24th June 2021

Pepco Group – Interim Results for the First Half ending 31st March 2021[1]

Continued strong strategic and profit progress, with resilient peak trading performance across all retail brands

The fast-growing pan-European variety discount retailer, Pepco Group, owner of the PEPCO and Dealz brands in Europe and Poundland in the United Kingdom (UK), today reports interim financial results for the first half ending 31st March 2021.

Financial Summary

Pepco Group		H1 FY21
Revenue[2]	€m	1,995
Total Revenue Growth (reported / constant currency)	%	4.4% / 9.0%
Trading Store Like-for-Like Growth[3]	%	5.0%
Reported (All-Stores) Like-for-Like Growth[4]	%	-2.1%
Gross Margin Growth	bps	101
Underlying EBITDA[5]	€m	324
Underlying EBITDA Growth	%	16.8%
Underlying PBT[6]	€m	112
Underlying PBT Growth	%	47.2%
Total Number of Stores	#	3,246
Net New Stores Year-to-Date (6 months Oct '20 to Mar '21)	#	225
Store Growth (Net New Stores) Versus Last Year	#	402
Store Growth (Net New Stores) Versus Last Year	%	14.1%

Financial Highlights

- Positive trading performance despite a challenging trading environment affected by Covid:
  - Constant currency total revenue growth of +9.0% underpinned by continued store openings across all retail brands and territories.
  - Trading Stores[3] Like-for-Like ('LFL') growth of 5.0%, consistent with the past three years' performance pre-Covid.
  - Group LFL -2.1% reflecting c.15% of trading weeks lost due to Covid-related store closures across the Group.
- Gross margin accretion of over 100 basis points (bps) achieved through ongoing sourcing benefits and a short-term Covid benefit from increased general merchandise revenue.
- Underlying EBITDA increased by 16.8% to €324m, driven by continued revenue growth, gross margin expansion and effective cost management.
- Net debt (excluding IFRS 16 liabilities) €189m lower year-on-year, reflecting continued underlying business growth and revised trading arrangements with key product suppliers that enhanced the Group's working capital cycle.

Strategic Progress

- Store expansion programme continued with 225 net additions in the half and 402 versus the end of March 2020, representing 14.1% growth year-on-year.
    - 129 net new PEPCO stores in the half including strategic openings in Western Europe (Italy – 20 stores) and outside EU (Serbia – 5 stores).
    - 27 new Dealz stores in the half with the roll out continuing in Spain and Poland.
    - The increase in the scale of the Poundland store portfolio primarily reflects c. 80 Fultons Frozen Foods stores acquired in the half year, as part of a transaction designed to materially enhance the Group's capability and scale in this key target growth category of frozen food.
- Successful preparation and initial trading for PEPCO in Spain as the brand's second Western European market.
- 326 store refits completed to further enhance the customer proposition and increase revenue, comprising:
    - 276 PEPCO refits; and
    - 50 Poundland refits including the implementation of frozen food.
- We continue to drive operating efficiencies to expand operating margins within the FMCG-led price-anchored segment. This includes:
    - Continued reduction in the absolute levels of store rent where 44 leases were renegotiated in the period; and
    - The closure of one of Poundland's four regional distribution centres.
- The implementation of Oracle as our new ERP solution continues across the Group with the scale and pace of the programme under constant review to ensure that implementation risk, particularly in light of Covid, is appropriately managed.
- Refinancing of €550m term debt and €190m RCF completed as part of the IPO, formalising those banking relationships core to delivering our planned growth across Europe while also reducing future debt service costs by over 500bps versus the existing debt structure.
- The Group successfully listed on the Warsaw Stock Exchange on 26th May 2021, enhancing governance with the appointment of an Independent Chairman and four additional Independent Non-Executive Directors.

Outlook

All stores are now trading although some restrictions remain, placing limitations on customer footfall.

Looking forward, despite the short-term challenges that renewed cost inflation will likