.

Introduction

The Remuneration Committee's purpose is to develop a reward package for Executive Directors and senior managers that supports the Company's vision and strategy, and to ensure that rewards are performance based, encourage long-term shareholder value creation and take into account the remuneration of the whole workforce. More detail on the role and duties of the Committee can be found in the terms of reference on the Company's website.

Committee composition

The Committee comprises five members, each of whom is a Non-Executive Director of the Company. Three members constitutes a quorum. Pierre Bouchut, Grazyna Piotrowska-Oliwa and I are members of the Committee who are independent Non-Executive Directors within the meaning of the Dutch Code and Warsaw Code. Paul Soldatos and Neil Brown are not considered to be independent. The Chair of the Board may not be a member of the Remuneration Committee. The Company Secretary acts as secretary to the Committee. Other individuals, including senior Executives and external professional advisors to the Committee, may be invited to attend when appropriate and necessary. No individual will be present when their own remuneration is discussed.

The Remuneration Committee meets at least three times each year and is responsible for preparing the decision making of the Board on the remuneration of members of the Board and selected senior Executives.

The Committee is also responsible for reporting to the Board on the implementation of the Remuneration Policy in each year in the context of the achievement of the Company's long-term strategy and objectives.

Responsibilities

The main duties of the Remuneration Committee are as follows:

- to recommend to the Board the Remuneration Policy of the Company;
- to advise on and recommend to the Board the remuneration framework for the Executive Directors and selected senior Executives and to advise the AGM on the remuneration of the Non-Executive Directors;
- to advise on the structure of and target setting for performance-based incentive plans of the Company, including monitoring performance against any targets;
- to review all share incentive plans for approval by the Board and shareholders; and
- to prepare the Remuneration Report.

Committee activities in FY23

During the reporting period, the Board focused on the areas as set out below:

- reviewed remuneration for the Executive Directors and selected senior Executives;
- reviewed the revised terms of the Company's Value Creation Plan including alternative financial measurement;
- reviewed and approved the remuneration packages for our Executive Chair, and outgoing remuneration for both our previous Chair and previous CEO;
- reviewed performance against FY23 bonus targets for the Executive Directors;
- reviewed the FY23 Short-Term Incentive Plan (STIP) targets and salary levels for Executive Directors;
- considered the Executive remuneration market update;
- reviewed the terms of reference to ensure alignment with the Dutch Code and Warsaw Code;
- considered appropriate metrics for the Group LTIP;
- reviewed Non-Executive Director fees for 2024;
- reviewed Executive Directors' shareholdings against shareholding requirements;
- reviewed and approved the annual cap for VCP participants;
- reviewed the 2023 AGM feedback and issues raised by proxy voting agencies;
- considered alignment of Executive pay with Company culture;
- reviewed the Remuneration Report; and
- considered the mechanism to be used to calculate the value of participation rates for 2023 under the VCP.

Board changes

Chair appointment

During the year, Richard Burrows stepped down as Non-Executive Director and Chair of the Board. Following the recommendation of the Board and the approval of the shareholders at the AGM on 2 February 2023, Andy Bond was appointed as Chair of the Board with effect from the close of the meeting.

Outgoing CEO and Executive Chair appointment

Trevor Masters stepped down from the Board and as CEO on 11 September 2023. In the interim period, Andy Bond has stepped up as Executive Chair whilst we search for an appropriate CEO candidate. On appointment as Executive Chair, Andy received a salary of £835,000 and will receive a bonus of up to 150% of his annual base salary. This salary is reflective of the increased time commitment involved. Andy will maintain his previous VCP participation percentage of 1.0%.

Trevor will receive a payment equal to his salary and benefits over the remainder of his notice period until 11 March 2024, a statutory severance payment of £11,000 (in accordance with Polish law), and severance pay as described in the Remuneration Report. He will also remain eligible to receive 334,482 shares by reason of his nil-cost options granted in 2022, subject to reaching the vesting target at the end of financial years 2023 and 2024.

CFO appointment to the Board

Neil Galloway was appointed as CFO and as an Executive member of the Board at the 2023 AGM. On appointment to the Board, Neil's salary was set at £600,000 with a pension allowance of 13% of his salary.

Neil is eligible for a maximum bonus of 150% of salary and, upon appointment, had a VCP participation percentage of 0.6%. Neil was awarded nil-cost options over 156,888 shares to compensate for the loss of an award in his previous role, which will vest on 1 April 2026, subject to conditions. In October 2023, the Committee agreed with Neil that his VCP participation percentage would be replaced with the Group LTIP, at a level of 250% of salary, together with the grant of 125% salary in restricted stock units (RSUs) in exchange for the loss of VCP participation.

Remuneration outcomes in FY23

Base salaries

Andy Bond and Neil Galloway did not receive salary increases as their salaries were set upon appointment during the year. The Executive Directors receive a pension allowance of 13% of salary.

During the year, Trevor Masters and Neil Galloway received a pension allowance of 13% of salary. Andy Bond does not receive a pension allowance.

Bonus plan

The bonus plan for FY23 for the Executive Directors consisted of a financial goal of €869.7m of the Group's underlying EBITDA delivery on an IFRS 16 basis, representing 80% of the annual bonus opportunity, with the balance based on achieving certain personal and strategic goals.

Neil Galloway was awarded a cash bonus of £600,000 paid in October 2023, following an assessment by the Committee of his personal contribution during the year as the formal bonus objectives were not deemed to be suitable.

As explained in last year's report, bonus opportunities for Executive Directors increased from 100% of salary to 150% of salary, following a change in the Policy. The bonus plan has a financial element (Group underlying EBITDA on an IFRS 16 basis) of 80% and a strategic/personal element of 20%.

For FY24, the maximum bonus opportunity for the CFO will remain at 150% of salary, with the Executive Chair receiving a maximum bonus opportunity of 150% of base salary (pro-rated for the time he is fulfilling the role of Executive Chair).

The bonus opportunity will be divided into 80% for underlying Group EBITDA on an IAS 17 basis and 20% for strategic goals. This financial performance metric is aligned with senior management's bonus plan.

Value Creation Plan

Trevor Masters received an additional grant of participation rights in the VCP of 1.15%, taking his aggregate participation in the VCP to a holding of 2.0%.

During the year we have continued to review the effectiveness of the VCP. Upon the recommendation of the Committee, the Board exercised its discretion to apply an EBITDA target as an alternative measurement criteria in respect of the nil-cost options granted on 14 February 2022 to specific VCP participants. Further, the annual caps for Trevor Masters, Andy Bond, and any other Executive Director (including Neil Galloway) were set at €20m, €14m and €10m respectively.

Last year we decided that with a new CEO and CFO, and the development of a new strategy, the Remuneration Committee should review the VCP terms. Following shareholder approval, we made changes to the operation of the VCP to permit the Chair to participate, to rebase the valuation from which participants could benefit, extend the period of the plan and introduce additional caps. However, moving forward, we will transition into the use of the LTIP for any new CEO appointment and for our CFO.

In summary, the Committee has discussed the operation of the VCP, and has decided to move towards closure of the VCP in favour of the new Group LTIP.

Long Term Incentive Plan

At the AGM held in January 2022 we received your support for the introduction of a new LTIP. Until the VCP concludes, the new LTIP is intended to be used alongside the VCP for senior Executives.

Chair and Non-Executive Director fees

As mentioned above, Andy has agreed to take on the role of Executive Chair until we have a permanent CEO in place; therefore, Andy's current base salary of £835,000 will be inclusive of his Chair's fee. He will retain his 1.0% participation right in the VCP which is subject to an annual cap of €14m. It should be noted that a review of Non-Executive fees will take place during FY24.

Alignment to Group strategy

Growth is the main strategic driver and is well aligned to the remuneration structure where both value creation (through the VCP) and delivering yearly and longer-term targets are incorporated into the annual bonus plan and LTIP respectively.

Conclusion

In FY23 we have moved the Company towards a more standardised and recognisable structure of STIPs and LTIPs and agreed a move away from the VCP, as well as dealing with the personnel changes as highlighted.

After due consideration and debate, we believe the remuneration outcomes to be fair in terms of alignment to the stakeholder experience and, other than setting appropriate packages in relation to appointment and first year performance, no discretion was applied. I would like to thank the Committee for its work, debate, and input during the year and look forward to interacting with our stakeholders during 2024.

Brendan Connolly
Remuneration Committee Chair
22 December 2023

Remuneration report

The following section provides details of how Board members were paid during the financial year to 30 September 2023.

The Remuneration Committee members, activities and meetings during the year are set out on pages 64 and 75, along with the Committee's purpose, roles and responsibilities, and are thereby included in this part of the report by reference.

The Remuneration Committee took scenario analyses into account when initially setting the Remuneration Policy, and continues to take them into account when operating the Remuneration Policy. None of the Directors received any remuneration from entities within the Group other than as disclosed in this report. The Remuneration Committee did not deviate from the Remuneration Policy in the year.

No concerns or issues were raised with respect to the advisory vote of the AGM approving the 2022 Remuneration Report.

Advisors

Korn Ferry is a signatory to the UK Remuneration Consultants Group Code of Conduct (the Code of Conduct) and was appointed by the Remuneration Committee in 2021 having submitted a proposal which demonstrated its skills and experience in executive remuneration both in the UK and across Europe. Korn Ferry provides advice to the Committee on matters relating to Executive remuneration.

The Committee was satisfied that the advice provided by Korn Ferry remains objective and independent, having noted its commitment to the Code of Conduct.

Single total figure of remuneration table

	Salary/ fees		Taxable benefits		Pension		Bonus		LTIP		Other		Total remuneration		Total fixed remuneration		Total variable remuneration	
	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€
	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22
Executive Directors																		
Trevor Masters	731,423	319,638	48,148	7,562	133,869	–	–	319,638	3,115,308	–	625,109	–	4,653,857	646,838	913,440	327,200	3,740,417	319,638
Neil Galloway	344,610	–	8,937	–	44,799	–	689,220	–	–	–	–	–	1,087,566	–	398,346	–	689,220	–
Andy Bond*	327,335	241,941	9,659	17,475	–	–	–	159,854	–	–	–	37,222	336,994	456,492	336,994	259,416	–	197,076
Nick Wharton	–	345,774	–	11,522	–	–	–	228,459	–	–	–	124,251	–	710,005	–	357,296	–	352,709
Executive Directors (Post-Retirement)																		
Andy Bond*	–	283,248	–	–	–	–	–	–	–	–	–	–	–	283,248	–	283,248	–	–
Nick Wharton	–	246,981	–	–	–	–	–	163,185	–	–	–	–	–	410,166	–	246,981	–	163,185
Non-Executive Directors																		
Richard Burrows	164,838	472,080	–	–	–	–	–	–	–	–	238,056	–	402,894	472,080	164,838	472,080	238,056	–
Pierre Bouchut*	89,024	88,515	–	–	–	–	–	–	–	–	–	–	89,024	88,515	89,024	88,515	–	–
Helen Lee Bouygues	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	-	-
Neil Brown	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Brendan Connolly*	89,024	88,515	–	–	–	–	–	–	–	–	–	–	89,024	88,515	89,024	88,515	–	–
María Fernanda Mejía	71,219	70,812	–	–	–	–	–	–	–	–	–	–	71,219	70,812	71,219	70,812	–	–
Grazyna Piotrowska-Oliwa	71,219	70,812	–	–	–	–	–	–	–	–	–	–	71,219	70,812	71,219	70,812	–	–
Paul Soldatos	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

* FY23 Committee Chair.

Notes to the table

1 Trevor was appointed as permanent CEO with effect from 1 May 2022 and stepped down on 11 September 2023. His remuneration in the table is pro-rated for the proportion of the year in which he performed the role; this includes some time before he was formally appointed into the role at the 2023 AGM.
2 Andy Bond has not formally been appointed as an Executive Director, but for the purpose of comprehensive disclosure, his remuneration will be expressed as an Executive Director in order to reflect his Executive Director duties within his Executive Chair role. Andy became Chair on 2 February 2023; before becoming Executive Chair on 12 September 2023. Andy's fees for FY23 are therefore reflective of his annual fees as Chair of £400,000 and the salary he received as Executive Chair of £835,000, each pro rated to the relevant periods. Andy did not receive any payments under the annual bonus plan during his time as Chair.
3 Andy Bond does not receive a separate pension payment within his role of Executive Chair. Trevor Masters and Neil Galloway's pensions are in the form of a cash-equivalent payment.
4 Andy Bond retired as CEO with effect from 1 April 2022. His post-retirement fees have been shown where he remained to the end of the financial year in an advisory capacity.
5 Salary/fees, taxable benefits, and bonus are all short-term employee benefits.
6 The Company has not revised or clawed back the remuneration of any Directors in the year.
7 No loans, advances or guarantees have been provided to any Director.
8 Neil Brown, Helen Lee Bouygues, and Paul Soldatos did not receive payment from the Company for the financial year 2023.
9 'LTIP' in respect of Trevor Masters relates to 334,483 unexercised share options vested under the VCP in FY23 at 2 February 2023 closing share price of PLN43.00
10 'Other' remuneration in respect of Trevor Masters includes severance payments.
11 'Other' remuneration in respect of Richard Burrows relates to consultancy services provided between the close of the AGM and 31 July 2023.
12 Pension payments to Trevor Masters for FY23 include backdated payments relating to FY22.

FY23 annual bonus performance against targets

As discussed in the Remuneration Committee report, 80% of the maximum payout is conditional upon the delivery of the Group's EBITDA target and 20% is conditional upon strategic KPIs. The Committee exercised its discretion to award Neil Galloway a bonus of 100% salary, following an assessment of his personal contribution during the year. Trevor Masters resigned prior to the end of the reporting period, and therefore no bonus under the scheme was paid. Save for Andy Bond, Non-Executive Directors are not eligible for bonuses.

Directors' share option plans in Pepco Group

The table below details outstanding share awards previously granted to the Executive Chair, the previous CEO, and the current CFO. Save for Andy Bond, no share awards have been granted to the Non-Executive Directors.

	Scheme	Award date	Exercise price	Share price used (PLN)	Share awards held at 30 Sept 2022	Awarded during the year	Vested during the year	Share awards lapsed during the year	Share awards held at 30 Sept 2023	Total share value at award (EUR)	Vesting date	Exercise period
Andy Bond	VCP	14/2/22	Nil	46.3510	2,389,162	–	–	Nil	2,389,162	24,119,000	See notes	2/3/32
Trevor Masters	VCP	14/2/22	Nil	46.3510	668,965	–	334,483	Nil	668,965	6,753,000	See notes	2/3/32
Neil Galloway	Buy-Out	12/10/23	Nil	30	–	–	–	–	156,888	738,598	See notes	1/4/26
Neil Galloway	VCP transfer	30/09/23	Nil	22.42	–	–	–	–	181,600	861,523	See notes	30/9/25

1 The VCP award of nil-cost options granted to Andy Bond will be fully offset at vesting against founder shares.
2 The VCP award of nil-cost options granted to Trevor Masters partially vested under the discretion contained within the rules for the Committee to vary performance conditions. The amended target for the 50% of these nil-cost options that fell to be tested for vesting in early 2023 was the achievement of underlying EBITDA of €668m in FY22, which was met. The target for 50% of the remaining unvested nil-cost options is €783m for FY23. This target supplements the total shareholder return targets in the VCP in relation to the nil-cost options granted on 14 February 2022.
3 The nil-cost options are capable of being granted under the VCP over various years, subject to annual hurdles up to early 2027 (further details are included in the Remuneration Policy). Vesting is determined following the year end. Where the annual hurdle has been reached, awards may continue to vest until the eighth vesting date.
4 VCP awards are also subject to a holding period which ends two years from the first vesting date for that award.
5 Following appointment, in acknowledgement of the forfeited short-term incentives from Neil's past employment, Neil was granted nil-cost options equivalent to 150% of his annual base salary. The grant was approved prior to 30 September 2023 and was formally documented on 12 October 2023.
6 The VCP opportunity granted to Neil Galloway is exchanged for RSUs as detailed in this table, alongside participation in the Group LTIP. The grant will vest in two years, subject to financial performance measures, and has a one-year hold period.

Awards granted during the financial year to 30 September 2023

In the financial year to 30 September 2023, Trevor Masters received an additional grant of participation rights in the VCP of 1.15%, taking his aggregate participation in the VCP to a holding of 2.0%, with effect from the date of his appointment as CEO. Upon appointment to the role of Chair, Andy Bond was granted a participation of 1.0%, and upon appointment to the role of CFO, Neil Galloway was granted a participation of 0.6%.

There have been no nil-cost options granted in the financial year under the VCP as the performance threshold was not met. No new awards have been granted under the Equity Award Plan (EAP) during the financial year. Nick Wharton, who retired as a good leaver, held 359,209 nil-cost options under the EAP which vested in full on 2 February 2023. The Board exercised its discretion to waive the two-year holding period attaching to the EAP nil-cost options to recognise the retirement of Nick Wharton. Following receipt of a valid notice of exercise under the EAP and in accordance with the terms of the EAP, the Board exercised its discretion to settle the EAP in cash. Accordingly, on 6 March 2023, £2,952,881 was paid to Nick Wharton in full and final settlement of his nil-cost options under the EAP.

Neil Galloway – Buyout award

Following appointment, in acknowledgement of the forfeited short term incentives from Neil's past employment, Neil was granted nil-cost options equivalent to 150% of his annual base salary.

Date of grant	Number of share options	Vesting date	Performance conditions
12 October 2023	156,888	1 April 2026	Continued employment

The share price used to calculate the award was 30 PLN as approved by the Remuneration Committee, and the Polish National Bank GBP/PLN exchange rate of 5.2296 was applied.

Neil Galloway – VCP transfer award

During the year, the Remuneration Committee approved a move to transition participants from the VCP to the new Group LTIP. Prior to the end of the reporting period, Neil Galloway was granted: (i) a 250% of salary participation in the new Group LTIP; and (ii) a one-time grant of 125% of salary in RSUs with performance measures applied in compensation for the removal of his VCP participation. The RSUs vest after two years, subject to performance measures, and have a one-year holding period. In the event that Neil leaves the Group before 1 April 2024, the RSUs will lapse. Any subsequent departure would result in a pro-rated calculation.

Statement of Directors' shareholding and share interests

Under the share ownership guidelines set out in the Remuneration Policy, the CEO and CFO are encouraged to build and maintain a shareholding equivalent to at least 300% and 200% of their base salaries respectively. The 300% level will also apply to the Executive Chair whilst in role. Shares are valued using the Company's closing middle market share price on 29 September 2023 of 20.24 PLN, the PLN/EUR exchange rate of 0.216, and the GBP/EUR exchange rate of 1.1487.

The following table shows how each Executive Director complies with the shareholding guidelines and the current holdings by Non-Executive Directors as at 30 September 2023:

	Shares held at 30 September 2023	Shares held by connected persons	Unexercised and/or Unvested and subject to a service and performance requirement	Shareholding requirement	Current shareholding % of salary	Requirement met
Executive Directors						
Andy Bond	3,745,301	–	2,389,162	300% of salary	1,712%	Yes
Neil Galloway	–	–	338,488	200% of salary	0%	No
Trevor Masters	–	–	668,965	N/A	0%	N/A
Non-Executive Directors						
María Fernanda Mejía	18,067					
Grazyna Piotrowska-Oliwa	20,651					
Pierre Bouchut	37,497					
Brendan Connolly	25,700					
Neil Brown	–					
Paul Soldatos	–					

1 Trevor Masters stepped down from the Board on 11 September 2023. The shareholdings in the table represent his holdings at the date of cessation.
2 Shares held by Andy Bond include shares held by investment vehicles.
3 There is not a requirement to maintain shareholdings post cessation of employment.
4 The nil-cost options issued to Andy Bond under the VCP in February 2022 when he was CEO will be offset against his founder shares, and underpinned, in line with the VCP underpin mechanism approved by the AGM in February 2023. The shareholding requirements under the Remuneration Policy apply to Executive Directors. Andy Bond is not an Executive Director; his information has been included to reflect his Executive Director duties as part of his Executive Chair role.
5 Helen Lee Bouygues held no shares.

Directors' and employees' remuneration table

The information below is in respect of the financial year ended 30 September 2023 against the prior year comparison.

	Total remuneration 2023 €	Total remuneration 2022 €
Executive Directors		
Andy Bond (Executive Chair and previously NED Chair)	336,994	739,740
Trevor Masters (previously CEO)	4,653,857	646,838
Neil Galloway (CFO)	1,087,566	–
Non-Executive Directors		
Richard Burrows (Chair)	402,894	472,080
María Fernanda Mejía (NED)	71,219	70,812
Grazyna Piotrowska-Oliwa (NED)	71,219	70,812
Pierre Bouchut (Committee Chair)	89,024	88,515
Brendan Connolly (Committee Chair)	89,024	88,515
Neil Brown (NED)	–	–
Helen Lee Bouygues (NED)	–	–
Paul Soldatos (NED)	–	–

Andy Bond's total remuneration for FY22 is based on his role as a CEO and for FY23 is based on his role as Chair from 2 February 2023 until 12 September 2023 when he became the Executive Chair. Richard Burrows stepped down as Chair from 2 February 2023.

Change in Director and employee remuneration

The following table outlines the percentage change from one year to the next for Director and employee remuneration, reported in line with the regulations.

Executive pay ratio

The Dutch Civil Code requires the executive pay ratio and the trend to be disclosed in the annual Remuneration Report. The basis of the pay ratio comparison uses the Dutch methodology of average employee remuneration.

The chart below summarises the five-year history of total remuneration for the Executive Directors, being the Group CEO and Group CFO, alongside the average remuneration per FTE (excluding Executive Directors). Also shown is the remuneration ratio of the CEO versus the average employee remuneration.

Note, that whilst the table has been shown in Euros to reflect the reporting currency of the Group, the Executive Directors were paid in GBP. In FY23, Neil Galloway received a salary of £600,000 per annum and Trevor Masters received a salary of £650,000 per annum, which have been pro-rated in the table below to reflect the portion of the year in which they were in the role.

	FY19 €	FY20 €	FY21 €	FY22 €	**FY23 €**
CEO[1,4,6] total remuneration (A)	775,484	584,918	801,970	1,103,330	**4,079,370**
YoY %	38%	(25%)	37%	38%	**270%**
CFO[1,3] total remuneration	388,767	697,906	964,442	710,005	**1,087,566**
YoY %	n/a	80%	38%	(26%)	**53%**
Average employee (FTE) total remuneration costs[2] (B)	18,094	17,986	20,640	21,309	**21,395**
YoY %	(7%)	(1%)	15%	3%	**0%**
Ratio (A) versus ratio (B)	43:1	33:1	39:1	52:1	**191:1**

1 Remuneration of the CEO and CFO reflects the total remuneration by year including base salary, taxable benefits, Company pension contributions, STIPs and LTIPs (where received). The GBP amounts have been converted to Euros based on FX rates used for consolidating the Group's results.
2 Average employee remuneration is based on the total employee costs across the Group divided by average number of employees on a "full time equivalent" basis by year.
3 The previous CFO joined the Group in May 2019; therefore, the 2019 figure reflects a partial year only. The previous CFO retired with effect from 1 May 2022 so the 2022 figure reflects the pre-retirement remuneration. The current CFO joined the Group on 1 April 2023, therefore, the 2023 figure reflects a partial year only.
4 The former CEO (Trevor) was appointed to the role in May 2022; therefore, the 2022 figure reflects an aggregated figure for the retired CEO (Andy) up to his retirement in March 2022 and the former CEO from his appointment in May 2022.
5 Andy Bond's remuneration in his role as Executive Chair has been included in the CEO line.
6 Remuneration for Trevor Masters includes unexercised share options and excludes severance payments.

Relative importance of spend on pay

The table below shows the Company's expenditure on employee pay compared to distributions to shareholders between 1 October 2022 and 30 September 2023.

	FY23 €m	FY22 €m
Distributions to shareholders	**–**	–
Total employee pay	**724.5**	678.3

Payments to past Directors

	£
Nick Wharton[1] (previous CFO)	**2,952,881**

1 See "Awards granted during the financial year to 30 September 2023" above.

Payments for loss of office

The financial arrangements in relation to the departure from office of Trevor Masters were in line with the Directors' Remuneration Policy. Trevor received an amount equal to the value of his salary and benefits for the six-month notice period in his contract. He retains the nil-cost options which he was granted as a result of the VCP.

Implementation of Policy from 1 October 2023 to 30 September 2024

Policy element	Andy Bond (Executive Chair)	Neil Galloway (CFO)
Base salary	£835,000	£600,000
Benefits		Pension of 13% of base salary, private medical insurance, life assurance, income protection, and car allowance
Annual bonus (payable in cash following completion of the annual audit)	Maximum entitlement of £1,252,500 (150% of salary)	Maximum entitlement of £900,000 (150% of salary)
VCP	Participation percentage is 1%.	For FY24 VCP participation has been replaced with the LTIP
LTIP Grant of performance share awards with a three-year performance period and additional two-year holding period (see below)	No participation	Annual grant of 250% of salary of performance share awards
Malus and clawback	Provisions apply	Provisions apply
Shareholding requirement (whilst employed)	300% of salary (noting that Andy Bond has not formally been appointed as an Executive Director, but this requirement is included to reflect the Executive nature of his Chair role)	200% of salary

LTIP performance conditions
Awards granted to the CFO in FY24 will be subject to the following performance conditions which will be assessed by the Remuneration Committee following the end of the 30 September 2026 financial year.

The performance conditions comprise of 30% EBIT growth measure, 60% IAS17 EBITDA measure, and 10% environmental measures.

Directors' Remuneration Policy

This Remuneration Policy is available on our website and remains unchanged from the Policy adopted by the Board at the 2023 AGM. The Committee's intention is that this Policy will operate for the three-year period to the AGM for the financial year ending on 30 September 2025, unless approval for a new Policy is sought sooner. When drafted and approved, the Policy did not envisage the appointment of an Executive Chair. That role is however, covered by the way the Policy is to operate for an "Executive Director".

The Remuneration Policy permits deviation from the policy in the event that it is required for long-term interests and stability of the Company or for its profitability. Due to the changes in Board and Board Committee composition over this reporting period, it has been necessary to adjust the remuneration of the Chair, utilising the scope of the CEO remuneration, to recognise his role as Executive Chair. As part of the agreement to discontinue the operation of the VCP for the CFO, it was agreed that an RSU award would be granted to the value of 125% of his salary. These two decisions were taken for the long-term interests of the Company. There have been no other deviations from the Remuneration Policy (or the malus and clawback provisions contained within it) to report for the period ending 30 September 2023.

The proportion of fixed and variable remuneration
To support the Policy's objectives to deliver long-term sustainable success of the Company, the remuneration package of our Executive Directors includes a mix of fixed and variable remuneration. The proportion for FY23 is approximately 27% for fixed pay and 73% for variable remuneration on a target basis. For Andy Bond the fixed element of pay is 100% and for Neil is 37% fixed, 63% variable.

Brendan Connolly
Remuneration Committee Chair
On behalf of the Board

Deviation from the Dutch Corporate Governance Code and Warsaw Code

As the Company is listed on the WSE and incorporated under the laws of the Netherlands, the Company applies the Code of Best Practice for WSE Listed Companies (the Warsaw Code) and complies with the Dutch Corporate Governance Code (the Dutch Code) by applying principles and best practice provisions that are applicable or explaining why the Company deviates from them.

As the principles set out in the Warsaw Code are similar to the principles of the Dutch Code, the Company complies with a majority of the principles and best practice provisions of the Dutch Code.

The Company currently does not apply the following provisions of the Dutch Code:

2.1.7 Independence of the supervisory board	The Company operates a one-tier Board which complies with principle 2.1.7(i). At the AGM held on 2 February 2023, Andy Bond was appointed Non-Executive member of the Board. Consequently, the Company does not meet the criteria under best practice provision 2.1.7(ii). At the same AGM, Trevor Masters was appointed Executive member of the Board and Neil Galloway was confirmed as Executive member of the Board from the date of his commencement in the role of CFO on 1 April 2023. Following the three new appointments, the Board consists of four independent Non-Executive Directors, three Non-Executive Directors, and one Executive Director. With regard to principle 2.1.7(iii), two Non-Executive Directors are appointed to the Board pursuant to arrangements between the Company's majority shareholder (which holds more than 10% of the shares of the Company) and certain of its creditors. This arrangement was entered into before the Company listed on the WSE. The conditions of appointment of the shareholder-nominated Non-Executive Directors are set out in a Relationship Agreement between the Company and certain affiliates of the Company's majority shareholder. A summary of the key terms of the Relationship Agreement is available on the Company's website. Given the nature of the Relationship Agreement, the independence of the supervisory board is not expected to change in the short term.
2.1.9 Independence of the chairman of the supervisory board	Andy Bond was formerly CEO and Executive Director of the Company. Therefore, Andy Bond is non-independent Chair of the Board. With effect from 12 September 2023, he is Executive Chair.
2.2.2 Appointment and reappointment periods – supervisory board members	Members of the Board are appointed for a period of three years and may then be reappointed twice for three-year periods. These appointment arrangements are common in the UK, and permitted under the Warsaw Code to which the Company is subject to. For these reasons, the status of compliance with 2.2.2 is not expected to change.
2.2.4 Succession	All members of the Board, save those mentioned in 2.1.7. above, were appointed during 2021. The term of appointment for the creditor-appointed Non-Executive Directors is determined by the Relationship Agreement, and the independent Non-Executive Directors have been appointed for a term of three years, capable of extension for a further two three-year terms. A retirement schedule is in place and has been published on the Company's website.
2.5.2 Code of Conduct	The Company does not currently have a Group-wide Code of Conduct. Most of the subject matter which is traditionally included in a Code of Conduct is included in established policies and procedures in place across the Group. However, the Company intends to consider the introduction of a group-wide Code of Conduct in the new fiscal year.
2.5.4 Accountability regarding culture	The Company does not currently have a Group-wide Code of Conduct. Most of the subject matter which is traditionally included in a Code of Conduct is included in established policies and procedures in place across the Group. However, the Company intends to consider the introduction of a group-wide Code of Conduct in the new fiscal year.
3.3.2 Remuneration of supervisory Board members	In respect of work undertaken by them in relation to and in preparation for roles as Board members, in the period prior to the Company's listing on the WSE, one-off fees were paid to Richard Burrows, Brendan Connolly, María Fernanda Mejía, Grazyna Piotrowska-Oliwa, and Pierre Bouchut which were used by these individuals to subscribe for shares in the Company on admission to the WSE (at the admission offer price). Shares acquired by these Board members on admission must be held until the later of: (i) 26 May 2024; or (ii) the first anniversary of the date on which the relevant Board member ceases his or her directorship of the Company.
5.1.3 Independence of the Chairman of the Board of Directors	Andy Bond was formerly CEO and Executive Director of the Company. Therefore, Andy Bond does not qualify as independent within the meaning of best practice provision 2.1.8.

The Company currently does not apply the following provisions of the Warsaw Code:

1.5	Disclose amounts expensed by the group in support of culture, sports, charities, media, social organisations, trade unions, etc.	The Company's businesses are empowered to partner with local charities to provide direct support to their local communities. The expenses have been reported for the first time this year, and will be developed during the next financial year to include information on rationality.
2.11.5	The supervisory board prepares a report to the Annual General Meeting once per year to include an assessment of the rationality of expenses referred to in principle 1.5	The Company's businesses are empowered to partner with local charities to provide direct support to their local communities. The expenses have been reported for the first time this year, and will be developed during the next financial year to include information on rationality.
3.4	Basis of remuneration for those responsible for risk, compliance and internal audit	Risk and compliance are managed by the Group General Counsel and the Senior Internal Auditor. The remuneration of these individuals is primarily dependent on the performance of delegated tasks. However, consistent with all employees of the Company, a proportion of these individuals' respective annual bonuses is dependent on the Company achieving specific financial targets for the relevant financial year. The financial targets for the Company's annual bonus scheme are set by the Company's Remuneration Committee.
3.7	Group remuneration for risk, compliance and internal audit roles	The remuneration of employees who work in risk and compliance roles and internal audit roles across the Group comprises a salary and eligibility to receive an annual bonus. A proportion of the annual bonus is dependent on the Company achieving specific financial targets. The financial targets for the relevant company's annual bonus scheme are set by the relevant company's remuneration committee and are aligned with the financial targets set by the Company's Remuneration Committee. The risk, compliance and internal audit functions of businesses within the Group report organisationally to the CFO. Managers within the risk, compliance and internal audit functions of the Group's businesses attend the meetings of the local board's audit committee.
6.3	Company incentive schemes	The Company established an incentive scheme (the Value Creation Plan) for senior management of the Group in March 2020, which was 12 months prior to the Company's admission to the WSE. The Value Creation Plan incentive scheme complies with the majority of the requirements of principle 6.3 except that the incentive scheme does not include non-financial targets and share options will be issued to participants at nil cost.

The Board presents its report, together with the audited consolidated financial statements, for the year ended 30 September 2023.

Indemnity provisions

The Company indemnifies all Directors within its Articles of Association.

In addition, the Company holds: (i) Directors' and Officers' liability insurance, which provides cover for liabilities incurred by Directors in the performance of their duties or powers; and (ii) Public Offering of Securities Insurance, to ring-fence any exposure arising from the initial public offering in May 2021.

No payments were made as a result of the indemnity or by the insurer during the reporting period.

Conflicts of interest

Group-wide processes are in place to review potential conflicts of interest held by senior management, including the Board. Conflicts are routinely raised at Board meetings and recorded as appropriate.

Audit information

The Board confirms that: (i) to its knowledge there is no relevant audit information of which the auditors are unaware; and (ii) the Board has taken all reasonable steps to ascertain any relevant audit information and ensure that the auditors are aware of such information.

Information contained in the Strategic report

The Strategic report on pages 1 to 57 contains certain information required to be included within this Directors' report. This relates to employee matters, future developments, risk management, and how the Board considers the views of stakeholders.

To the extent that the reports contain forward-looking statements, these are made by the Board in good faith based on the information available at the time of the Annual Report.

Financial instruments

Details of the Group's objectives and policies on financial risk management and of the financial instruments currently in use are set out in note 17 to the consolidated financial statements which form part of the report.

Employees

Diversity and inclusivity

The Company is fully committed to the elimination of unlawful and unfair discrimination and values the difference that a diverse workforce brings to the Company. The Company has policies applicable to all colleagues in furtherance of these commitments and will continue to focus on developing these in the next financial year.

Disabled people

The Group seeks to ensure that disabled people, whether applying for a vacancy or already in employment, receive equal opportunities in respect of job vacancies that they are able to fulfil. They are not discriminated against on the grounds of their disability and are given full and fair consideration of applications, continuing training while employed, and equal opportunity for career development and promotion. Where an existing colleague suffers a disability, it is our policy to retain them in the workforce where that is practicable.

Ethical conduct

The Board is committed to ensuring that all employees, customers and suppliers act in an ethical manner. The Group has policies in place relating to anti-bribery and corruption, anti-money laundering, insider trading, and sanctions.

> See further detail on page 22

Going concern

The Board is satisfied that the Group will be able to operate within the levels of its facilities and resources for the foreseeable future and deems it appropriate to adopt the going concern basis in preparing the financial statements. This is outlined in more detail in the Going concern statement on page 45.

Additional information

Political donations

No political donations were made and no political expenditure was incurred during the year (FY22: £Nil). The Company has an established policy of not making donations to any political party.

Dividends

No dividends were recommended or paid.

Significant post-balance sheet events

There are no post-balance sheet events to report for FY23.

Articles of Association

The Company's Articles of Association may only be amended by a resolution of the general meeting.

Rules of Procedure

The Rules of Procedure provide for an internal division of tasks, procedures, and decision-making of the Board of Directors of the Company. In performing their duties, the Directors shall comply with these rules.

On 11 September 2023, Trevor Masters stepped down as CEO of the Company. On 12 September, Andy Bond was appointed Executive Chair with the responsibility for leading the Executive team and the overall management of the Company until a successor CEO is appointed. This is a deviation from the Rules of Procedure, in particular the responsibilities of the Chair and CEO. This statement is made in accordance with clause 20 of the Rules of Procedure.

Research and development

The Group designs products for sale in stores and has arrangements with suppliers for the development of goods. Further, the Group has invested in the use of more sustainable products and packaging (see ESG section on pages 16 to 37 for further details).

Change of control

The Senior Facilities Agreement provides that if the Company is delisted or otherwise removed from the Warsaw Stock Exchange, or all or substantially all of the assets of the Group are sold in a single transaction or a series of transactions, the Company is required to notify the finance agent. Following a negotiation period, lenders have a right to cancel their commitments upon giving 30 days' notice.

Board of Directors' statement

The Board is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Board of Directors hereby represents, to the best of its knowledge, that the statutory financial statements of the Company and its consolidated subsidiaries for the year ended 30 September 2023 are prepared in accordance with the applicable accounting standards and that they give a true and fair view of the assets, liabilities, financial position, and results of the Company and its consolidated subsidiaries, and that the report of the Board of Directors for the year ended 30 September 2023 gives a true and fair view of the position of the Company and its consolidated subsidiaries as at 30 September 2023 and of the development and the performance of the Company and its consolidated subsidiaries during the year ended 30 September 2023, including a description of the key risks that the Company is confronted with.

The Board confirms that:

i. the report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems;

ii. the aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;

iii. based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and

iv. the report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of 12 months after the preparation of the report.

Andy Bond
Executive Chair
22 December 2023

Neil Galloway
Chief Financial Officer
22 December 2023

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Consolidated income statement
for the year ended 30 September 2023

	Note	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Continuing operations			
Revenue	3	5,648,885	4,822,819
Cost of sales		(3,381,068)	(2,855,221)
Gross profit		2,267,817	1,967,598
Administrative expenses		(2,039,332)	(1,689,485)
Other operating income		–	116
Operating profit from continuing operations	5	228,485	278,229
Financial income	6	10,220	2,242
Financial expense	7	(91,728)	(54,856)
Profit before taxation from continuing operations for the year		146,977	225,615
Taxation	9	(44,733)	(51,900)
Profit from continuing operations for the year		102,244	173,715
Loss on discontinued operations	26	–	(110)
Profit for the year		102,244	173,605
Earnings per share	30		
Basic earnings per share from continuing operations		17.8c	30.2c
Basic earnings per share from discontinued operations		-c	-c
Basic earnings per share		17.8c	30.2c
Diluted earnings per share from continuing operations		17.7c	30.0c
Diluted earnings per share from discontinued operations		-c	-c
Diluted earnings per share		17.7c	30.0c

The notes on pages 93 to 127 form part of these financial statements.

Consolidated statement of other comprehensive income

for year ended 30 September 2023

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Profit for the year	102,244	173,605
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences – foreign operations	44,532	(55,513)
Effective portion of changes in fair value of cash flow hedges	(38,060)	23,783
Net change in fair value of cash flow hedges reclassified to profit or loss	(128,442)	41,425
Deferred tax on items that are or may be reclassified subsequently to profit or loss	34,924	(13,430)
Other comprehensive loss for the year, net of income tax	(87,046)	(3,735)
Total comprehensive income for the year	15,198	169,870

The notes on pages 93 to 127 form part of these financial statements.

Consolidated statement of financial position
at 30 September 2023

	Note	30 September 2023 €000	30 September 2022 €000
Non-current assets			
Property, plant and equipment	10	746,437	524,550
Right-of-use asset	12	1,225,683	1,018,240
Goodwill and other intangible assets	11	847,477	814,238
Trade and other receivables	14	46	2,422
Derivative financial instruments	17	6,232	5,186
Deferred tax asset	18	113,414	91,296
		2,939,289	2,455,932
Current assets			
Inventories	13	1,134,618	959,094
Tax receivable		865	3,735
Trade and other receivables	14	143,522	71,418
Derivative financial instruments	17	42,106	165,216
Cash and cash equivalents		330,417	343,933
		1,651,528	1,543,396
Total assets		4,590,817	3,999,328
Current liabilities			
Trade and other payables	15	1,266,195	927,884
Current tax liabilities		–	47,944
Lease liabilities	12	304,794	310,484
Borrowings	16	118,794	68,339
Derivative financial instruments	17	91,045	37,040
Provisions	19	2,254	16,749
		1,783,082	1,408,440
Non-current liabilities			
Trade and other payables	15	21,894	37,733
Lease liabilities	12	988,377	823,060
Borrowings	16	610,270	546,203
Derivative financial instruments	17	1,730	8,122
Provisions	19	28,319	31,016
		1,650,590	1,446,134
Total liabilities		3,433,672	2,854,574
Net assets		1,157,145	1,144,754
Equity attributable to equity holders of the parent			
Share capital	20	5,760	5,750
Share premium reserve	20	13	13
Cash flow hedge reserve		(32,391)	99,187
Merger reserve		(751)	(751)
Translation reserve		(25,784)	(70,316)
Share-based payment reserve		33,013	35,830
Retained earnings		1,177,285	1,075,041
Total shareholders' equity		1,157,145	1,144,754

The notes on pages 93 to 127 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 30 September 2023

	Share capital €000	Share premium[4] €000	Cash flow hedge reserve[1] €000	Translation reserve[2] €000	Merger reserve[3] €000	Share-based payment reserve[4] €000	Retained earnings €000	Total equity €000
Balance at 1 October 2022	5,750	13	99,187	(70,316)	(751)	35,830	1,075,041	1,144,754
Total comprehensive income for the period								
Profit for the year	–	–	–	–	–	–	102,244	102,244
Other comprehensive income for the period	–	–	(131,578)	44,532	–	–	–	(87,046)
Total comprehensive income for the period	–	–	(131,578)	44,532	–	–	102,244	15,198
Transactions with owners, recorded directly in equity								
Issue of share capital	10	–	–	–	–	–	–	10
Equity-settled share-based payments (see note 21)	–	–	–	–	–	(2,817)	–	(2,817)
Total contributions by and distributions to owners	10	–	–	–	–	(2,817)	–	(2,807)
Balance at 30 September 2023	**5,760**	**13**	**(32,391)**	**(25,784)**	**(751)**	**33,013**	**1,177,285**	**1,157,145**

1 The cash flow hedge reserve represents the cumulative effect of fair value gains and losses on cash flow hedges in the Group.
2 The translation reserve represents the cumulative foreign exchange differences on the translation of the net assets of the Group's foreign operations from their functional currency to the presentation currency of the parent.
3 The merger reserve represents the difference between the cost of the Company's investment in its subsidiaries acquired using the principles of merger accounting and the aggregate carrying value of assets and liabilities of the subsidiaries acquired.
4 The Group implemented a Value Creation Plan (VCP) for its Executive Directors; see note 21.

The notes on pages 93 to 127 form part of these financial statements.

Consolidated statement of changes in equity
for the year ended 30 September 2022

	Share capital €000	Share premium[4] €000	Cash flow hedge reserve[1] €000	Translation reserve[2] €000	Merger reserve[3] €000	Share-based payment reserve[4] €000	Retained earnings €000	Total equity €000
Balance at 1 October 2021	5,750	13	47,409	(14,803)	(751)	23,809	901,436	962,863
Total comprehensive income for the period								
Profit for the year	–	–	–	–	–	–	173,605	173,605
Other comprehensive income for the period	–	–	51,778	(55,513)	–	–	–	(3,735)
Total comprehensive income for the period	–	–	51,778	(55,513)	–	–	173,605	169,870
Transactions with owners, recorded directly in equity								
Issue of share capital	–	–	–	–	–	–	–	–
Equity-settled share-based payments (see note 21)	–	–	–	–	–	12,021	–	12,021
Total contributions by and distributions to owners	–	–	–	–	–	12,021	–	12,021
Balance at 30 September 2022	5,750	13	99,187	(70,316)	(751)	35,830	1,075,041	1,144,754

1 The cash flow hedge reserve represents the cumulative effect of fair value gains and losses on cash flow hedges in the Group.
2 The translation reserve represents the cumulative foreign exchange differences on the translation of the net assets of the Group's foreign operations from their functional currency to the presentation currency of the parent.
3 The merger reserve represents the difference between the cost of the Company's investment in its subsidiaries acquired using the principles of merger accounting and the aggregate carrying value of assets and liabilities of the subsidiaries acquired.
4 The Group implemented a Value Creation Plan (VCP) for its Executive Directors; see note 21.

The notes on pages 93 to 127 form part of these financial statements.

Consolidated statement of cash flows
for the year ended 30 September 2023

	Note	30 September 2023 €000	30 September 2022 €000
Cash flows from operating activities			
Profit/(loss) for the period:			
Continuing operations		102,244	173,715
Discontinued operations		–	(110)
Adjustments for:			
Depreciation, amortisation and impairment	10,11	164,509	126,402
Right-of-use asset depreciation	12	309,000	260,284
Financial income	6	(10,220)	(2,242)
Financial expense	7	91,728	54,856
Profit on sale of property, plant and equipment		(477)	–
Equity-settled share-based payment expenses	21	(2,817)	13,988
Taxation	9	44,733	51,900
		698,700	678,793
Increase in trade and other receivables		(62,238)	(19,730)
Increase in inventories		(175,524)	(384,052)
Increase in trade and other payables		322,472	184,090
Decrease in provisions and employee benefits		(17,192)	(21,841)
Settlement of derivatives		(38,099)	(12,566)
Cash generated by operations		728,119	424,694
Tax paid		(75,424)	(61,387)
Net cash inflow from operating activities		652,695	363,307
Cash flows used in investing activities			
Proceeds from sale of property, plant and equipment		1,445	626
Interest received		2,897	–
Acquisition of a subsidiary net of cash acquired		–	–
Additions to property, plant and equipment	10	(363,823)	(218,217)
Additions to other intangible assets	11	(25,815)	(6,764)
Net cash outflow used in investing activities		(385,296)	(224,355)
Cash flows from financing activities			
Proceeds from the issue of share capital		10	–
Proceeds from borrowings net of fees incurred		431,215	45,000
Repayment of borrowings		(315,000)	(43,193)
Interest paid		(18,809)	(9,642)
Payment of interest on lease liabilities	12	(61,367)	(46,052)
Repayment of lease liabilities	12	(325,594)	(245,598)
Net cash outflow from financing activities		(289,545)	(299,485)
Net decrease in cash and cash equivalents		(22,146)	(160,533)
Cash and cash equivalents at beginning of period		343,933	507,702
Effect of exchange rate fluctuations on cash held		8,630	(3,236)
Cash and cash equivalents at end of period		330,417	343,933

The notes on pages 93 to 127 form part of these financial statements.

1. Significant accounting policies

Pepco Group N.V. (the Company) is a public limited liability company incorporated in the Netherlands (registration number 81928491) and domiciled in the United Kingdom. The Company has a primary listing in on the Warsaw Stock Exchange. The registered address is 14th Floor, Capital House, 25 Chapel Street, London, NW1 5DH, United Kingdom.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the Group). The parent company financial statements present information about the Company as a separate entity and not about its Group.

The Group financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU (Adopted IFRSs), and also comply with the statutory provisions of part 9 of Book 2 of the Dutch Civil Code. The parent company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the EU and with part 9 of Book 2 of the Dutch Civil Code; these are presented on pages 128 to 138.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these Group financial statements.

1.1 Measurement convention

The financial statements have been prepared on the historical cost basis except for derivatives which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

1.2 Going concern

In determining the appropriate basis of preparation of the 2023 consolidated financial statements, the Board of Directors are required to consider whether the Group and the Company can continue in operational existence for the foreseeable future.

At the time of signing the consolidated financial statements, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operation for the foreseeable future, which is not less than 12 months from signing these financial statements. The Group undergoes a rigorous and comprehensive annual budgeting and long-term planning process which is reviewed and challenged by various stakeholders across management and the Board. This financial plan, which is ultimately approved by the Board, is then utilised to measure business performance and it also forms the 'base case' upon which the going concern analysis has been based.

In assessing going concern, the Group has considered a 2-year period to the end of FY25, beyond the minimum requirement of 12 months form the date of signing the financial statements. The Directors have considered a severe but plausible downside sensitivity and a reverse stress test. The analysis suggested that despite the harsh scenario assumptions, which the management judge to be very unlikely, the Group still retains sufficient headroom across the assessment period and is able to meet all the requirements of its lending covenants. It should also be noted that historically the Group continued to meet its convent obligations and maintain significant liquidity headroom throughout the extreme circumstances presented during the Covid-19 pandemic restrictions in 2020 and 2021. In addition, in June 2023 the Group has further strengthened its financial position through the completion of a €375m debut bond issuance, refinancing an existing €300m term loan, due to expire in April 2024 which would have fallen within the period under review for going concern. The Group also increased its Revolving Credit Facility from €190m to €390m to provide additional liquidity if required.

Further information regarding the Group's business activities, together with the factors likely to affect its future development, performance and position including the ongoing store expansion strategy and the response to the current challenges faced by the tough macroeconomic environment and inflationary pressures, is set out in the Executive Chair's and CFO's reports. Since the going concern assessment uses a base case which has been built on the financial plan, careful consideration has been given to the current macroeconomic environment and the future implications and impacts it may have.

Given the above, the Directors have deemed the application of the going concern basis for the preparation of these consolidation financial statements to be appropriate.

1.3 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Acquisitions from entities under common control

In accounting for Group reorganisation as a business combination under common control, the following principles have been adopted:

- Where investments are acquired in exchange for consideration and the transactions have economic substance the Group has chosen to account for these transactions at fair value by applying acquisition accounting in accordance with the principles of IFRS 3 as discussed in the accounting policy for business combinations.
- Where businesses are acquired in exchange for the issue of shares, the Group has chosen to account for these transactions using the transferor's book values (pooling of interest method) with the difference between the value of the net assets acquired and nominal value of the shares issued being recognised within a merger reserve in equity.

1. Significant accounting policies continued

1.3 Basis of consolidation continued

Change in subsidiary ownership and loss of control

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Unless otherwise indicated, the consolidated and parent company financial statements are prepared on the accruals basis in thousands of Euro (€000). The Euro is the Group's presentation currency and the Company's functional currency.

Group reorganisation

The Group undertook a Group reorganisation exercise during 2021. As part of this process, Pepco Group N.V. (formerly Pepco Group B.V.) was inserted above Pepco Group Limited in the Group's structure.

On 13 May 2021, Pepco Group N.V. (the Company) acquired the entire shareholding of Pepco Group Limited and its related subsidiaries, by a way of a share for share exchange with Flow Newco Limited, becoming the Group's immediate parent company. The insertion of the Company on top of the existing Pepco Group Limited does not constitute a business combination under IFRS 3 "Business Combinations" and instead has been accounted for as a Group reorganisation. Merger accounting has been used to account for this transaction.

1.4 Foreign currency

Transactions in foreign currencies are translated to the Group's presentation currency at the monthly average foreign exchange rate. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. 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 retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the income statement except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentation currency, the Euro, at foreign exchange rates ruling at the statement of financial position date. The revenues and expenses of foreign operations are translated at the average rate during the month in which they were incurred. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the translation reserve.

1.5 Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Group's own shares, the amounts presented in this consolidated historical financial information for share capital exclude amounts in relation to those shares.

1.6 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Financial assets – classification, subsequent measurement and gains and losses

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

The Group makes an assessment of the objective of the business model in which a financial asset is held because this best reflects the way the business is managed and information is provided to management.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group does not have any financial assets accounted for at FVOCI. All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets which are accounted for in accordance with the accounting policy (note 1.7) for derivative financial instruments and hedge accounting.

1. Significant accounting policies continued

1.6 Non-derivative financial instruments continued

Financial liabilities – classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the income statement.

See the accounting policy 1.7 regarding derivative financial instruments and hedge accounting for further information.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which either substantially all of the risks and rewards of ownership of the financial asset are transferred, or the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. On derecognition of a financial asset, the difference between the carrying amount derecognised and the consideration received is recognised in the income statement.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the income statement.

1.7 Derivative financial instruments and hedging

Derivative financial instruments (comprising foreign currency forward contracts and commodity hedges) are used to manage risks arising from changes in foreign currency exchange rates (primarily relating to the purchase of overseas sourced products) and fuel price fluctuations. The Group does not hold or issue derivative financial instruments for speculative trading purposes. The Group uses the derivatives to hedge highly probable forecast transactions and, therefore, the instruments are mostly designated as cash flow hedges.

Derivatives are recognised at fair value on the date a contract is entered into and are subsequently remeasured at their fair value. The effective element of any gain or loss from remeasuring the derivative instrument is recognised directly in the cash flow hedge reserve.

The associated cumulative gain or loss is reclassified from the cash flow hedge reserve in equity and recognised in the income statement in the same period or periods during which the hedged transaction affects the income statement. Any element of the remeasurement of the derivative instrument which does not meet the criteria for an effective hedge is recognised immediately in the income statement within financial income or financial expenses.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss which was reported in other comprehensive income is recognised immediately in the income statement.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months or as a current asset or liability if the remaining maturity of the hedged item is less than 12 months from the reporting date.

1.8 Property, plant and equipment

Property, plant and equipment are stated at purchase cost (together with incidental costs of acquisition) less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Leasehold property improvements	–	Over the term of the lease
Fixtures and equipment	–	3 to 25 years (dependent upon lease term)
Buildings	–	10 to 40 years
Land	–	No depreciation is charged

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

1. Significant accounting policies continued

1.9 Business combinations

When the consideration transferred by the Group in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. 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.

1.10 Intangible assets and goodwill

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired. Goodwill is initially measured at cost, being the excess of the acquisition cost over the Group's interest in the assets and liabilities recognised. Goodwill is not amortised, but is tested for impairment annually or whenever there is an indication of impairment. For the purposes of impairment testing, goodwill acquired is allocated to the cash-generating unit (CGU) that is expected to benefit from the synergies of the combination. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Brand

Brand is stated at cost less any accumulated amortisation and accumulated impairment losses. Brand is amortised over 40 years on a straight-line basis from 1 October 2018.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Software

Capitalised software costs include both external direct costs of goods and services, and internal payroll-related costs for employees who are directly associated with the software project.

Development costs are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it is available for use.
- Management intends to complete the software for use in the business.
- It can be demonstrated how the software will generate probable economic benefits in the future.
- Adequate technical, financial and other resources are available to complete the project.

Capitalised software development costs are amortised on a straight-line basis over their expected economic lives.

Computer software under development is held at cost less any recognised impairment loss. Any impairment in value is recognised within the income statement.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each reporting date.

Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Trademarks	–	5 years
Software	–	3–7 years

1.11 Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving inventory. Cost is calculated on a weighted average basis. The Group estimates a slow-moving inventory provision based on prior stock performance and current market conditions. The Group also provides for obsolete inventory. Inventory cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1. Significant accounting policies continued

1.12 Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

The Group is not exposed to large amounts of credit risk due to the nature of its operations as a direct to customer retailer; however, the Group recognises an allowance for expected credit losses for all financial assets measured at amortised costs. These losses are calculated with reference to the difference between contractual cash flows and cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit (CGU)). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.13 Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less.

1.14 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity for equity-settled schemes or liabilities for cash-settled schemes, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model where appropriate, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market performance vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting and/or market performance conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

1.15 Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability and current market assessment of the time value of money.

1.16 Revenue

Revenue comprises the consideration paid for products by external customers at the point of sale in stores, net of value added tax and promotional discounts. Revenue is recognised on the sale of goods when the product is sold to the customer.

It is the Group's policy to sell its products to customers with a right of return. The Group uses the expected value method to estimate the value of goods that will be returned, because this method best predicts the amounts of variable consideration to which the Group will be entitled. However, the level of returns is not considered material; therefore, no right of return asset or refund liability is recognised. On the basis of materiality revenue is therefore recognised at the full value of the consideration received. This is assessed on an ongoing basis.

The Group does not operate any loyalty programmes or sell gift cards.

1. Significant accounting policies continued

1.17 Cost of sales

Cost of sales consist of costs related to purchase price of consumer products sold to customers and inbound shipping charges to distribution centres. Shipping charges to receive products from suppliers are included in inventory and recognised as cost of sales upon sale of products to customers. In addition, warehouse reception and storage costs are not incorporated into inventory valuation on the balance sheet but directly expensed through the income statement as distribution costs. Supplier rebates and contributions to common marketing or advertising campaigns are measured based on contracts signed with suppliers and are considered as a reduction of the prices paid for the products and, therefore, recorded as a reduction of the inventory cost.

1.18 Distribution costs

Distribution costs consist of costs incurred in operating and staffing distribution centres and stores and transporting inventory from distribution centres to stores. They consist of warehousing and store employee salaries and wages, store expenses, advertising costs and other selling expenses.

1.19 Administrative expenses

Administrative expenses consist of support office employees' salaries and wages, impairment losses and reversals, gains and losses on the sale of non-current assets and disposal groups held for sale, restructuring costs and other general and administrative expenses.

1.20 Lease accounting

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liability – initial recognition

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted at the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate (such as RPI), initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options where the Group is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs. As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

The lease liability is presented as a separate line in the Consolidated statement of financial position, split between current and non-current liabilities.

Lease liability – subsequent measurement

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability – remeasurement

The lease liability is remeasured where:

- there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments' change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- the lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

When the lease liability is remeasured, an equivalent adjustment is made to the right-of-use asset unless its carrying amount is reduced to zero, in which case any remaining amount is recognised in profit or loss.

Right-of-use asset – initial recognition

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Where the Group has an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

The right-of-use asset is presented as a separate line in the balance sheet.

1. Significant accounting policies continued

1.20 Lease accounting continued

Right-of-use asset – subsequent measurement

Right-of-use assets are amortised over the shorter of the lease term and useful life of the underlying asset.

Impairment

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Impairment – non-financial assets" policy.

1.21 Taxation

Tax on the profit or loss for the year comprises current and deferred tax recognised and measured in accordance with IAS 12. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

The Group has adopted International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12) upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure for accounting periods beginning on or after 1 January 2023.

The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted at 30 September 2022 in any jurisdiction in which the Group operates and no related deferred tax was recognised at that date, the retrospective application has no impact on the Group's consolidated financial statements.

1.22 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

1.23 Government grants

Grants are recognised only when there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

1.24 Events after the balance sheet date

The consolidated financial statements are adjusted to reflect events that occurred provided they give evidence of conditions that existed at the balance sheet date.

Events that are indicative of conditions that arose after the balance sheet date are disclosed where significant, but do not result in an adjustment of the consolidated financial statements themselves.

1.25 Supplier income

Rebate income

Rebate income consists of income generated from volume-related rebate agreements and other supplier funding received on an ad hoc basis for in-store promotional activity. The income received is recognised as a credit against cost of sales.

Volume-related income is recognised based on the expected entitlement at the reporting date based on agreed and documented contractual terms. Where the contractual period is not yet complete, the Group will estimate expected purchase volumes taking into account current performance levels to assess the probability of achieving contractual target volumes.

Other supplier funding is recognised as invoiced to the suppliers, subject to satisfaction of any related performance conditions. To minimise the risk arising from estimate, supplier confirmations are obtained at the reporting date prior to amounts being invoiced.

Promotional funding

Promotional pricing income relates to income received from suppliers to invest in the customer offer. It is recognised as a credit against cost of sales. Timing of invoicing of amounts due is agreed on an individual basis with each supplier.

Uncollected supplier income at the reporting date is presented within the financial statements as follows:

- Where there is no practice of netting commercial income from amounts owed to the supplier, the Group will present amounts due within trade receivables.
- Where commercial income is earned but not invoiced to the supplier at the reporting date, the amount due is included within prepayments and accrued income.

1. Significant accounting policies continued

1.26 Financial income and expenses

Financial expenses comprise interest payable and the ineffective portion of change in the fair value of cash flow hedges that are recognised in the income statement. Financial income comprises interest receivable on funds invested and the ineffective portion of changes in the fair value of cash flow hedges.

Interest income and interest expense are recognised in the income statement as they accrue, using the effective interest method.

1.27 Reserves

Share capital

Called-up share capital represents the nominal value of shares that have been issued. Share premium represents the difference between the issue price and the nominal value of the shares issued.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax from the proceeds.

Cash flow reserve

The cash flow hedge reserve represents the effective portion of cash flow hedges where the contract has not yet expired. The reserve is stated net of the associated tax. The effective portion is recycled to the income statement upon expiry of the contract or when the hedged future cashflows affect profit or loss.

Translation reserve

The translation reserve represents the cumulative translation differences for foreign operations.

Merger reserve

The merger reserve arose on consolidation as a result of the acquisition of the Pepco Group companies and Pepkor Import BV on 4 May 2016 and also the acquisition of Fully Sun China Limited and its subsidiaries on 18 January 2018 and the share for share exchange transaction that took place on 13 May 2021. It represents the difference between the cost of the Company's investment in its subsidiaries acquired using the principles of merger accounting and the aggregate carrying value of assets and liabilities of the subsidiaries acquired.

1.28 New standards and amendments

Standards adopted by the Group for the first time

A number of new and revised standards, including the following, are effective for annual periods beginning on or after 1 January 2022:

- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture – Annual Improvements to IFRS Standards 2018–2020 (effective 1 January 2022)
- Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework (effective 1 January 2022)
- Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use (effective 1 January 2022)
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract (effective 1 January 2022)

Adoption of these standards has not had an impact on the Group's financial statements.

Standards and interpretations to existing standards which are not yet effective and are under review as to their impact on the Group.

The following standards and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 October 2023 or later periods but which the Group has not early adopted:

- IFRS 17 Insurance Contracts, including amendments Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective 1 January 2023)
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates (effective 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure Initiative: Accounting Policies (effective 1 January 2023)
- Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective 1 January 2023)
- Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback (effective 1 January 2024)
- Amendments to IAS 1 Presentation of Financial Statements – Non-current Liabilities with Covenants, Classification of liabilities as current or non-current (effective 1 January 2024)
- Amendments to IAS 7 and IFRS 7 regarding supplier finance arrangements (effective 1 January 2024)
- Amendments to IAS 21 to clarify the accounting when there is a lack of exchangeability (effective 1 January 2025)

No other new standards, new interpretations or amendments to standards or interpretations have been published which are expected to have a significant impact on the Group's financial statements. In relation to the published standards and interpretations above, the Group is continuing to assess the impact on the financial statements for future periods and expects there to be no significant material impact.

1. Significant accounting policies continued

1.29 Accounting estimates and judgements

The preparation of these financial statements requires the exercise of judgement, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and various other factors, including expectations of the future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period impacted.

The Group makes estimates and assumptions concerning the future. By definition, the resulting accounting estimates will seldom equal the related actual results. The Directors continually evaluate the estimates, assumptions and judgements based on available information and experience.

Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Impairment of intangible assets (goodwill and other intangible assets) and right-of-use assets

The Group assesses whether there are any indicators of impairment as at the reporting date for all intangible assets and right-of-use assets. Goodwill is tested for impairment annually and at other times when such indicators exist. Other intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, the Directors must estimate the expected future cash flows from the cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The key sources of estimation uncertainty are the future business performance over the forecast period (five years), projected long-term growth rates and the discount rates applied. See note 11 for detailed disclosures.

Life of brand asset

The useful life is considered to be 40 years which represents management's best estimate of the period over which the brand will be utilised based on the trading history of the business, future financial projections and ongoing investment in the business, along with the retail segment occupied by Poundland and the active proposition development happening within the business. The brand is amortised on a straight-line basis. See note 11 for detailed disclosures.

Key judgements

The judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Lease discount rate

Where a rate implicit to the lease is not available, the selection of a discount rate for a lease is based upon the marginal cost of borrowing to the business in relation to the funding for a similar asset.

Management calculates appropriate discount rates based upon the marginal cost of borrowing currently available to the business as adjusted for several factors including the term of the lease, the location and type of asset and how often payments are made.

Management considers that these are the key details in determining the appropriate marginal cost of borrowing for each of these assets. See note 1.20 for detailed disclosures.

Leases

Management exercises judgement in determining the lease term on its lease contracts. Within its lease contracts, particularly those in respect of its retail business, break options are included to provide operational and financial security should store performance be different to expectations. At inception of a lease, management will typically assess the lease term as being the full lease term as such break options are not typically considered reasonably certain to be exercised.

As stated in the accounting policies, the discount rate used to calculate the lease liability is based on the incremental borrowing rate. Incremental borrowing rates are determined quarterly and depend on the lease term, currency and start date of the lease. The incremental borrowing rate is determined based on a series of inputs including the risk-free rate based on government bond rates, country specific risk and entity specific risk. See note 12 for detailed disclosures.

1.30 Non-underlying items

Management exercises judgement in determining the adjustments to apply to IFRS measurements. Management believes these measures provide additional useful information to illustrate the underlying trends, performance and position of the Group. Non-underlying adjustments constitute material, exceptional, unusual and other items. In determining whether events or transactions are treated as non-underlying items, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence. Examples of charges or credits meeting the above definition and which have been presented as non-underlying items in the current and/or prior years include:

- IFRS 2 charges in respect of management Value Creation Plan;
- cost relating to implementation of Software-as-a-Service IT solutions and expensing significant ERP programme costs incurred; and
- business restructuring programmes.

In the event that other items meet the criteria, which are applied consistently from year to year, they are also treated as non-underlying items. Further information about the determination of non-underlying and other items in financial year 2023 is included in note 4. The non-underlying items are not defined by IFRS.

1. Significant accounting policies continued

1.31 Alternative performance measures (APMs)

Management exercises judgement in determining the adjustments to apply to IFRS measurements in order to derive suitable APMs. As set out in note 27, APMs are used as management believes these measures provide additional useful information on the underlying trends, performance and position of the Group. These measures are used for performance analysis. The APMs are not defined by IFRS and therefore may not be directly comparable with other companies' APMs. These measures are not intended to be a substitute for, or superior to, IFRS measurements.

2. Segmental analysis

Operating segments are defined as components of the Group about which separate financial information is available that is evaluated regularly by the Chief Operating Decision Maker (CODM), or decision-making group, in deciding how to allocate resources and in assessing performance.

The Group has identified two significant revenue-generating operating segments. One being businesses trading under the Pepco banner and the second being business trading under the Poundland and Dealz banners. A third "other" operating segment includes the Group's sourcing operations, Group functions and other activities that do not meet the threshold requirements for individual reporting.

EBITDA is the primary profit metric reviewed by the CODM and has been presented by operating segment with a reconciliation to operating profit. EBITDA is defined as operating profit before depreciation, amortisation, impairment, profit/loss on disposal of tangible and intangible assets and other expenses.

Tax and interest are not reviewed by the CODM on an operating segment basis.

Segment assets and liabilities are measured in the same way as in the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the asset. Investments in subsidiaries within the Group, along with relevant consolidation adjustments and eliminations are allocated to the relevant segment. Assets and liabilities included within the "other" segment relate to balances held by the Group's sourcing operations

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
External revenue		
Pepco	3,415,598	2,714,003
Poundland Group	2,233,287	2,108,816
Group external revenue	5,648,885	4,822,819
Underlying EBITDA		
Pepco	552,037	519,382
Poundland Group	204,406	214,121
Other	(3,090)	(2,765)
Group underlying EBITDA	753,353	730,738
Reported EBITDA		
Pepco	528,657	501,843
Poundland Group	171,196	180,805
Other	1,899	(17,716)
Group EBITDA	701,752	664,932
Less reconciling items to operating profit		
Depreciation of right-of-use asset	(309,000)	(260,284)
Depreciation of property, plant and equipment	(151,807)	(108,740)
Impairment of property, plant and equipment	(3,130)	(8,401)
Amortisation of other intangibles	(9,572)	(9,261)
Profit on disposal of property, plant and equipment	477	227
Other expenses	(235)	(244)
Group operating profit from continuing operations	228,485	278,229

All income statement disclosures are for the continuing business only. The total asset, total liability and capital expenditure disclosures are for the entire Group.

2. Segmental analysis continued

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Depreciation and amortisation		
Pepco	294,322	226,486
Poundland Group	174,582	150,461
Other	1,475	1,338
Group depreciation and amortisation	470,379	378,285
Impairment of property, plant and equipment and intangible assets		
Pepco	3,130	(238)
Poundland Group	–	8,639
Group impairment of property, plant and equipment and intangible assets	3,130	8,401
Total assets		
Pepco	2,607,113	2,307,013
Poundland Group	1,928,644	1,478,781
Other	55,060	213,534
Group total assets	4,590,817	3,999,328
Total liabilities		
Pepco	1,788,940	1,377,556
Poundland Group	883,163	1,131,319
Other	761,569	345,699
Group total liabilities	3,433,672	2,854,574
Additions to non-current assets		
Pepco	561,587	376,369
Poundland Group	267,101	188,219
Other	946	7,905
Group additions to non-current assets	829,634	572,493

3. Revenue and Geographical segments

Revenue comprises the consideration paid for products by external customers at the point of sale in stores, net of value added tax and promotional sales discounts. The Group's disaggregated revenue recognised relates to the following geographical segments:

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
UK and Republic of Ireland	2,000,633	1,889,610
Poland	1,413,973	1,191,826
Rest of Europe	2,234,279	1,741,383
	5,648,885	4,822,819

The Group's disaggregated non-current assets recognised relates to the following geographical segments:

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
UK and Republic of Ireland	1,334,269	1,268,687
Poland	404,019	336,326
Rest of Europe	1,081,354	754,436
	2,819,642	2,359,449

Please note that the figures above exclude deferred tax assets and derivative assets.

4. Non-underlying items

The Group believes underlying profit, an alternative profit measure, is a valuable way in which to present business performance as it provides the users of the accounts with a clear and more representative view of ongoing business performance. Non-underlying items, which are removed from the reported IFRS measures, are defined as material, exceptional, unusual and other items.

Underlying performance measures should be considered in addition to IFRS measures and are not intended to be a substitute for them. The Group also uses underlying financial performance to improve the comparability of information between reporting periods and geographical units and to aid users in understanding the Group's performance. Consequently, the Group uses underlying financial performance for performance analysis, planning, reporting and incentive setting.

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Reported EBITDA from continuing operations	701,752	664,932
Group Value Creation Plan (VCP)	(1,905)	13,988
Impact of implementation of IFRIC interpretation on SaaS arrangements	42,351	35,354
Restructuring and Other costs	11,155	16,464
Underlying EBITDA from continuing operations	753,353	730,738
Reported operating profit from continuing operations	228,485	278,229
IPO-related expenses	–	1,230
Group Value Creation Plan (VCP)	(1,905)	13,988
Impact of implementation of IFRIC interpretation on SaaS arrangements	43,493	32,891
Restructuring costs	14,285	26,128
Underlying operating profit from continuing operations	284,358	352,467
Reported profit before taxation from continuing operations for the year	146,977	225,615
IPO-related expenses	–	1,230
Group Value Creation Plan (VCP)	(1,905)	13,988
Impact of implementation of IFRIC interpretation on SaaS arrangements	43,493	32,891
Restructuring costs	13,473	26,574
Underlying profit before tax from continuing operations	202,038	300,298

IFRS 2 charge: A Value Creation Plan ("VCP") was approved by the Board of Directors in March 2020 as a reward tool to incentivise the top management of the Pepco Group and to retain them post an IPO. The Group treat the VCP associated costs as Non-Underlying Costs on the basis;

- the VCP was specific IPO related incentive which is not a typical share based payment scheme; and
- the scheme was implemented prior to the IPO and the total cost of the scheme (€45.3m) is already reflected in the share price achieved at IPO.

Management believe it is beneficial for the users of the financial statements to understand the underlying operational performance without it being skewed by the impact of the VCP charges. See note 21 for more details on the VCP.

Impact of implementation of IFRIC interpretation on SaaS arrangements and expensing significant ERP programme costs incurred: Following the IFRIC interpretation on accounting for SaaS costs, the Group has expensed previously capitalised costs in relation to certain SaaS projects as part of the retrospective application of the new accounting policy. In FY23, the Group has specifically expensed costs related to significant ERP programmes.

Restructuring costs: The Group undertook strategic decision to discontinue the Dealz business in Spain and stores acquired as part of the Fultons acquisition. The non-underlying costs relate to winding down of the operations and store closures. Prior year costs relate to head office cost reduction and strategic change to rationalise the supply chain network.

IPO-related expenses: IPO-related expenses relate to project costs associated with this listing of the Company on the Warsaw Stock Exchange.

5. Operating profit from continuing operations

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Operating profit for the period has been arrived at after charging:		
Expense relating to short-term, low-value and variable leases	53,704	34,174
Depreciation of tangible fixed assets and other items:		
Owned	151,807	108,740
Depreciation of right-of-use assets	309,000	260,284
Impairment of property, plant and equipment	3,130	8,401
Amortisation of other intangibles	9,572	9,261
Impairment of other intangible assets	–	–
Cost of inventories recognised as an expense	3,300,689	2,856,523
Write downs of inventories recognised as an expense	67,385	33,630

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Auditors' remuneration		
Fees payable to the Company's auditors and their associates for the audit of the Company's annual accounts[1]	540	373
Fees payable to the Company's auditors and their associates for the audit of the Company's subsidiaries[1]	960	977
Fees payable to other auditors and their associates for the audit of the Company's subsidiaries	867	654
Fees payable to other auditors and their associates in the current year in relation to prior year audit	244	349
Total audit fees	2,611	2,353
Audit related services	147	148
Other services	132	–
Total auditors' remuneration	2,890	2,501

1 Audit fees are payable to Mazars Accountants N.V. the auditors of the Company.

6. Financial income

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Bank interest income	2,897	2,242
Foreign exchange gains	7,323	–
	10,220	2,242

7. Financial expense

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Interest on bank loans and amortisation of capitalised finance costs	35,684	11,548
Interest on lease liabilities	61,367	46,052
On amounts owed to Group undertakings	–	–
Ineffective element of hedging	1,918	–
Unrealised foreign currency losses on borrowings	(7,241)	(3,190)
	91,728	54,410
Non-underlying financial expenses[1]	–	446
	91,728	54,856

1 Non-underlying financial expenses relate to lease liability expensed in relation to stores closed as part of the restructure.

8. Staff numbers and costs

The average number of persons employed by the Group (including Directors) during each year was as follows:

	Year to 30 September 2023	Year to 30 September 2022
Administration	2,458	2,544
Selling and distribution	43,871	40,668
	46,329	43,212

The Group does not have any staff employed in the Netherlands.

The aggregate payroll costs of these persons were as follows:

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Wages and salaries	701,527	646,442
Social security costs	91,991	78,260
Other pension costs (note 24)	23,607	17,876
Share-based payments expense (note 21)	1,093	13,988
	818,218	756,566

Key management remuneration

The amounts for remuneration include the following in respect of the key management personnel:

	Basic remuneration €000	Short-term annual bonus paid €000	Other short-term Company contributions €000	Post-employment pension contribution €000	LTIP[1] €000	Total €000
2023	3,367	689	85	227	5,499	9,867
2022	3,948	1,676	54	24	7,883	13,585

1 Long Term Incentive Plan; this includes VCP-related IFRS 2 charges. See note 21 for more details and see Remuneration report (on pages 77 to 81) for Directors' remuneration in detail.

9. Taxation

Analysis of tax (charge)/credit for the year

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Current tax (charge)/credit		
Current tax on profits for the year	(37,451)	(87,441)
Adjustments in respect of prior periods	2,502	(3,396)
Total current tax	(34,949)	(90,837)
Deferred tax (charge)/credit		
Origination and reversal of temporary differences	(7,842)	37,797
Adjustments in respect of prior periods	(1,942)	1,138
Impact of change in tax rate	–	2
Total deferred tax	(9,784)	38,937
Total tax charge for the year	(44,733)	(51,900)

9. Taxation continued

Factors affecting the tax (charge)/credit for the year

The tax charge for the year differs from the standard rate of corporation tax in the UK of 22.0% (2022: 19.0%). The differences are explained below.

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Profit before tax – continuing operations	146,977	225,615
Loss before tax – discontinued operations	–	(110)
	146,977	225,505
Expected tax (charge)/credit at the UK statutory rate of 22.0% (2022: 19.0%)*	(32,335)	(42,846)
Effects of:		
Movement in unrecognised temporary differences	(9,592)	(2,214)
Expenses not deductible for tax purposes	(12,658)	(8,931)
Overseas tax rate differences	8,277	4,419
Adjustments in respect of prior periods	560	(2,258)
Difference in tax rates	1,015	(70)
Total tax charge for the year	(44,733)	(51,900)

* The Company is UK tax resident based on the Company being managed and controlled in the UK and as such is subject to UK corporation tax with the expected tax charge reconciled to the UK statutory rate.

Tax (charge)/credit recognised in other comprehensive income

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Deferred tax (charge)/credit		
Fair value movements on derivative financial instruments	34,924	(13,430)
Total tax charge recognised in other comprehensive income	34,924	(13,430)

Factors that may affect future current and total tax charges

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Group's future UK current tax charge accordingly. The deferred tax asset relating to the UK at 30 September 2023 has been calculated at 25% (FY22: 25%). Deferred tax assets and liabilities relating to other jurisdictions have been calculated based on the relevant tax rate under domestic law.

Global minimum tax

To address concerns about uneven profit distribution and tax contributions of large multinational corporations, various agreements have been reached at the global level, including an agreement in October 2021 by over 135 jurisdictions to introduce a global minimum tax rate of 15% (Pillar Two). In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a draft legislative framework, and since then domestic legislation has followed in some countries in which the Group operates including the UK (substantively enacted on 20 June 2023). However, since the newly enacted tax legislation in the UK is only effective for accounting periods commencing on or after 31 December 2023 there is no current tax impact for the financial year ended 30 September 2023.

The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

The Group continues to monitor the progress of the legislative process in each jurisdiction the Group operates in and will be required to include new disclosures about the top-up tax in its next accounting period beginning on 1 October 2023.

10. Property, plant and equipment

	Land and buildings €000	Leasehold property improvements €000	Fixtures and equipment €000	Total €000
Cost				
Balance at 1 October 2021	60,969	282,569	412,754	756,292
Additions	–	95,156	123,061	218,217
Disposals	–	(9,397)	(17,994)	(27,391)
Impairment	–	(8,873)	472	(8,401)
Differences on translation	–	(16,840)	(450)	(17,290)
Balance at 30 September 2022	60,969	342,615	517,843	921,427
Balance at 1 October 2022	60,969	342,615	517,843	921,427
Additions	176	178,908	184,739	363,823
Disposals	–	(6,029)	(31,032)	(37,061)
Impairment	–	-	(3,130)	(3,130)
Differences on translation	1	11,107	11,816	22,924
Balance at 30 September 2023	**61,146**	**526,601**	**680,236**	**1,267,983**
Depreciation				
Balance at 1 October 2021	863	99,545	216,378	316,786
Charge for the period	607	38,715	69,418	108,740
Disposals	–	(8,045)	(18,379)	(26,424)
Reclassifications[1]	–	–	2,042	2,042
Differences on translation	(41)	(9,193)	4,967	(4,267)
Balance at 30 September 2022	1,429	121,022	274,426	396,877
Balance at 1 October 2022	1,429	121,022	274,426	396,877
Charge for the period	572	59,505	91,730	151,807
Disposals	–	(6,073)	(29,544)	(35,617)
Differences on translation	4	1,035	7,440	8,479
Balance at 30 September 2023	**2,005**	**175,489**	**344,052**	**521,546**
Net book value				
Balance at 30 September 2023	**59,141**	**351,112**	**336,184**	**746,437**
Balance at 30 September 2022	59,540	221,593	243,417	524,550

1 The reclassifications during the prior year primarily relate to Finance leases within fixtures and fittings being reclassified to right of use assets.

An impairment was recognised in the year of €3.1m (2022: €8.4m) as a result of the closure and rebranding of certain stores.

11. Goodwill and other intangible assets

	Goodwill[1] €000	Brand[1] €000	Software and trademarks €000	Total €000
Cost				
Balance at 1 October 2021	821,823	127,672	41,026	990,521
Additions	1,557	–	6,764	8,321
Disposals	–	–	(714)	(714)
Differences on translation	(20,211)	(3,249)	933	(22,527)
Balance at 30 September 2022	803,169	124,423	48,009	975,601
Balance at 1 October 2022	803,169	124,423	48,009	975,601
Additions	–	–	25,815	25,815
Disposals	–	–	(6,853)	(6,853)
Differences on translation	17,112	2,646	1,942	21,700
Balance at 30 September 2023	**820,281**	**127,069**	**68,913**	**1,016,263**
Amortisation				
Balance at 1 October 2021	117,170	9,577	29,259	156,006
Amortisation for the period	–	3,271	5,990	9,261
Impairments	–	–	(2,042)	(2,042)
Differences on translation	(2,982)	(404)	1,524	(1,862)
Balance at 30 September 2022	114,188	12,444	34,731	161,363
Balance at 1 October 2022	114,188	12,444	34,731	161,363
Amortisation for the period	–	3,284	6,288	9,572
Disposals	–	–	(5,742)	(5,742)
Differences on translation	2,433	288	872	3,593
Balance at 30 September 2023	**116,621**	**16,016**	**36,149**	**168,786**
Net book value				
Balance at 30 September 2023	**703,660**	**111,053**	**32,764**	**847,477**
Balance at 30 September 2022	688,981	111,979	13,278	814,238

1 Brand and goodwill relate to the acquisition of the Poundland Group, Fultons Group and Poundshop.com. For details on additions to goodwill during the prior year, please refer to note 22.

Impairment

Under IAS 36 "Impairment of Assets", the Group is required to:

– review its intangible assets in the event of a significant change in circumstances that would indicate potential impairment; and

– review and test its goodwill and indefinite-life intangible assets annually or in the event of a significant change in circumstances.

As part of the annual impairment review, the carrying value of the assets or, if they do not generate independent cash flows individually, the carrying value of the cash-generating unit (CGU) that they belong to is compared to their recoverable amount.

CGUs represent the smallest identifiable group of assets that generate cash flows that are largely independent of cash flows from other groups of assets. In accordance with internal management structures, the group of CGUs against which goodwill is monitored comprises the Poundland Group, which is aligned with the level at which the Directors monitor that goodwill.

The recoverable amount represents the higher of the CGU's fair value less the cost to sell and value in use. The recoverable amount has been determined based on value in use. Where the recoverable amount is less than the carrying value, an impairment results. Goodwill acquired in a business combination is allocated to groups of CGUs according to the level at which the Directors monitor that goodwill.

During the year, all goodwill was tested for impairment and no impairment was booked to goodwill (2022: €Nil).

The key assumptions on which the value in use calculations are based relate to future business performance over the forecast period (five years), projected long-term growth rates and the discount rates applied. The forecast cash flows include the Directors' latest estimates on future revenue, pricing and other operating costs, which underlie EBITDA. Management has reviewed and approved the assumptions inherent in the model as part of the annual budget process using historical experience and considering economic and business risks facing the Group.

In assessing Poundland Group's value in use a pre-tax discount rate of 10.6% (2022: 10.9%) was used.

In assessing future EBITDA growth the Group has modelled the underlying movements in the constituents of EBITDA and has used a growth rate of the constituent elements ranging from 0.4% to 4.0% (2022: 1.0% to 10.8%) in the first five years which has resulted in an average growth rate of 2.5% (2022: 6.4%) in the first five years and a terminal-term growth rate of 2% (2022: 1.2%).

11. Goodwill and other intangible assets continued

Impairment continued

Management has considered reasonable possible changes in the key assumptions underpinning EBITDA growth and the pre-tax discount rate and has identified the following instances that could cause changes in available headroom of €201m (2022: €214m). Sensitivity analysis has not been prepared based on changing any one element of the constituents of EBITDA because it is considered that this is not meaningful information as it does not consider the interrelationship of the cash flows of the business.

A 10% reduction in EBITDA in the terminal year will result in a headroom reduction of €194m; if the post-tax discount rate applied to the cash flow projections of Poundland had been 0.5% higher than management's estimates the goodwill headroom would reduce to €127m. Should the projected long-term growth rate applied to the cash flow projections of Poundland reduce to 1.5%, the headroom would reduce to €148m.

A reduction in EBITDA in the terminal year of 10.5%, an increase in the post-tax discount rate of 1.5% or a reduction in the long-term growth rate to -0.2% will reduce the recoverable amount to €Nil.

Cash EBITDA is significantly impacted by product mix, shrinkage rates and future rent reductions.

- **Product mix:** The roll-out of the Pepco clothing range in Poundland stores and product mix improvements in general merchandise together with further buying efficiencies from increased intergroup trading are driving improvements in margin.
- **ERP:** The Poundland Group has now implemented an ERP system which is expected improve shrinkage rates and also improve inventory management. The business plan included a reduction in the shrinkage rate and working capital improvements as a result of this.
- **Rent reduction rate:** There is an opportunity to renegotiate lease costs to current market-related rentals upon expiry of existing leases.

12. Leases

Right-of-use assets

	Buildings €000	Equipment €000	Vehicles €000	Total €000
Cost				
Balance at 1 October 2021	1,352,095	27,141	19,593	1,398,829
Additions	341,468	1,735	2,752	345,956
Disposals	(5,685)	(317)	–	(6,002)
Differences on translation	(35,490)	(830)	773	(35,547)
Balance at 30 September 2022	1,652,389	27,729	23,118	1,703,236
Balance at 1 October 2022	1,652,389	27,729	23,118	1,703,236
Additions	417,880	17,424	4,692	439,996
Disposals	(95)	–	–	(95)
Differences on translation	83,688	443	689	84,820
Balance at 30 September 2023	**2,153,862**	**45,596**	**28,499**	**2,227,957**
Depreciation				
Balance at 1 October 2021	417,536	16,189	7,761	441,486
Depreciation for the period	247,604	3,843	8,837	260,284
Disposals	(3,102)	(188)	(3,740)	(7,030)
Differences on translation	(10,973)	1,228	–	(9,745)
Balance at 30 September 2022	651,065	21,072	12,858	684,995
Balance at 1 October 2022	651,065	21,072	12,858	684,995
Depreciation for the period	302,194	4,267	2,539	309,000
Disposals	(104)	–	–	(104)
Differences on translation	7,370	771	242	8,383
Balance at 30 September 2023	**960,525**	**26,110**	**15,639**	**1,002,274**
Net book value				
Balance at 30 September 2023	**1,193,337**	**19,486**	**12,860**	**1,225,683**
Balance at 30 September 2022	1,001,324	6,657	10,260	1,018,241

12. Leases continued

Lease liabilities

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
At beginning of period	1,133,544	1,099,318
Additions	469,203	346,834
Interest on lease liability	61,367	46,052
Repayment of lease liability	(386,961)	(291,650)
Disposal	–	(2,137)
Differences on translation	16,018	(64,873)
At end of period	1,293,171	1,133,544
Current	304,794	310,484
Non-current	988,377	823,060
	1,293,171	1,133,544

Amounts recognised in the income statement

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Interest expenses (included in finance cost)	61,367	46,052
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	603	144
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	2,153	410
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	50,948	32,280

Amounts recognised in the statement of cash flows

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Total cash outflow for leases	386,961	291,650

The Group leases various retail stores, offices and vehicles under non-cancellable operating leases. The leases have varying terms, escalating clauses and renewal rights. On renewal, the terms of the leases are renegotiated. The Group has recognised right-of-use assets for these leases, except for short-term and low-value leases.

Some property leases contain variable payment terms that are linked to sales generated from a store. Variable payment terms' percentages range from 1.5% to 7.5% of sales. Variable payment terms are used for a variety of reasons, including minimising the fixed cost base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

13. Inventories

	30 September 2023 €000	30 September 2022 €000
Goods purchased for resale	739,893	642,123
Goods in transit	394,725	316,971
	1,134,618	959,094

Inventories have been reduced by €70,543k (2022: €33,630k) as a result of the write-down to net realisable value.

14. Trade and other receivables

	30 September 2023 €000	30 September 2022 €000
Non-current trade and other receivables		
Other receivables	46	2,422
	46	2,422
Current trade and other receivables		
Trade receivables	2,624	3,195
Other receivables	30,454	8,515
Prepayments	110,444	59,708
	143,522	71,418

As the principal business of the Group is retail sales made in cash or with major credit cards, the Group's trade receivables are small and therefore credit risk primarily consists of accrued income and cash and cash equivalents. Accordingly, the Group does not systematically report outstanding receivables analysed by credit quality, in particular with respect to the credit quality of financial assets that are neither past due nor impaired.

There is no significant concentration of credit risk with respect to trade receivables, as the Group has a large number of customers that are widely dispersed. As such, any further detailed analysis of the credit risk of the Group's financial assets by category is not considered meaningful.

The carrying amount of trade and other receivables recorded in the financial statements represents the Group's maximum exposure to credit risk and any associated impairments are immaterial.

15. Trade and other payables

	30 September 2023 €000	30 September 2022 €000
Current		
Trade payables[1]	767,424	555,023
Other taxation and social security	64,923	79,618
Other payables	139,833	100,619
Accruals	294,015	192,619
	1,266,195	927,885
Non-current		
Accruals and deferred income	21,894	37,300
Amounts owed to Group undertakings	–	433
	21,894	37,733

[1] Trade payables includes €212m (FY22: €130m) payable to suppliers utilising the Supply Chain Financing Programme implemented by the Group.

Amounts owed to Group undertakings are repayable on demand and are non-interest bearing at 30 September 2022.

16. Borrowings

	30 September 2023 €000	30 September 2022 €000
Current		
Borrowings from credit institutions	118,794	68,339
Non-current		
Borrowings from credit institutions	248,259	546,203
Secured bond issuance	362,011	–

Included within non-current liabilities are loans from credit institutions of €250m (2022: €550m) and a secured bond of €375m (2022: nil). Costs incurred in obtaining the loans from credit institutions and the secured bond have been capitalised and are allocated to the Consolidated income statement over the life of the debt facility. At 30 September 2023 borrowings are stated net of unamortised issue costs of €14.7m (2022: €6.1m).

Interest is being charged on borrowings from credit institutions at an effective rate of 3.75%. These loans contains financial covenants which are typical for this type of facility and include minimum leverage and interest cover. The Group remained compliant with these covenants for the year ended 30 September 2023. The loans from credit institutions are secured over the shares of material overseas subsidiaries and debentures over other assets of the Group.

The secured bond issuance matures in June 2028 and has a fixed interest rate of 7.25%.

17. Financial instruments and related disclosures

Financial risk management

The Directors have overall responsibility for the oversight of the Group's risk management framework. A formal process for reviewing and managing risk in the business has been developed. A register of strategic and operational risk is maintained and reviewed by the Directors, who also monitor the status of agreed actions to mitigate key risks.

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligation. This risk arises from the Group's foreign exchange and commodity hedging agreements.

As the principal business of the Group is cash sales the Group's trade receivables are small. The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk and any associated impairments are minimal.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group ensures that it has sufficient cash or loan facilities to meet all its commitments when they fall due by ensuring that there is sufficient cash or working capital facilities to meet the cash requirements of the Group for the current business plan.

The risk is measured by review of forecast liquidity each month to determine whether there are sufficient credit facilities to meet forecast requirements and by monitoring covenants on a regular basis. Cash flow forecasts are submitted monthly to the Directors. These continue to demonstrate the cash-generating ability of the business and its ability to operate within existing agreed facilities.

Market risk

Market risk is the risk that changes in the market prices will affect the Group's income. The Group's exposure to market risk predominantly relates to interest and currency risk.

Interest rate risk

The Group's external borrowings comprise loans which incur variable interest rate charges linked to Euribor which are added to the loan. Interest rate risk is measured by sensitivity analysis. The Group's policy aims to manage the interest cost of the Group within the business plan. The Group does not utilise interest rate swaps to hedge interest rate risks.

The table below shows the interest rate risk profile for the Group's financial instruments:

	2023 €000	2022 €000
Cash and cash equivalents	330,417	343,933
Borrowings	(729,064)	(614,542)
Finance lease liabilities	(1,293,171)	(1,133,544)
Total	**(1,691,818)**	(1,404,153)

Interest rate sensitivity analysis

The table below shows the Group's sensitivity to interest rates on floating rate borrowings (i.e. cash and cash equivalents and bank borrowings which attract interest at floating rates) if interest rates were to change by +/-1%. The following assumptions were made in calculating the sensitivity analysis:

- it is assumed interest is receivable on the entirety of the Group's cash balances; and
- the impact is reflected on net assets (gross of tax).

	2023 (decrease)/ Increase in income €000	2022 (decrease)/ Increase in income €000	2023 (decrease)/ increase in equity €000	2022 (decrease)/ increase in equity €000
+1% movement in interest rates	(3,304)	(3,439)	(3,671)	(6,145)
-1% movement in interest rates	3,304	3,439	3,671	6,145

Foreign currency risk

The Group has a significant transaction exposure to directly sourced purchases from its suppliers in the Far East, with most of the trade being in US Dollars and Chinese Yuan. The Group's policy allows these exposures to be hedged for up to 18 months forward in order to fix the cost in Polish Zloty and Sterling. Hedging is performed through the use of foreign currency bank accounts and forward foreign exchange contracts. See below for further details on FX hedge accounting.

The Group does not hedge either economic exposure or the translation exposure arising from the profits, assets and liabilities of its businesses.

17. Financial instruments and related disclosures continued

Foreign currency risk continued

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	30 September 2023				30 September 2022			
	GBP €000	EUR €000	PLN €000	Others €000	GBP €000	EUR €000	PLN €000	Others €000
Cash and Cash equivalents	**21,251**	**127,634**	**18,580**	**162,952**	49,439	31,792	243,136	19,566
Trade and other receivables	**101,658**	**25,777**	**23,415**	**(7,282)**	4,597	2,876	6,256	403
Borrowings	**–**	**(729,064)**	**–**	**–**	–	(614,542)	–	–
Trade and other payables	**(274,613)**	**(98,088)**	**(707,177)**	**(208,211)**	(312,481)	(10,685)	(559,674)	(82,777)
Provisions	**(12,501)**	**(4,314)**	**(12,284)**	**(1,474)**	(12,500)	–	(35,264)	–
Finance Lease liabilities	**(286,749)**	**(225,796)**	**(738,329)**	**(42,297)**	(458,757)	(541,094)	(102,267)	(31,425)
	(450,954)	**(903,851)**	**(1,415,795)**	**(96,312)**	(729,703)	(1,131,653)	(447,815)	(94,234)

Significant exchange rates used

	Year to 30 September 2023	Year to 30 September 2022
Average rate for the year		
Polish Zloty	**4.62**	4.66
Pound Sterling	**0.87**	0.85
Statement of financial position rates		
Polish Zloty	**4.63**	4.85
Pound Sterling	**0.86**	0.88

Pension liability risk

The Group has no association with any defined benefit pension scheme and therefore carries no deferred, current or future liabilities in respect of such a scheme. The Group operates a number of Group personal pension plans for its employees.

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to optimise returns to its shareholders. The Board's policy is to retain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future growth. The Board regularly monitors the level of capital in the Group to ensure that this can be achieved. Refer to note 16 for loan covenant requirements.

The Group monitors capital using net debt. This is because the Group believes this measure provides an indicator of the overall strength of its balance sheet and can be used to assess its earnings as compared to its indebtedness as defined by the Group's financing agreements. Please refer to note 27 where the calculation of net debt is disclosed.

Fair value disclosures

The fair value of each class of financial assets and liabilities approximates the carrying amount, based on the following assumptions:

Trade receivables, trade payables, short-term deposits and borrowings	The fair value approximates to the carrying value because of the short maturity of these instruments.
Long-term borrowings	The fair value of bank loans and other loans approximates to the carrying value reported in the statement of financial position.

Fair value hierarchy

Financial instruments carried at fair value should be measured with reference to the following levels:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial instruments carried at fair value have been measured using a Level 2 valuation method.

17. Financial instruments and related disclosures continued

Fair value hierarchy continued

The fair value of financial assets and liabilities are as follows:

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Financial assets measured at fair value		
Derivative contracts used for hedging (assets)	48,338	170,402
Financial assets not measured at fair value		
Cash and cash equivalents	330,417	343,933
Trade and other receivables	33,124	14,132
Total financial assets	411,879	526,467
Financial liabilities measured at fair value		
Derivative contracts used for hedging (liabilities)	92,775	45,161
Financial liabilities not measured at fair value		
Trade and other payables	1,288,089	965,617
Borrowings at amortised cost	729,064	614,542
Finance lease liabilities	1,293,171	1,133,544
Total financial liabilities	3,403,099	2,758,865

Financial instrument sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on its earnings. At the end of each reporting period, the effects of hypothetical changes in interest and currency rates are as follows:

Foreign exchange rate sensitivity analysis

The table below shows the Group's sensitivity to foreign exchange rates for its Polish Zloty and Pound Sterling financial instruments, the major currencies in which the Group's assets and liabilities are denominated:

	2023 increase/ (decrease) in equity €000	2022 increase/ (decrease) in equity €000
10% appreciation of the Euro against the Polish Zloty	157,311	44,781
10% depreciation of the Euro against the Polish Zloty	(157,311)	(44,781)
10% appreciation of the Euro against Pound Sterling	50,106	72,970
10% depreciation of the Euro against Pound Sterling	(50,106)	(72,970)

A strengthening/weakening of the Euro, as indicated, against the Polish Zloty at each year end would have increased/(decreased) the equity by the amounts shown above. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

A strengthening/weakening of the Euro, as indicated, against Pound Sterling at each year end would have increased/(decreased) the equity by the amounts shown above. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

Contractual cash flows

The contractual maturity of bank borrowings including interest payments and trade payables, excluding the impact of netting agreements, is shown below:

	30 September 2023			
	Due in less than one year €000	Expiring between one to five years €000	Expiring after five years €000	Total €000
Borrowings	155,804	732,893	–	888,697
Trade and other payables	1,266,195	21,894	–	1,288,089
Lease liabilities	377,379	823,170	347,267	1,547,816
	1,799,378	1,577,957	347,267	3,724,602

17. Financial instruments and related disclosures continued

Contractual cash flows continued

	30 September 2022			
	Due in less than one year €000	Expiring between one to five years €000	Expiring after five years €000	Total €000
Borrowings	68,339	570,691	–	639,030
Trade and other payables	927,884	37,733	–	965,617
Finance lease liabilities	310,484	744,377	78,683	1,133,544
	1,306,707	1,352,801	78,683	2,738,191

Derivatives and hedge accounting

The Group uses foreign currency forward contracts and commodity hedges to manage risks arising from changes in foreign currency exchange rates (relating to the purchase of overseas sourced products) and fuel price fluctuations. These have been designated as cash flow hedges with the respective underlying risks identified in accordance with the hedging strategy discussed as part of the financial risk management.

Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

Hedge ineffectiveness may occur due to:

a) the fair value of the hedging instrument on the hedge relationship designation date if the fair value is not €Nil;

b) changes in the contractual terms or timing of the payments on the hedged item; and

c) a change in the credit risk of the Group or the counterparty with the hedging instrument.

The following table represents the net carrying values and nominal amounts of derivatives in a continued hedge relationship as at 30 September:

	30 September 2023 €000	30 September 2022 €000
Derivative financial assets at beginning of period	125,240	62,376
Recognised in the income statement[1]	(1,427)	8,491
Recognised in other comprehensive income	(166,502)	65,208
Translation differences	(1,748)	(10,835)
Derivative financial (liabilities)/assets at end of period	(44,437)	125,240

1 Amounts recognised in the income statement are included within cost of sales.

The below table illustrates the notional value of the hedged exposure.

	30 September 2023				
	EUR €000	USD €000	CNY €000	Other €000	Total €000
Maturing in less than one year	(677,764)	683,834	601,071	(367,786)	239,355
Maturing in greater than one year	(47,000)	92,505	65,027	(43,370)	67,162
Total	(724,764)	776,339	666,098	(411,156)	306,517

	30 September 2022				
	EUR €000	USD €000	CNY €000	Other €000	Total €000
Maturing in less than one year	109,264	959,165	878,647	(528,088)	1,418,988
Maturing in greater than one year	30,000	64,629	–	3,094	97,723
Total	139,264	1,023,794	878,647	(524,944)	1,516,711

17. Financial instruments and related disclosures continued

Derivatives and hedge accounting continued

The following tables provide an analysis of the anticipated contractual cash flows for the Group's derivative contracts:

	30 September 2023		30 September 2022	
EUR	Payable €000	Receivable €000	Payable €000	Receivable €000
Due in less than one year	(10,850)	14,371	(4,932)	–
Expiring between one and two years	(1,014)	(1,637)	(1,840)	–
Contractual cash flows	(11,864)	12,734	(6,772)	–
Fair value	(11,864)	12,734	(6,772)	–

	30 September 2023		30 September 2022	
USD	Payable €000	Receivable €000	Payable €000	Receivable €000
Due in less than one year	(20,911)	10,165	–	117,691
Expiring between one and two years	–	3,258	–	5,007
Contractual cash flows	(20,911)	13,423	–	122,698
Fair value	(20,911)	13,423	–	122,698

	30 September 2023		30 September 2022	
CNY	Payable €000	Receivable €000	Payable €000	Receivable €000
Due in less than one year	(55,652)	7,707	–	40,038
Expiring between one and two years	–	2,982	–	–
Contractual cash flows	(55,652)	10,689	–	40,038
Fair value	(55,652)	10,689	–	40,038

	30 September 2023		30 September 2022	
Other	Payable €000	Receivable €000	Payable €000	Receivable €000
Due in less than one year	(3,632)	9,863	(32,108)	7,488
Expiring between one and two years	(716)	1,629	(6,282)	179
Contractual cash flows	(4,348)	11,492	(38,390)	7,667
Fair value	(4,348)	11,492	(38,390)	7,667

	30 September 2023		30 September 2022	
Total	Payable €000	Receivable €000	Payable €000	Receivable €000
Due in less than one year	(91,045)	42,106	(37,040)	165,216
Expiring between one and two years	(1,730)	6,232	(8,122)	5,186
Contractual cash flows	(92,775)	48,338	(45,163)	170,403
Fair value	(92,775)	48,338	(45,163)	170,403

17. Financial instruments and related disclosures continued

Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's Consolidated cash flow statement as cash flows from financing activities.

	Lease liabilities €000	Borrowings from credit institutions €000	Total liabilities from financing activities €000
At 30 September 2022	**(1,133,544)**	**(614,542)**	**(1,748,086)**
Financing cash flows[1]	**325,594**	**(116,215)**	**209,379**
Interest cash flows[1]	**61,367**	**18,809**	**80,176**
Other changes[2]	**(530,570)**	**(17,116)**	**(547,686)**
Foreign exchange	**(16,018)**	**–**	**(16,018)**
At 30 September 2023	**(1,293,171)**	**(729,064)**	**(2,022,235)**

	Lease liabilities €000	Borrowings from credit institutions €000	Total liabilities from financing activities €000
At 30 September 2021	(1,099,318)	(610,792)	(1,710,110)
Financing cash flows[1]	245,598	(1,807)	243,791
Interest cash flows[1]	46,075	9,642	55,694
Other changes[2]	(261,003)	(11,585)	(272,588)
Foreign exchange	(64,873)	–	(64,873)
At 30 September 2022	(1,133,544)	(614,542)	(1,748,086)

1 The financing cash flows from borrowings from credit institutions make up the net amount of proceeds from borrowings and repayments of borrowings and are presented in the cash flow statement on a gross basis. Interest cash flows for these liabilities are presented separately.
2 Other changes include interest accruals and additions.

Financial assets and liabilities by category as at 30 September 2023

	Amortised cost	Fair value through OCI	Fair value through income statement
Non-current financial assets			
Derivative financial instruments[1]	**–**	**6,232**	**–**
Trade and other receivables	**46**	**–**	**–**
	46	**6,232**	**–**
Current financial assets			
Trade and other receivables	**33,078**	**–**	**–**
Derivative financial instruments[1]	**–**	**42,106**	**–**
Cash and cash equivalents	**330,417**	**–**	**–**
	363,495	**42,106**	**–**
Non-current financial liabilities			
Interest-bearing long-term borrowings	**610,270**	**–**	**–**
Lease liabilities	**988,377**	**–**	**–**
Derivative financial instruments[1]	**–**	**1,730**	**–**
Trade and other payables	**21,894**	**–**	**–**
	1,620,541	**1,730**	**–**
Current financial liabilities			
Current portion of long-term borrowings	**118,794**	**–**	**–**
Lease liabilities	**304,794**	**–**	**–**
Derivative financial instruments[1]	**–**	**91,045**	**–**
Trade and other payables	**1,266,195**	**–**	**–**
	1,689,783	**91,045**	**–**

1 Derivative financial instruments relate to cash flow hedge.

17. Financial instruments and related disclosures continued

Financial assets and liabilities by category as at 30 September 2022

	Amortised cost	Fair value through OCI	Fair value through income statement
Non-current financial assets			
Derivative financial instruments[1]	–	5,186	–
Trade and other receivables	2,422	–	–
	2,422	5,186	–
Current financial assets			
Trade and other receivables	11,710	–	–
Derivative financial instruments[1]	–	165,216	–
Cash and cash equivalents	343,933	–	–
	355,643	165,216	–
Non-current financial liabilities			
Interest-bearing long-term borrowings	546,203	–	–
Lease liabilities	823,060	–	–
Derivative financial instruments[1]	–	8,121	–
Trade and other payables	37,733	–	–
	1,406,996	8,121	–
Current financial liabilities			
Current portion of long-term borrowings	68,339	–	–
Lease liabilities	310,484	–	–
Derivative financial instruments[1]	–	37,040	–
Trade and other payables	927,884	–	–
	1,306,707	37,040	–

1 Derivative financial instruments relate to cash flow hedge.

18. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and (liabilities) are attributable to the following:

	30 September 2023 €000	30 September 2022 €000
Net deferred tax assets at beginning of period	91,296	68,559
Recognised in the income statement (note 9)	(9,784)	38,937
Recognised in other comprehensive income (note 9)	34,924	(13,430)
Exchange differences	(3,022)	(2,770)
Net deferred tax assets at end of period	113,414	91,296

	Deferred tax assets		Deferred tax liabilities		Net	
	30 September 2023 €000	30 September 2022 €000	30 September 2023 €000	30 September 2022 €000	30 September 2023 €000	30 September 2022 €000
Property, plant and equipment	37,443	35,949	(1,763)	(2,155)	35,680	33,794
Intangible assets	–	–	(28,167)	(27,985)	(28,167)	(27,985)
Provisions	21,418	41,417	–	–	21,418	41,417
Financial assets	14,105	4,946	(1,054)	(25,126)	13,051	(20,180)
Tax losses and other temporary differences	71,432	64,250	–	–	71,432	64,250
	144,398	146,562	(30,984)	(55,266)	113,414	91,296

The deferred tax asset is available for offset against future taxable profits, which are expected to be sufficient to recover the asset's value.

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18. Deferred tax assets and liabilities continued

Recognised deferred tax assets and liabilities continued

	1 October 2022 €000	Recognised in income statement €000	Recognised in other comprehensive income €000	Exchange differences €000	30 September 2023 €000
Property, plant and equipment	33,794	8,645	–	(6,759)	35,680
Intangible assets	(27,985)	411	–	(593)	(28,167)
Provisions	41,417	(20,807)	–	808	21,418
Financial assets	(20,180)	(1,397)	34,924	(296)	13,051
Tax losses and other temporary differences	64,250	3,364	–	3,818	71,432
	91,296	(9,784)	34,924	(3,022)	113,414

	1 October 2021 €000	Recognised in income statement €000	Recognised in other comprehensive income €000	Exchange differences €000	30 September 2022 €000
Property, plant and equipment	32,989	1,855	–	(1,050)	33,794
Intangible assets	(29,235)	506	–	744	(27,985)
Provisions	22,847	20,487	–	(1,917)	41,417
Financial assets	(10,978)	3,154	(13,430)	1,074	(20,180)
Tax losses and other temporary differences	52,936	12,935	–	(1,621)	64,250
	68,559	38,937	(13,430)	(2,770)	91,296

Deferred tax not recognised

Deferred tax assets have not been recognised in respect of gross temporary differences of €478.8m (2022: €218.5m). These temporary differences relate to tax losses, and disallowed interest amounts under the Corporate Interest Restriction rules in the UK, which do not have an expiry date and recoverability of which is uncertain.

19. Provisions

	Property provisions		Other provisions		Total	
	30 September 2023 €000	30 September 2022 €000	30 September 2023 €000	30 September 2022 €000	30 September 2023 €000	30 September 2022 €000
At beginning of period	12,502	25,944	35,263	64,013	47,765	89,957
Provisions made during the period	56	(189)	523	21,468	579	21,279
Arising from acquisition	–	–	–	–	–	–
Provisions utilised during the period	–	(12,512)	(6,039)	(29,316)	(6,039)	(41,828)
Provisions reversed during the period	(3,576)	(34)	(14,930)	(19,766)	(18,506)	(19,800)
Translation differences	3,818	(707)	2,956	(1,136)	6,774	(1,843)
	12,800	12,502	17,773	35,263	30,573	47,765
Current	1,352	7,429	902	9,320	2,254	16,749
Non-current	11,448	5,073	16,871	25,943	28,319	31,016
	12,800	12,502	17,773	35,263	30,573	47,765

Provision is made for the exit costs of properties no longer occupied by the Group. The average remaining lease term for these properties is 1.2 years (2022: 3.1 years).

Other provisions include long-term employee benefits where cash settlement is based on the Directors' best estimate of future cash flows of the Pepco business. The utilisation is expected within the following five years.

20. Share capital and premium

	30 September 2023 €000	30 September 2022 €000
Ordinary share capital		
Allotted, Issued, and fully paid		
576,027,342 (2022: 575,000,000) A ordinary shares of €0.01 each	**5,760**	5,750

	Nominal value €	Share capital Shares ('000)	Share capital €000	Share premium €000	Merger reserve €000
At 30 September 2022	€0.01	575,000	5,750	13	(751)
At 30 September 2023	**€0.01**	**576,027**	**5,760**	**13**	**(751)**

21. Share-based payments

Value Creation Plan

The Value Creation Plan (VCP) was adopted on 3 March 2020 (the Grant Date). The VCP aligns the remuneration of Executive Directors with the value generated for shareholders. The VCP was originally granted by Pepco Group Limited, which was acquired by Pepco Group N.V. on 13 May 2021. On acquisition the VCP was novated from Pepco Group Limited to Pepco Group N.V.; the novation also included the VCP charge recognised in Pepco Group Limited for 2021 (€11.8m).

Following approval at our AGM on 2 February 2023 a number of amendments were made to the VCP. These amendments apply to any Conditional Award or nil-cost options granted under the VCP on or after 18 April 2023. These amendments included:

- extension of the VCP by a further two years to 30 September 2026 (originally scheduled to end on 30 September 2024);
- re-basing the Initial Price to 1 October 2022 (previously the Initial Price was based on 1 October 2019);
- introducing a series of caps to the amounts that can be granted in total in relation to any year and that participants individually can earn from the VCP in any year; and
- permitting the Chair of the Board to be eligible to participate in the VCP at the discretion of the Board.

In order to facilitate the above, the VCP rules were amended and restated with effect from 18 April 2023 and each holder of a Conditional Award which had not already lapsed received a new Conditional Award to replace any existing Conditional Award. Any nil-cost options granted as a result of a Conditional Award held prior to 18 April 2023 remain subject to the previous VCP rules.

Nature of Conditional Award

Under the VCP, participants are granted a Conditional Award giving the potential right to earn nil-cost options based on the absolute Total Shareholder Return (TSR) generated above a hurdle (the Threshold TSR) at the end of each plan year (the Measurement Date) over a 7 (2022: 5) year period.

At each Measurement Date, up to 6.5% (2022: 6.9%) of the value created above the hurdle may be "banked" in the form of nil-cost options. For any Measurement Date on or after 18 April 2023 the maximum value of nil-cost options which may be granted for each performance period is €52m (based on a full 6.5% Conditional Award allocation).

The Initial Price for the VCP is based on a proxy for the average valuation for the Group on 1 October 2022 (2022: 1 October 2019). Participants may receive a grant of nil-cost options at the end of each year of the performance period with a value representing a proportion of the Company's TSR above the Threshold TSR at the relevant Measurement Date.

The Threshold TSR or hurdle which has to be exceeded before share awards can be earned by participants is the higher of:

- the highest previous measurement of TSR (for any Measurement Date on or after 18 April 2023 the reference point is not earlier than 1 October 2022); and
- the Initial Price compounded by 10% p.a. (re-based with effect from 1 October 2022).

If the value created at the end of a given plan year does not exceed the Threshold TSR, no nil-cost options will be granted on the Measurement Date following that year under the VCP.

The next Measurement Date will be in January 2024, 30 days after publication of the 2023 full year results.

Vesting of nil-cost options

Under the VCP, nil-cost options may vest in three tranches of 50%, 50%, and 100% (in each case, with the percentage applying to the unvested nil-cost options held.

During the year, upon the recommendation of the Remuneration Committee, the Board exercised its discretion to apply an EBITDA target as an alternative measurement criteria in respect of the nil-cost options granted on 14 February 2022 to specific VCP participants.

Vesting schedule for nil-cost options granted prior to 18 April 2023

The vesting schedule provides that 50% of the cumulative number of nil-cost options may vest following the third Measurement Date, 50% following the fourth Measurement Date, and 100% following the fifth Measurement Date. At each vesting date, vesting of awards is subject to:

a. a minimum Threshold TSR of 10% CAGR on the Initial Price being maintained:

- where the TSR has been achieved at the third Measurement Date, 50% of the cumulative balance of nil-cost options will vest. If the TSR has not been achieved no nil- cost options will vest at this point but they will not lapse;

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21. Share-based payments continued

Vesting of nil-cost options continued

- where the TSR has been achieved at the fourth Measurement Date, 50% of the cumulative balance of nil-cost options will vest. If the TSR has not been achieved no nil-cost options will vest at this point but they will not lapse; and
- where the TSR has been achieved at the fifth Measurement Date, 100% of the cumulative balance of nil-cost options will vest. If the TSR has not been achieved no nil-cost options will vest at this point and the remaining cumulative balance will lapse;

b. shares allocated as a result of the vesting of nil-cost options are subject to a two year post-vesting holding period from the first vesting date; and

c. a personal annual cap on vesting of €20m for the CEO and a proportionate limit for other participants:

- in the event that in any year vesting as described above would exceed the personal annual cap, any nil-cost options above the cap will be designated as deferred nil-cost options and will be rolled forward and allowed to vest in subsequent years provided the cap is not exceeded in those years, until the VCP is fully paid out or after five years after the fifth Measurement Date when any deferred nil-cost options will vest. Such deferred nil-cost options are not subject to further underpins, performance conditions or service conditions.

Vesting schedule for nil-cost options granted on or after 18 April 2023
The vesting schedule provides that 50% of the cumulative number of nil-cost options may vest following the fifth Measurement Date, 50% following the sixth Measurement Date, and 100% following the seventh Measurement Date. At each vesting date, vesting of awards is subject to:

b. a minimum Threshold TSR of 10% CAGR on the Initial Price being maintained:

- where the TSR has been achieved at the fifth Measurement Date, 50% of the cumulative balance of nil-cost options will vest. If the TSR has not been achieved no nil- cost options will vest at this point but they will not lapse;
- where the TSR has been achieved at the sixth Measurement Date, 50% of the cumulative balance of nil-cost options will vest. If the TSR has not been achieved no nil-cost options will vest at this point but they will not lapse; and
- where the TSR has been achieved at the seventh Measurement Date, 100% of the cumulative balance of nil-cost options will vest. If the TSR has not been achieved no nil-cost options will vest at this point and the remaining cumulative balance will lapse;

b. shares allocated as a result of the vesting of nil-cost options are subject to a two year post-vesting holding period from the first vesting date;

c. a personal annual cap on vesting of €20m, €14m, and €10m respectively for Trevor Masters, Andy Bond, and any other Executive Director (including Neil Galloway):

- in the event that in any year vesting as described above would exceed the personal annual cap, any nil-cost options above the cap will be designated as deferred nil-cost options and will be rolled forward and allowed to vest in subsequent years provided the cap is not exceeded in those years, until the VCP is fully paid out or after two years after the seventh Measurement Date when any deferred nil-cost options will vest. Such deferred nil-cost options are not subject to further underpins, performance conditions or service conditions; and

d. no nil-cost options may be exercised until 1 October 2025.

Valuation of awards

The fair value of awards granted under the VCP was initially calculated at €45.3m and employer social security liability of €9.7m spread over the initial five-year period. An expense of €1.1m was recognised during the period (2022: €14.0m). The expense recognised consisted of a credit of €11.5m (2022: €-m) in relation to the reversal of charges relating to leavers and unallocated amounts in the VCP. In addition, fair value charges of €6.2m (2022: €12.0m) were recognised in relation to the spreading of the initial award granted. Furthermore, due to a modification and new grants in the year, additional fair value charges of €5.8m were recognised whilst other movements including foreign exchange totalled €0.6m. In determining the fair value of the VCP awards granted during the period, a Monte Carlo model was used.

Note that during the year, €3.4m was paid to a participant in the EAP scheme as a cash award which was previously treated as an equity settled award. As a result, this amount was reclassified from the share based payment reserve and settled during the year. The combination of this, offset by the €1.1m charge in the year reflects the movement in the share based payment reserve as disclosed in the statement of changes of equity. The movement in the reserve is further explained by removing the impact of €0.6m of other movements highlighted above.

Other awards

Within the remuneration report, two further grants have been disclosed that were approved by the Remuneration Committee at the end of FY23. The first relates to a one off share based payment award to provide the CFO with nil cost options upon joining the Group. The award was approved by the Board in November 2022 but was not formally documented until after the end of the financial year. The award is based on a 3-year vesting period. An accrual was made for potential charges in the P&L in relation to this award totalling approximately €0.3m.

Secondly, additional awards were approved on 30 September 2023, to replace awards granted under the VCP for a restricted stock unit award ('RSU'). This award was expressly approved by the Remuneration Committee on 30 September 2023. The terms of this award are the new LTIP/RSU rules approved by the Board on 7 December 2023. The vesting period commences on 30 September 2023, for a further 2 years with a one year hold period. Given that the awards were approved and agreed after the year end, and that only 1 day is within the financial period, it was considered highly immaterial for the purpose of calculating an IFRS 2 charge and as such no IFRS 2 charge is included within FY23.

22. Business combinations

On 25 February 2022 Poundland Limited executed a Share Purchase Agreement for the purchase of the entire issued share capital of Online Poundshop Limited ("Poundshop") for total consideration of £1. Poundshop is an online discount retailer using the brand name Poundshop.com. The principal reason for the acquisition was to provide Poundland Limited with improved e-commerce.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill for this business combination was as follows:

	30 September 2022 Poundshop.com		
	Book value €000	Adjustments €000	Fair value €000
Property, plant and equipment	140	–	140
Intangible assets	229	–	229
Trade and other receivables	60	–	60
Cash and cash equivalents	162	–	162
Inventories	120	(1)	119
Prepayments and accrued income	(140)	–	(140)
Trade and other payables	(1,163)	170	(993)
Provisions	–	–	–
Borrowings	(1,673)	539	(1,135)
	(2,264)	708	(1,557)

The fair value of inventory has been assessed based on the lower of cost and net realisable value.

Fair value of consideration paid

	30 September 2022 Poundshop €000
Cash consideration paid on acquisition	–
Settlement of existing borrowings	–
Deferred cash consideration payable	–
Total consideration	–
Goodwill	1,557

The effect of discounting the deferred consideration payable is not material.

No material acquisition costs were incurred as a result of the transaction. In relation to the acquisition of Poundshop.com, goodwill has been recognised due to the benefit of accessing e-commerce facilities.

The goodwill recognised will not be deductible for tax purposes.

23. Capital commitments

Capital commitments for which no provision has been made in the financial statements of the Group were as follows:

	30 September 2023 €000	30 September 2022 €000
Acquisition of property, plant and equipment and intangible assets	**77,746**	75,344

24. Pension scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to €23.6m (2022: €17.9m). Contributions amounting to €1.1m (30 September 2022: €3.3m) were payable to the scheme at the year end and are included in accruals.

25. Transactions with related parties

The following is a summary of trading transactions and balances outstanding at year end in relation to transactions with IBEX group companies. IBEX group refers to the ultimate parent company, IBEX Topco B.V., and its subsidiaries, excluding companies within the Pepco Group.

	30 September 2023 €000	30 September 2022 €000
Financial expense	–	–
Revenue received	–	215
Receivables outstanding	–	–
Payables outstanding	–	(433)

Revenue from IBEX companies relates to product sourcing services provided to members of the IBEX group which ended in the prior year. Please refer to note 8 for remuneration paid to key management.

26. Discontinued operations

On 31 March 2019 the Group announced its intention to exit the business in France and initiated an active programme to unwind its activities in France. This process is still ongoing.

Financial performance and cash flow information

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Revenue	–	–
Expenses	–	(110)
Income tax	–	–
Loss from discontinued operation	–	(110)
Net cash outflow from operating activities	–	(110)
Net cash outflow from investing activities	–	–
Net cash outflow from financing activities	–	–
Net decrease in cash generated by discontinued operation	–	(110)

27. Alternative Performance Measures (APMs)

Introduction

The Directors assess the performance of the Group using a variety of performance measures; some are IFRS and some are adjusted and therefore termed ''non-GAAP'' measures or "Alternative Performance Measures" (APMs). The rationale for using adjusted measures is explained below. The Directors principally discuss the Group's results on an ''underlying'' basis. Results on an underlying basis are presented before non-underlying items (large and unusual items).

The APMs used in this Annual Report are underlying EBITDA, underlying profit before tax, like-for-like revenue growth and net debt.

A reconciliation from these non-GAAP measures to the nearest measure prepared in accordance with IFRS is presented below. The APMs we use may not be directly comparable with similarly titled measures used by other companies.

Non-underlying and other items

The Directors believe that presentation of the Group's results on an underlying basis provides a useful alternative analysis of the Group's financial performance, as non-underlying and other items are identified by virtue of their size, nature or incidence. This presentation is consistent with the way that financial performance is measured by management and reported to the Board and assists in providing a relevant analysis of the trading results of the Group. In determining whether events or transactions are treated as non-underlying and other items, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

The following charges and credits have been included within non-underlying and other items for the year ended 30 September 2023; see note 4 for more details:

- business restructuring programmes;
- Impact of implementation of IFRIC interpretation on SaaS arrangements and expensing significant ERP programme costs incurred; and
- IFRS 2 charges in relation to Value Creation Plan award to the management team.

27. Alternative Performance Measures (APMs) continued

Like-for-like revenue growth

In the opinion of the Directors, like-for-like revenue growth is a measure which seeks to reflect the underlying performance of the Group's stores. The measure is defined as year-on-year revenue growth for stores open beyond their trading anniversary, with stores relocated in a catchment and/or upsized included within LFL provided the enlarged store footprint is less than 50% bigger than the existing store.

	Year to 30 September 2023	Year to 30 September 2022
Reported revenue growth	17.1%	17.0%
Like-for-like revenue growth	6.0%	5.2%

Underlying (IFRS 16) EBITDA

Underlying EBITDA (IFRS 16) is defined as reported EBITDA excluding the impact of non-underlying items. Prior year underlying EBITDA (IFRS 16) also excluded the impact of the discontinued operations.

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Reported EBITDA	701,752	644,932
Non-underlying items	51,601	65,805
Underlying EBITDA	**753,353**	730,737

Underlying profit before-tax

Underlying profit before tax is defined as reported profit before tax excluding the impact of non-underlying items. Prior year underlying profit before tax also excludes the impact of the discontinued operations.

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Reported profit before tax	146,977	225,615
Other non-underlying items	55,061	74,683
Underlying profit before tax	**202,038**	300,298

Cash generated by operations

Cash generated by operations is defined as net cash from operating activities excluding tax.

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Net cash from operating activities	652,695	363,307
Tax paid	75,424	61,387
Cash generated by operations	**728,119**	424,694

Gross margin

Gross margin represents gross profit divided by revenue.

The Group uses gross margin in its business operations, among other things, as a means of comparing the underlying profitability of the Group from period to period and the performance of its sourcing model. The Group uses gross margin as a useful metric to understand business performance and its ability to "sell for less" by "buying for less". Gross margin is expressed as a percentage.

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Gross profit	2,267,817	1,967,598
Revenue	5,648,885	4,822,819
Gross margin %	**40.1%**	40.8%

27. Alternative Performance Measures (APMs) continued

Net debt (pre-IFRS 16)

The Group uses net debt because the Group believes this measure provides an indicator of the overall strength of its balance sheet and can be used to assess its earnings as compared to its indebtedness as defined by the Group's financing agreements.

	30 September 2023 €000	30 September 2022 €000
Borrowings from credit institutions	729,064	614,542
Obligations under finance leases	11,884	4,246
Gross debt (excluding IFRS 16 lease liabilities)	740,948	618,788
Closing cash balance	(330,417)	(343,845)
Net debt (excluding IFRS 16 lease liabilities)	410,531	274,855

1 IFRS 16 lease liability is excluded from the gross debt definition under the Group's financing agreement.

Excluding impact of IFRS 16

The Group's performance is also analysed excluding the impact of IFRS 16, which provides greater comparability to prior performance.

Underlying EBITDA (pre-IFRS 16)

Underlying EBITDA (pre-IFRS 16) is defined as reported EBITDA excluding the impact of non-underlying items and the impact of IFRS 16. Prior year underlying EBITDA (pre-IFRS 16) also excluded the impact of the discontinued operations.

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Reported EBITDA	701,752	664,932
Non-underlying items	51,601	65,805
IFRS 16 adjustments	(357,836)	(291,698)
Underlying EBITDA (pre-IFRS 16)	395,517	439,039

Underlying profit before-tax (pre-IFRS 16)

Underlying profit before tax (pre-IFRS 16) is defined as reported profit before tax excluding the impact of non-underlying items and the impact of IFRS 16.

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Reported profit before tax	146,977	225,615
Non-underlying items	55,061	75,587
IFRS 16 adjustments	(7,430)	5,685
Underlying profit before tax (pre-IFRS 16)	194,608	305,983

Return on invested capital

This provides an annual measure of return based on the capital invested. The calculation is based on the following inputs:

NOPAT/IC, where IC (invested capital) = Property, plant and equipment + intangibles (excl. goodwill) + net working capital (current assets – current liabilities excluding IFRS 16 lease liabilities) and where NOPAT is defined as net underlying operating profit after tax.

	Year to 30 September 2023	Year to 30 September 2022
ROIC	17%	25%

28. Subsequent events

There are no reportable subsequent events.

29. Ultimate parent company

The Company is a direct subsidiary undertaking of IBEX Retail Investments (Europe) Limited, which is registered in England. IBEX Retail Investments (Europe) Limited's registered address is The Space (Floor 3), 120 Regent Street, London, W1B 5FE.

At the reporting date, the Company's ultimate parent company was IBEX Topco B.V, an entity registered in the Netherlands.

30. Earnings per share

	Year to 30 September 2023 ¢	Year to 30 September 2022 ¢
Basic earnings per share		
Earnings per share from continuing operations	17.8	30.2
Earnings per share from discontinued operations	–	–
Earnings per share	17.8	30.2
Earnings per share from continuing operations adjusted for non-underlying items	25.9	42.0
Diluted earnings per share		
Diluted earnings per share from continuing operations	17.7	30.0
Diluted earnings per share from discontinued operations	–	–
Diluted earnings per share	17.7	30.0
Diluted earnings per share from continuing operations adjusted for non-underlying items	25.7	41.7

Basic earnings per share is based on the profit for the year attributable to equity holders of the Company divided by the number of shares ranking for dividend.

Diluted earnings per share is calculated by adjusting the weighted average number of shares used for the calculation of basic earnings per share as increased by the dilutive effect of potential ordinary shares. The only potentially dilutive instrument in issue is share awards under the VCP scheme. Please see note 21 for further details of this scheme.

The following table reflects the profit data used in the basic and diluted earnings per share calculations:

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company	102,244	173,715
Add back non-underlying items:	55,061	74,587
Add back tax on non-underlying items	(8,319)	(6,792)
Adjusted profit attributable to the ordinary equity holders of the company	148,986	241,510

The following table reflects the share data used in the basic and diluted earnings per share calculations:

	Year to 30 September 2023 '000	Year to 30 September 2022 '000
Weighted average number of shares		
Weighted average number of ordinary shares in issue	575,167	575,000
Weighted average number of shares for basic earnings per share		
Weighted average of dilutive potential shares	4,113	4,113
Weighted average number of shares for diluted earnings per share	579,280	579,113

31. Other information

Distribution of profit

No dividends were declared by Pepco Group N.V. for the 2023 reporting period.

Approval and signatories

London (United Kingdom), 22 December 2023

Management

Andy Bond, Executive Chair
Neil Galloway, Chief Financial Officer

Non-Executive Directors

Pierre Bouchut, Independent Non-Executive Director
Maria Fernanda Mejia, Independent Non-Executive Director
Brendan Connolly, Independent Non-Executive Director
Grazyna Piotrowska-Oliwa, Independent Non-Executive Director
Neil Brown, Non-Executive Director
Paul Soldatos, Non-Executive Director

Separate income statement
for the year ended 30 September 2023

	Note	Period to 30 September 2023 €000	Period to 30 September 2022 €000
Administrative expenses		**(630)**	(675)
Operating loss for the year	2	**(630)**	(675)
Financial income	3	**2**	20
Financial expense	4	**(8)**	–
Loss before taxation for the year		**(636)**	(655)
Taxation	5	**310**	–
Loss for the year		**(326)**	(655)

The above results were derived from continuing operations.

There was no other comprehensive income for the period.

The notes on pages 132 to 138 form part of these financial statements.

Separate statement of financial position
at 30 September 2023

	Note	30 September 2023 €000	30 September 2022 €000
Non-current assets			
Investment in subsidiary companies	6	702,304	705,121
Trade and other receivables	7	53	54
		702,357	705,175
Current assets			
Trade and other receivables	7	762	580
Cash and cash equivalents		13	2
		775	582
Total assets		703,132	705,757
Equity and liabilities			
Capital and reserves			
Share capital	9	5,760	5,750
Share premium reserve		663,599	663,599
Share-based payment reserve		33,013	35,830
Accumulated losses		(1,266)	(939)
Total shareholders' equity		701,106	704,240
Current liabilities			
Trade and other payables	8	2,026	1,517
Total equity and liabilities		703,132	705,757

The notes on pages 132 to 138 form part of these financial statements.

Separate statement of changes in equity
for the year ended 30 September 2023

	Share capital €000	Share premium reserve €000	Share-based payment reserve €000	Accumulated losses €000	Total equity €000
Balance at 1 October 2021	5,750	663,599	23,809	(284)	692,874
Total comprehensive income for the year					
Loss for the year	–	–	–	(655)	(655)
Total comprehensive income for the year	–	–	–	(655)	(655)
Transactions with owners, recorded directly in equity					
Equity-settled share-based payments	–	–	12,021	–	12,021
Total contributions by and distributions to owners	–	–	12,021	–	12,021
Balance at 30 September 2022	5,750	663,599	35,830	(939)	704,240

	Share capital €000	Share premium reserve €000	Share-based payment reserve €000	Accumulated losses €000	Total equity €000
Balance at 1 October 2022	5,750	663,599	35,830	(939)	704,240
Total comprehensive income for the year					
Loss for the year	–	–	–	(326)	(326)
Total comprehensive income for the year	–	–	–	(326)	(326)
Transactions with owners, recorded directly in equity					
Equity-settled share-based payments	–	–	(2,817)	–	(2,817)
New shares issued	10	–	–	–	10
Total contributions by and distributions to owners	–	–	(2,817)	–	(2,807)
Balance at 30 September 2023	**5,760**	**663,599**	**33,013**	**(1,266)**	**701,106**

Refer to note 9 for a description of each reserve held within equity and details of movements in the period.

The notes on pages 132 to 138 form part of these financial statements.

Separate statement of cash flows
for the year ended 30 September 2023

	Note	30 September 2023 €000	30 September 2022 €000
Cash flows from operating activities			
Cash generated by operations	10	8	(3)
Net cash outflow from operating activities		8	(3)
Cash flows from investing activities			
Interest received		2	2
Net cash inflow from investing activities		2	2
Cash flows from financing activities			
Proceeds from the issue of share capital		10	–
Net cash outflow from financing activities		10	–
Effect of exchange rate fluctuations on cash held		(9)	–
Cash and cash equivalents at beginning of period		2	1
Net (decrease)/increase in cash and cash equivalents		11	(1)
Cash and cash equivalents at end of period		13	2

The notes on pages 132 to 138 form part of these financial statements.

Financial statements

1. Significant accounting policies

Pepco Group N.V. is a public limited company which is listed on the Warsaw Stock Exchange and was incorporated on 17 February 2021 and became a UK tax resident entity on 8 March 2021.

As part of a Group reorganisation undertaken prior to the IPO, the Company acquired the entire shareholding of Pepco Group Limited from Flow Newco Limited on 13 May 2021 (the acquisition date), in a share for share exchange by issuing its ordinary shares. Consequently the Company became the immediate holding company of Pepco Group Limited.

The Group reorganisation has been accounted for as a common control transaction whereby the cost of investment in Pepco Group Limited has been determined based on its net asset value on the acquisition date. Please see note 6 for details of the Group reorganisation.

These separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the EU and with part 9 of Book 2 of the Dutch Civil Code and are presented in addition to the consolidated financial statements of Pepco Group N.V.

Unless otherwise stated, the accounting policies applied are the same as those in the consolidated financial statements.

1.1 Measurement convention

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 Company 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.

1.2 Going concern

The separate financial statements have been prepared on a going concern basis.

In the 2023 reporting period, the Company's current liabilities exceed the current assets.

Refer to the Going Concern section of the consolidated financial statements for a detailed going concern assessment of the Group, including the Company.

1.3 Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment provisions. Investments in subsidiaries are impaired to their recoverable amount. Where a common control transaction takes place, an investment is recognised at a value equivalent to the net assets of the acquired entity on the acquisition date. Please see note 6 for more details surrounding the common control acquisition made during 2021.

1.4 Shareholders' equity

The reserves are recognised in accordance with the Dutch Civil Code.

1.5 Changes in accounting policies

Refer to note 1 of the consolidated financial statements for disclosures regarding new accounting standards adopted by the Company and the Group.

1.6 Accounting estimates and judgements

The preparation of these financial statements requires the exercise of judgement, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and various other factors, including expectations of the future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period impacted.

The Company makes estimates and assumptions concerning the future. By definition, the resulting accounting estimates will seldom equal the related actual results. The Directors continually evaluate the estimates, assumptions and judgements based on available information and experience.

Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Impairment of investments

The Company assesses whether there are any indicators of impairment as at the reporting date for all investments in subsidiaries. Investments are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, the Directors must estimate the expected future cash flows from the cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The key sources of estimation uncertainty are the future business performance over the forecast period (five years), projected long-term growth rates and the discount rates applied. Refer to note 1 of the consolidated financial statements for detailed disclosures.

Key judgements

There are no key judgements made in preparation of these financial statements.

1.7 Standards issued but not effective

For a list of new standards issued but not yet effective, please refer to note 1.28 of the consolidated financial statements.

2. Operating loss

The Company does not have any employees. Details of Directors' remuneration can be found in note 8 of the consolidated financial statements. The Company does not receive a charge for these costs as these are borne by another Group entity.

Auditors' remuneration is borne by another Group entity. Please refer to note 5 of the consolidated financial statements for details of total Group auditors' remuneration.

3. Financial income

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Interest income on loans to Group undertakings	2	2
Other financial income	–	18
	2	20

4. Financial expense

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Foreign exchange losses	8	–
	8	–

5. Taxation

Analysis of tax (charge)/credit for the year recognised in the income statement

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Current tax (charge)/credit		
Current tax on loss for the year	139	–
Adjustments in respect of prior periods	171	–
Total current tax credit	310	–
Deferred tax (charge)/credit		
Origination and reversal of temporary differences	–	–
Adjustments in respect of prior periods	–	–
Total deferred tax credit	–	–
Total tax credit for the year	310	–

The current tax credit is recoverable via group relief.

Factors affecting the tax (charge)/credit for the year recognised in the income statement

The tax credit for the year differs from the standard rate of corporation tax in the UK of 22.0% (2022: 19.0%). The differences are explained below.

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Loss before tax	(636)	(655)
	(636)	(655)
Expected tax credit at the UK statutory rate of 22.0% (2022: 19.0%)*	140	124
Effects of:		
Movements in unrecognised temporary differences	–	(124)
Adjustments in respect of prior periods	171	–
Expenses not deductible	(1)	–
Total tax credit for the year	310	–

* The Company is UK tax resident based on the Company being managed and controlled in the UK and as such is subject to UK corporation tax with the expected tax (charge)/credit reconciled to the UK statutory rate.

5. Taxation continued

Factors that may affect future current and total tax charges

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Company's future UK current tax charge accordingly.

Deferred tax not recognised

The Company has no temporary differences (2022: €0.9m) on which no deferred tax assets have been recognised. The prior year temporary differences relate to tax losses which do not have an expiry date and recoverability was considered uncertain.

6. Investments in subsidiaries

	Country of incorporation	Issued share capital	Shareholding %	Total carrying value €000
Pepco Group Limited	United Kingdom	£1,801	100	669,291

On 13 May 2021 the Company acquired the entire share capital of Pepco Group Limited in exchange for issuing its own shares. As a common control transaction, the deemed cost of the investment was the net asset value of Pepco Group Limited on the acquisition date of €669,291,000.

	30 September 2023 €000	30 September 2022 €000
Historical cost	669,291	669,291
Contributions to subsidiaries		
Group share-based payments[1]	33,013	35,830
	702,304	705,121

1 The Company's subsidiaries recognise the amounts relating to awards to their employees as a share-based payment expense in their financial statements. As Pepco Group N.V. will settle the share awards, this is recognised as an increase in the investment in relevant subsidiaries in accordance with IFRS 2 "Share-based Payment". For details of the share-based payments which have increased the Company's investments, see note 21 to the consolidated financial statements.

7. Trade and other receivables

	30 September 2023 €000	30 September 2022 €000
Non-current trade and other receivables		
Loans to Group undertakings	53	54
Current trade and other receivables		
Interest due from Group undertakings	5	3
Amounts due from Group undertakings	384	–
Prepayments	373	577
	762	580

8. Trade and other payables

	30 September 2023 €000	30 September 2022 €000
Current trade and other payables		
Amounts due to Group undertakings	1,863	1,357
Trade payables	163	160
	2,026	1,517

9. Share capital and reserves

	30 September 2023 €000	30 September 2022 €000
Authorised share capital		
1,725,000,000 ordinary shares of €0.01 each	17,250	17,250
Issued share capital		
576,027,342 (2022: 575,000,000) ordinary shares of €0.01 each	5,760	5,750

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.

Share premium reserve

The closing share premium reserve on 30 September 2023 was €663,599,000.

Share-based payment reserve

This reserve comprises the cumulative value of shares to be issued as a result of the Group equity-settled share-based payment scheme. Upon the issue of any shares resulting from the scheme, a transfer will be made out of the share-based payment reserve to share capital and share premium as applicable. Please see note 21 of the consolidated financial statements for details about the share-based payment scheme.

10. Cash flow information

Cash utilised in operations

	30 September 2023 €000	30 September 2022 €000
Loss before tax	(636)	(655)
Adjusted for:		
Net foreign exchange gains	–	(7)
Financial income	(2)	(2)
Financial expense	8	–
Cash generated from operations before changes in working capital	(630)	(675)
Changes in working capital:		
Increase in trade and other receivables	(181)	(560)
Increase in trade and other payables	509	1,232
Impact of group relief not yet received	310	–
Net changes in working capital	638	672
Cash generated from operations	8	(3)

Net debt reconciliation

	30 September 2023 €000	30 September 2022 €000
Cash and cash equivalents	13	2
Loans receivable from Group undertakings	53	54
	66	56

11. Transactions with related parties

The following is a summary of transactions with Group companies during the period and balances at the end of the period:

	Year to 30 September 2023 €000	Year to 30 September 2022 €000
Interest income		
Peu (Fin) Plc	2	2
Expenses recharged		
Peu (Fin) Plc	214	–
Loans receivable		
Peu (Fin) Plc	53	54
Interest accrued on loans		
Peu (Fin) Plc	5	3
Amounts due from Group undertakings		
Peu (Fin) Plc	(238)	–
Poundland Limited	(46)	–
Poundland Elgin Limited	(58)	–
Pepkor Europe Limited	(42)	–
Amounts owed to Group undertakings		
Peu (Tre) Limited	(903)	(1,042)
Pepco Group Services Limited	(960)	(315)

Interest is charged on the loans receivable at the gross effective interest rate of the Group's external debt, plus an appropriate transfer pricing mark-up where appropriate. Loans are unsecured and repayable in line with the maturity of the Group's external debt.

12. Financial risk management

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. The Company does not speculate in the trading of derivative or other financial instruments.

Total financial assets and liabilities

	30 September 2023 €000	30 September 2022 €000
Related party loans receivable	53	54
Non-current financial assets	53	54
Related party loans receivable	5	3
Prepayments	373	557
Amounts due from Group undertakings	384	
Cash and cash equivalents	13	2
Current financial assets	775	582
Amounts owed to Group undertakings	(1,863)	(1,357)
Trade payables	(163)	(160)
Current financial liabilities	(2,026)	(1,517)

No items were classified as "at fair value through profit or loss" or "at fair value through other comprehensive income" during the 2023 reporting period.

The carrying amount of financial assets and liabilities approximates its fair value.

The fair value calculation of the financial assets and liabilities was performed at the reporting date. 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 Company could realise in the normal course of business subsequent to the reporting date.

12. Financial risk management continued

Foreign currency risk

The financial assets and liabilities of the Company are denominated in the functional currency except for the following British Pound denominated related party loans receivable, cash and cash equivalents and amounts owed to Group undertakings.

	30 September 2023 €000	30 September 2022 €000
Related party loans receivable	60	57
Cash and cash equivalents	1	1
Amounts owed to Group undertakings	(364)	(356)
Trade payables	(100)	–
	(403)	(298)

The following significant exchange rates applied during the period and were used in calculating sensitivities:

	Forecast rate	Spot rate
Euro:British Pound	1.16	1.13

Sensitivity analysis

The table below indicates the Company's sensitivity at the reporting date to the movements in the British Pound that the Company are exposed to on its financial instruments. The percentage given below represents a weighting of foreign currency rates forecasted by the major banks that the Company transacts with regularly. This analysis assumes that all other variables, in particular interest rates, remain constant. The impact on the reported numbers, using the forecast rates as opposed to the reporting date spot rates, is set out below.

	30 September 2023 €000	30 September 2022 €000
Through profit/(loss)		
British Pound strengthening by 10% against the Euro	(40)	(30)
British Pound weakening by 10% against the Euro	40	30

If the foreign currencies were to weaken/strengthen against the Euro, by the same percentages as set out in the table above, it would have an equal, but opposite, effect on profit or loss.

Interest rate risk

At the reporting date the interest rate profile of the Company's financial instruments was:

	30 September 2023			30 September 2022		
	Variable €000	Non-interest bearing €000	Total €000	Variable €000	Non-interest bearing €000	Total €000
Non-current financial assets	53	–	53	54	–	54
Current financial assets	–	18	18	–	5	5
Current financial liabilities	–	–	–	–	–	–
	53	18	71	54	5	59

Sensitivity analysis

The Directors do not consider the Company to be sensitive to movements in interest rates. A reasonably foreseeable movement in interest rates would not have a material effect on the profit of the Company or the carrying value of the Company's financial instruments.

Credit risk

Potential concentration of credit risk consists principally of related party loans receivable. At 30 September 2023, the Company did not consider there to be any significant concentration of credit risk which had not been adequately provided for.

The carrying amounts of financial assets represent the maximum credit exposure.

The maximum remaining exposure to credit risk at the reporting date, without taking account of the value of any collateral obtained, was €71,000. All exposure to credit risk is within the United Kingdom.

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 is not exposed to significant liquidity risk on the basis that its only financial liabilities are owed to other Group companies.

13. Reconciliation of net profit and shareholders' equity of the Company with the consolidated results

	30 September 2023		30 September 2022	
	Total equity €000	Net profit for the period €000	Total equity €000	Net profit for the period €000
Shareholders' equity and net profit for the period according to separate income statement	**701,106**	**(326)**	704,240	(655)
Share of subsidiaries' consolidated profit for the period	102,570	102,570	174,260	174,260
Share of subsidiaries' consolidated other comprehensive income for the period	(87,046)	–	(3,735)	–
Prior period share of subsidiaries' consolidated total comprehensive income for the period and other reserve movements	440,515	–	269,989	–
Group equity and profit after tax for the period according to Consolidated income statement	**1,157,145**	**102,244**	1,144,754	173,605

14. Subsequent events
There are no reportable subsequent events.

15. Principal subsidiaries
The statutory list of all subsidiaries and affiliated companies in included on pages 147 to 148.

16. Ultimate parent company
The Company is a direct subsidiary undertaking of IBEX Retail Investments (Europe) Limited, which is registered in England. IBEX Retail Investments (Europe) Limited's registered address is The Space (Floor 3), 120 Regent Street, London, W1B 5FE.

At the reporting date, the Company's ultimate parent company was IBEX Topco B.V., an entity registered in the Netherlands.

17. Approval and signatories
London (United Kingdom), 22 December 2023

Management
Andy Bond, Executive Chair
Neil Galloway, Chief Financial Officer

Non-Executive Directors
María Fernanda Mejía, Independent Non-Executive Director
Brendan Connolly, Independent Non-Executive Director
Pierre Bouchut, Independent Non-Executive Director
Grazyna Piotrowska-Oliwa, Independent Non-Executive Director
Paul Soldatos, Non-Executive Director
Neil Brown, Non-Executive Director

Independent auditor's report

To the shareholders and Board of Directors of Pepco Group N.V.

Report on the audit of the financial statements for the year ended 30 September 2023 included in the annual report

Our qualified opinion

We have audited the accompanying financial statements for the year ended 30 September 2023 (hereafter "financial statements") of Pepco Group N.V. (hereafter "Company" refer to the legal entity, and "Group" refers to the consolidated level), based in London, United Kingdom. The Company is at the head of a group of entities ("components"). The financial information of this Group is included in the 2023 Consolidated Financial Statements of the Group. The financial statements include the 2023 Consolidated Financial statements and the 2023 Separate Financial Statements.

In our opinion, except for the possible effects on the corresponding figures of the matter described in the 'Basis for our Qualified Opinion paragraph':

- The accompanying Consolidated Financial statements give a true and fair view of the financial position of the Group as at 30 September 2023 and of its result and its cash flows for the year ended 30 September 2023 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying 2023 Separate Financial statements give a true and fair view of the financial position of the Company as at 30 September 2023 and of its results for the year ended 30 September 2023 in accordance with International Financial Reporting Standards as adopted by the EU and with Part 9 of Book 2 of the Dutch Civil Code.

The 2023 Consolidated Financial Statements comprise:

- the consolidated statement of financial position as at 30 September 2023;
- the following statements for the year ended 30 September 2023: the consolidated income statement the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows; and
- the notes comprising a summary of the significant accounting policies and other explanatory information.

The 2023 Company Financial Statements comprise:

- the separate statement of financial position as at 30 September 2023;
- the following statements for the year ended 30 September 2023: the separate income statement, the separate statement of changes in equity and the separate statement of cash flows; and
- the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our Qualified Opinion

We were unable to obtain sufficient and appropriate audit evidence on the existence and completeness of part of the inventory opening balance as at 1 October 2022 due to an unexplained net difference of € 7 million between physical inventory held in warehouses of Pepco Sp.z.o.o. (€ 163.4 million) and the related inventory recognised in the Consolidated Financial Statements (€ 170.1 million). This unexplained difference could have resulted from physical inventory that could not be traced to accounting records and /or recognised inventory not directly traceable to physical inventory. As a result, we were unable to determine whether any corrections arising from this difference were necessary with regard to the inventory position as at 1 October 2022.

We note that the aforementioned only refers to the inventory opening balance and the related effect in the results of 2023, as we were able to obtain sufficient and appropriate audit evidence on the existence and completeness of the inventory closing balance as at 30 September 2023.

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of the Group and the Company in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate, to the financial statements as a whole.

Based on our professional judgement we determined the materiality for the financial statements as a whole at €11.7 million. The materiality is based on 7.5% of profit before tax from continuing operations. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Audits of group entities (components) were performed using materiality levels determined by the judgement of the group audit team, based on the materiality of the Consolidated Financial Statements.

We communicated with the Audit Committee that misstatements in excess of €352 Keur, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

The Company is at the head of group of entities ("components"). The financial information of this Group is included in the 2023 Consolidated Financial Statements of the Group.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the Group, its environment, controls and critical process, to consider qualitative factors in order to ensure that we obtained sufficient audit coverage across all financial statement line items.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where management made subjective judgements such as making assumptions on significant accounting estimates.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out on the entities. Our group audit is mainly focused on financially large entities in terms of size and financial interest or where significant risks or complex activities were present, leading to full audits performed for two sub groups in scope, Pepco Group CEE and Poundland.

We performed audit procedures at group level on areas such as consolidation and financial statement disclosures. Specialists were involved amongst others in the areas of information technology, treasury and valuation.

We also involved component auditors from the Mazars Network and other audit firms, who are familiar with local laws and regulations. For these component auditors, the group audit team provided detailed written instructions, which include the requirements for component audit teams, the audit approach for significant audit areas, other information obtained centrally and the need for awareness for fraud risks. Our oversight procedures also included a combination of remote and on-site reviews of working papers of the auditors of the significant components in Poland and United Kingdom, (virtual) meetings with component auditors and management of the components, and reviewing deliverables supplied by the component auditors to gain sufficient understanding of the work performed. We varied the nature, timing and extent of these procedures based on both quantitative and qualitative considerations. For smaller components, we have performed review procedures or specified audit procedures.

By performing the procedures mentioned above we have been able to obtain sufficient and appropriate audit evidence about the consolidated and separate company financial information and to provide an opinion on the 2023 Financial Statements as a whole.

Audit response to the risks of fraud

We refer to section 'Risk management' of the Management Board Report for management's fraud risk assessment.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and corruption. We identified the following fraud risks and performed the following specific procedures:

Fraud risk 1	Our audit work performed
Management override of controls Management is ordinarily in an unique position to adjust the financial statements by overriding controls that otherwise appear to be operating effectively. In this context, we paid attention to: – The appropriateness of journal entries and other adjustments made in the preparation of the financial statements, such as consolidation journals. – Potential biases in estimates, such as impairment of intangible assets (goodwill and other intangible assets) and right-of-use assets, leases and derivatives. – Significant transactions, if any, outside the normal course of business.	Amongst others we have performed the following audit procedures: – an assessment of the internal control framework, including management integrity, and evaluation of the design and implementation of the relevant controls in the financial closing process; – enquiries of individuals with different levels of responsibility involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments; – a selection of journal entries and other adjustments made during the year, at the end of the reporting period and post-closing entries; – testing of the appropriateness for these journal entries and other adjustments with the underlying audit documentation. – an evaluation of judgements and decisions for bias by management for key accounting estimates with respect to goodwill and other intangible assets, leases and derivatives, including retrospective reviews of judgements and assumptions related to significant accounting estimates of the prior and current year. – a test of related party transactions and transactions outside the regular course of business.

Audit response to the risks of fraud continued

Fraud risk 2	Our audit work performed
Risk of fraud in revenue recognition *The disclosure on the accounting principles in relation to revenue recognition is set out in Note 3 of the consolidated financial statements.* The risk of fraud in revenue recognition is a presumed audit risk and for the Company this has been assessed as a risk for overstatement of revenue. The risk of fraud in revenue recognition is focused on the occurrence of inappropriate manual transactions (non- standard transactions).	– We assessed the internal control framework and evaluated the design and implementation of the relevant controls in the financial closing process and other processes. – We assessed the IT environment and relevant systems. – We performed audit procedures on journal entries based on fraud selection criteria. – We tested the reconciliation point of sales systems to cash and found no abnormalities.

In addition, we also performed the following more general procedures:

- we assessed the whistleblowing and compliance matters followed up by management;
- we evaluated whether transactions, both usual and unusual, with related parties have been identified and appropriately disclosed;
- we performed a sourcing analysis in order to determine the risk associated with the selection of vendors and use of agents; and
- we have incorporated an element of unpredictability in the selection of the nature, timing and extent of our audit procedures.

Our response to the risk of non-compliance of laws and regulations

We have obtained an understanding of the relevant laws and regulations. We have identified the following laws and regulations that have an indirect effect on the financial statements: anti-bribery and corruption laws & regulations, competition and data privacy laws, and human rights laws and regulations.

We held enquiries with management and the audit committee if the entity is compliant with laws and regulations which directly or indirectly have a material impact on the financial statements. We also inspected relevant correspondence with regulatory and supervisory authorities. We also inspected lawyers' letters and remained alert to indications of (suspected) non-compliance throughout the audit, held enquiries with legal counsel, and obtained a written representation from management that all known instances of (suspected) non-compliance with laws and regulations were disclosed to us.

Observations

The aforementioned audit procedures have been performed in the context of the audit of the financial statements. Consequently they are not planned and performed as a specific investigation regarding fraud and non-compliance with laws and regulations. Our audit procedures have not led to any findings.

Our audit response related to going concern

Our responsibilities, as well as the responsibilities of the Board of Directors, related to going concern under the prevailing standards are outlined in the "Description of responsibilities regarding the financial statements" section below. In fulfilling our responsibilities, we performed procedures including evaluating management's assessment of the Company's ability to continue as a going concern and considering the impact of financial, operational, and other conditions. Based on these procedures, we did not identify any reportable findings related to the entity's ability to continue as going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Board of Directors. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of the audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our key audit matters continued

Key Audit Matter	How our scope addressed this matter
Impairment testing of goodwill *The group accounting policies in respect of goodwill and impairment are set out in the accounting policy notes of the consolidated financial statements (Note 1.10). The disclosure on the 'Accounting estimates and judgements' in relation to impairment of intangible assets (goodwill) is set out in Note 1.29 of the consolidated financial statements.* The carrying value of goodwill is € 703.6m (2022: € 688.9m) which is attributable to the Poundland Cash Generating Unit (CGU). In assessing the recoverability of goodwill, management prepared a value in use calculation across the CGU, which involves assumptions, such as future cash flows and the discount rate to apply to those. Due to the subjectivity involved in estimating future performance and the significance of the carrying value of goodwill, we identified this as a significant risk and key audit matter.	We involved our valuation specialists during our audit procedures. Our audit procedures included the following: – We evaluated the design effectiveness of controls related to the impairment assessment including the appropriateness of management's assessment of the CGUs, indicators of impairment, discount rates and forecasts. – We assessed and evaluated the reasonableness of key assumptions in the value in use calculations, including the projected revenue growth, operating margin, discount rates and growth rates. – We benchmarked key assumptions against external data and challenged management by comparing the assumptions to historic performance of the company and local economic developments, taking into account the sensitivity test of the goodwill balances for any changes in the respective assumptions; – We engaged with our internal valuation experts to assist us in evaluating the appropriateness of the impairment model, the discount rates applied and to assess the overall reasonableness of the assumptions; – We audited the management's sensitivity analysis to assess the impact of potential changes in assumptions; – We verified the mathematical accuracy of the models and agreed these models with relevant data; – We evaluated the reasonableness of the disclosures made in the financial statements in relation to the carrying value of goodwill. **Our observations** Based on the procedures performed, we have no specific findings that the carrying value of the goodwill in the financial statements is not reasonable.
Risk of bribery and corruption The majority of the products are sourced from factories in China, India and Bangladesh. The company uses agents in its sourcing process which creates a potential risk of fraud / bribery through the use of agents.	Our audit procedures included the following: – We obtained an understanding of the process in place to safeguard agent transactions as basis for our substantive audit approach. – We performed substantive audit procedures which consisted of identifying agents and reconciling selected transactions to underlying source documentation to assess the validity of the transactions entered into with these parties. – We reviewed the Group disclosures in the Valued Supply chain section of the risk management section of management's report, included in the directors' report. **Our observations** Based on the procedures performed, no adverse findings were identified.
Existence of Inventory in Warehouses *The group accounting policies in respect of inventories are set out in the accounting policy notes of the consolidated financial statements (Note 1.11). The disclosure on the inventory is set out in Note 13 of the consolidated financial statements.* The Group has significant levels of inventories in warehouses. The accuracy and reconciliation of inventory counts between the Warehouse Management System and accounting records represent a critical aspect of our audit due to the potential impact on the reliability of reported inventory values. The complexity arises from the need to ensure that physical counts align with both the Warehouse Management System and the accounting records, enhancing the accuracy and completeness of inventory information. Given the complexity of the reconciliation this is considered to be a key audit matter.	Our audit procedures included the following: – We obtained an understanding of the process in place and identified controls over the existence of inventory as a basis for our substantive audit approach. – We evaluated the design and tested the operating effectiveness of the Company's IT Application controls/interfaces that address the risk of material misstatement relating to the existence of inventory. – We obtained and examined management's reconciliation between the subledger of inventory and the financial administration. – We have validated the reports generated used as a basis for the reconciliation between the subledger of inventory and the financial administration. – We have performed reliability testing over the reports generated by management supporting the reconciliation. – We conducted independent stock-takes on 30 September 2023 covering all warehouses. We selected samples from the warehouse listing (list- to-floor) and directly from physical inventory (floor- to-list). – We have tested (matching with source documentation), among other procedures, details on inputs of the inventory reconciliation. **Our observations** Based on our procedures performed, we did not identify any material reportable matters with regards to the existence of inventory as at 30 September 2023.

Report on the other information included in the Annual Report 2023

In addition to the financial statements and our auditor's report thereon, the Annual Report 2023 contains other information that consists of:

- Introduction to governance;
- Report of the Board of Directors;
- Corporate governance Statement;
- Audit Committee report;
- Remuneration report;
- Annexures – Other information.

The annual report contains other information, in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains all the information regarding the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Board of Directors report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Engagement

We were engaged by the Board of Directors as auditor of the Company on December 8, 2021 for the audit for the year ended 30 September 2021 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Format ("ESEF")

The Company has prepared its Annual Report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the Annual Report prepared in XHTML-format, including the partly marked-up Consolidated Financial Statements as included in the reporting package by the Group, complies in all material respects with the RTS on ESEF.

The Board of Directors is responsible for preparing the Annual Report including the financial statements in accordance with the RTS on ESEF, whereby management combines the various components into one single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the Annual Report in this reporting package complies with the RTS on ESEF.

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N 'Assurance engagement relating to compliance with criteria for digital reporting' (assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digital verantwoordingsdocument).

Our examination included amongst others:

- obtaining an understanding of the Group's financial reporting process, including the preparation of the reporting package;
- Identifying and assessing the risks that the annual report does not comply in all material respects with the RTs on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
  - obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance documents and the XBRL extension taxonomy files have been prepared in accordance with the technical specifications as included in the RTS on ESEF;
  - examining the information related to the 2023 Consolidated Financial Statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

Description of responsibilities regarding the financial statements

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS-EU and with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as the Board of Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the Group's and the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors should disclose events and circumstances that may impact the Group's and the Company's ability to continue as a going concern in the financial statements.

The Audit Committee is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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 financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements.

Our audit consisted of, among other things, the following:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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;
- obtaining 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 controls;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of management's 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 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 a company to cease to continue as a going concern.
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Audit Committee 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, related safeguards.

From the matters communicated with the Audit Committee, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. 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, not communicating the matter is in the public interest.

Amsterdam, 22 December 2023
Mazars Accountants N.V.

Original was signed by drs. N.E. Habers-Boerema RA

Articles of Association provisions governing the distribution of profit

The holders of ordinary shares are entitled to one vote per share and to participate in the distribution of dividends and liquidation proceeds. Pursuant to Article 26 of the Articles of Association, a dividend may be declared provided that the Company's equity exceeds the amount of the paid-up and called-up part of the issued capital, increased by the reserves which must be kept by virtue of the law. The Board shall determine the amount of profits to be reserved. The general meeting is authorised to, in whole or in part, distribute the profits remaining thereafter and to declare a distribution in kind. The Board is authorised to declare interim distributions of profits or on account of a freely distributable reserve.

List of branches

The table below lists all branches of the Company as well as all subsidiaries whose results were consolidated during the reporting period.

Branch	Place of branch	Country of branch	Register of branch	Origin entity	Country of origin entity
Fully Sun China Limited – Bangladesh	Bangladesh	Bangladesh	TIN- 4404-3933-6667	Fully Sun China Limited	China (Hong Kong)
Poundland Limited – Isle of Man	Isle of Man	Isle of Man	Tax reference no: C145894-73	Poundland Limited	UK
Poundland Limited – Republic of Ireland	Republic of Ireland	Republic of Ireland	Tax reference no: 9798866A	Poundland Limited	UK

Statutory list of all subsidiaries and affiliated companies
as at 30 September 2023

This list forms part of the notes to the 2023 separate financial statements and has been referenced therein.

Entity name	Country of incorporation	Registered no.	Shareholding	Principal place of business
Pepco Group Limited	UK	09127609	100%	14th Floor, Capital House, 25 Chapel Street, London, United Kingdom NW1 5DH
Peu (Fin) Plc	UK	11808114	100%	14th Floor, Capital House, 25 Chapel Street, London, United Kingdom NW1 5DH
Peu (Tre) Limited	UK	11808312	100%	14th Floor, Capital House, 25 Chapel Street, London, United Kingdom NW1 5DH
Pepco Group Services Limited	UK	10972213	100%	14th Floor, Capital House, 25 Chapel Street, London, United Kingdom NW1 5DH
Poundland UK and Europe Limited	UK	09127615	100%	Poundland Csc, Midland Road, Walsall, United Kingdom WS1 3TX
Dealz Retailing (Ireland) Limited	Republic of Ireland	541977	100%	Unit 3 Westend Retail Park, Blanchardstown, Dublin 15
Poundland International Limited	UK	03484379	100%	Poundland Csc, Midland Road, Walsall, United Kingdom WS1 3TX
Vaucluse Diffusion S.A.S.	France	RCS 306 487 075	100%	19 Rue du Musée 13001 Marseille, France
Dealz España SL	Spain	B86867512	100%	C/Bravo Murillo 192, Madrid, Spain
Dealz Poland Sp z.o.o	Poland	KRS 0000692949	100%	Ul. Jasielska 16A, 60-476 Poznan, Wielkopolskie
Poundland Limited	UK	02495645	100%	Poundland Csc, Midland Road, Walsall, United Kingdom WS1 3TX
Pepkor Europe Limited	UK	09015100	100%	Poundland Csc, Midland Road, Walsall, United Kingdom WS1 3TX
Pepkor UK Retail Limited	UK	09288913	100%	Poundland Csc, Midland Road, Walsall, United Kingdom WS1 3TX
Viewtone Trading Group Limited	UK	07398652	100%	Poundland Csc, Midland Road, Walsall, United Kingdom WS1 3TX
Viewtone Limited	UK	03271182	100%	Poundland Csc, Midland Road, Walsall, United Kingdom WS1 3TX
Frozen Value Limited	UK	01003192	100%	Poundland Csc, Midland Road, Walsall, United Kingdom WS1 3TX
Jack Fulton Limited	UK	02317009	100%	Poundland Csc, Midland Road, Walsall, United Kingdom WS1 3TX
Viewtone Trustees Limited	UK	04560070	100%	Poundland Csc, Midland Road, Walsall, United Kingdom WS1 3TX
Minaldi Limited	UK	09151610	100%	Poundland Csc, Midland Road, Walsall, United Kingdom WS1 3TX
Pepkor Import B.V.	Netherlands	KvK 61649112	100%	Noord Brabantlaan 265, 5652LD Eindhoven
Pepkor France S.A.S.	France	RCS 805 402 104	100%	1 Place Boieldieu, 75002, Paris, France
Pepco Retail España SL	Spain	B86283751	100%	Avda. Baix Llobregat 1-3, Módulo A, Planta Baja Par No., Esc. P, El Prat de Llobregat
Fully Sun China Limited	China (Hong Kong)	CR 1075298	100%	Rm 1006-8, 10/F, Sun House, 181 Des Voeux Road Central Sheung Wan, Hong Kong
Shanghai Pepco Group Sourcing Company	China	913100007914	100%	8th Floor, H Zone (East), 666 Beijing East Road, Huangpu District, Shanghai
PGS Partner India Private Limited	India	U74999HR2018 FTC073537	100%	Unit No-128, Suncity Success Tower Sector, 65, Gold Course Extn Road, Gurugram, Gurgaon HR, 122005
Pepco Holdings Sp z.o.o.	Poland	0000791461	100%	ul. Strzeszyńska 73A, 60-479 Poznań
Pepco Germany GmbH	Germany	HRB 224064	100%	c/o WeWork, Kemperplatz 1, DE-10785, Berlin

Other information

Statutory list of all subsidiaries and affiliated companies continued

as at 30 September 2023

Entity name	Country of incorporation	Registered no.	Shareholding	Principal place of business
Pepco Italy S.r.l	Italy	MI-2568153	100%	Via Michelangelo Buonarroti 39, 20145 Milano (MI), Italy
Pepco Properties Sp z.o.o.	Poland	KRS 0000356422	100%	ul. Strzeszyńska 73A, 60-479 Poznań
Pepco Austria GmbH	Austria	FN 534293a	100%	Gertrude-Fröhlich-Sandner-Straße, 2-4/Turm 9/7. Stock 1100 Wien
Pepco Poland Sp z.o.o.	Poland	KRS 0000111962	100%	ul. Strzeszyńska 73A, 60-479 Poznań
Konopacka Holdings B.V.	Netherlands	KvK 58864504	100%	Noord Brabantlaan 265, 5652LD Eindhoven
Rawksa Holdings B.V.	Netherlands	KvK 58864385	100%	Noord Brabantlaan 265, 5652LD Eindhoven
Cardina Investments Sp z.o.o.	Poland	KRS 0000424893	100%	ul. Strzeszyńska 73B lok. 4, 60-479 Poznań
Evarts Investments Sp z.o.o.	Poland	KRS 0000471011	100%	ul. Strzeszyńska 73B lok. 4, 60-479 Poznań
Pepco Ingatlan Kft	Hungary	Cg. 01-09-300734	100%	H-1138 Budapest, Váci út 187
Pepkor Europe GmbH	Switzerland	CHE-194.732.602	100%	c/o Kanzlei Pilatushof, Hirschmattstrasse 15, 6003 Luzern
Pepco Hungary Kft	Hungary	Cg. 01-09-192750	100%	H-1138 Budapest, Váci út 187
Pepco Czech Republic s.r.o.	Czechia	24294420	100%	Prague 4 – Nusle, Hvězdova 1716/2b, PSČ 14078
Pepco Retail SRL	Romania	J40/4655/2013	100%	17 Ceasornicului street, 3rd floor, District 1, Bucharest, Romania
Pepco Slovakia s.r.o.	Slovakia	46 868 674	100%	Nevädzova 6, Ružinov, Bratislava, 821 01, Slovakia
Pepco Croatia d.o.o.	Croatia	MBS 081038164	100%	Zagreb (Grad Zagreb), Damira Tomljanovića Gavrana 11
Pepco Lithuania UAB	Lithuania	304488450	100%	Viršuliškių skg. 34-1, Vilniaus, 05132, Lithuania
Pepco Latvia SIA	Latvia	40203062113	100%	Strelnieku iela 9 – 7, Riga, LV-1010, Latvia
Pepco d.o.o.	Slovenia	7176457000	100%	Tržaška cesta 515, Brezovica pri Ljubljani, 1351, Slovenia
Pepco Estonia OU	Estonia	14249111	100%	Sõpruse Pst 145, Kristiine District, Tallinn, 13417, Estonia
Pepco Bulgaria EOOD	Bulgaria	205119149	100%	Nikola Tesla №5 str., fl. 4, Building BSR 2, Sofia 1574, Bulgaria
Pepco d.o.o. Beograd-Novi Beograd	Serbia	21457345	100%	Bulevar Mihaila Pupina 10L, 11000 Novi Beograd, Serbia
Pepco Group International Limited	UK	14772767	100%	14th Floor Capital House, 25 Chapel Street, London, United Kingdom, NW1 5DH
Poundland Elgin Limited	UK	12111238	100%	Poundland Csc, Midland Road, Walsall, United Kingdom, England, WS1 3TX
Online Poundshop Limited	UK	08870575	100%	Poundland Csc, Midland Road, Walsall, United Kingdom, WS1 3TX
Pepco Greece IKE	Greece	162515401000	100%	Municipality of Nikaia – Agios Ioannis Renti, at Petrou Ralli Street No 97, PC 18233
Pepco Portugal Unipessoal LDA	Portugal	3453-7748-7417	100%	Rua Hermano Neves 18, piso 3, E7, 1600-477 Lisbon (Portugal)
Pepco B-H d.o.o.	Bosnia and Herzegovina	4203144510006	100%	Sarajevo, street Skenderpašina no. 1, Municipality Centar Sarajevo, 71 000 Sarajevo, Bosnia
Pepco Logistics S.L	Spain	773439	100%	C/Bravo Murillo 192, Madrid, Spain
Pepco Distribution Sp. z o.o.	Poland	0001042265	100%	ul. Strzeszyńska 75, 60 – 479 Poznań

Glossary of terms

Term	Definition
AGM	Annual General Meeting of shareholders
APM	Alternative Performance Measure
Annual Report	Management report (bestuursverslag) as referred to in Section 2:391 of the Dutch Civil Code
Articles	Articles of Association of the Company, as amended from time to time
BCI	Better Cotton Initiative
Board	Directors of the Company
Board Rules	Board of Directors' Rules of Procedure
CAP	Corrective action plan
CEE	Central and Eastern Europe
CEO	Chief Executive Officer of the Company
CFO	Chief Financial Officer of the Company
CGU	Cash-generating unit
CODB	Cost of doing business
CODM	Chief Operating Decision Maker
Company/PGNV	Pepco Group N.V.
Company Secretary	Company secretary of the Company
Covid-19	The pandemic of coronavirus disease 2019 (Covid-19) caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). The pandemic has led to severe global socioeconomic disruption, the closure of a number of businesses and wide-spread shortages of supplies
DC	Distribution centre
Dutch Code	Dutch Corporate Governance Code
Dealz	FMCG-led price-anchored retailer (non-UK)
EAP	Equity Award Plan
EBITDA	Operating profit or loss before depreciation and amortisation adjusted for capital and reclassification items
EPS	Earnings per share
ERP	Enterprise resource planning
ESG	Environmental, social and governance
EU	European Union
External auditors	Mazars Accountants N.V
FMCG	Fast-moving consumer goods
Fultons/Fultons Foods	Viewtone Trading Group Limited and its subsidiaries
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit and loss
FY19	1 October 2018 to 30 September 2019
FY20	1 October 2019 to 30 September 2020
FY21	1 October 2020 to 30 September 2021
FY22	1 October 2021 to 30 September 2022
FY23	1 October 2022 to 30 September 2023
FY24	1 October 2023 to 30 September 2024
GM	General merchandise
GOTS	Global Organic Textile Standard
Group/Pepco Group	The Company and its subsidiaries

Term	Definition
IAS	International Accounting Standards
IBEX/ITBV	IBEX Topco B.V.
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ISG	Internal Strategy Group
IPO	Initial Public Offering – on 26 May 2021 the Company was admitted for listing on the Warsaw Stock Exchange
LFL	Like for like
LTIP	Long Term Incentive Plan
Mazars	Mazars Accountants N.V., the Company's external auditors
NED	Non-Executive Director
NOPAT	Net underlying operating profit after tax
NPS	Net promoter score
PBT	Profit before tax
Pepco	Apparel-led multi-price retailer
PGS	Pepco Global Sourcing
Poundland	FMCG-led price-anchored retailer (UK)
Poundland Group	Poundland and Dealz
RCF	Revolving credit facility
Relationship Agreement	Agreement between affiliates of ITBV and the Company
ROIC	Return on invested capital
SaaS	Software-as-a-Service
Share	A share in the capital of the Company
Shareholder	Holder of one or more shares
Subsidiary	Subsidiary of the Company as referred to in Section 2:24a of the Dutch Civil Code
VCP	Value Creation Plan
WE	Western Europe
WSE	Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie)
Warsaw Code	Code of Best Practice for GPW Listed Companies 2021
YoY	Year on year

Shareholder information

The Board values the insight gained from shareholder engagement and places significant importance on maintaining close relationships with shareholders, taking account of and responding to their views. The Group's Executive Chair, CFO and investor relations team communicate on a regular basis with shareholders and analysts and endeavour to facilitate open engagement. In FY23, frequent investor meetings were held alongside a focused Capital Markets Day post year end.

The Group has an investor relations website at www.pepcogroup.eu/investors/ where all regulatory news as well as other information on the Pepco Group is available.

We aim to maintain strong dialogue with our shareholders and regularly collect feedback. Please contact investorrelations@pepcogroup.eu.

The Company's Annual General Meeting will be held prior to 31 March 2024.

Contact details

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Pepco's commitment to environmental issues is reflected in this Annual Report, which has been printed on UPM Finesse Silk, an FSC® certified material. This document was printed by Opal X using its environmental print technology, which minimises the impact of printing on the environment, with 99% of dry waste diverted from landfill. Both the printer and the paper mill are registered to ISO 14001.

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pepco group

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Pepco Group N.V. Annual Report and Consolidated Financial Statements 2023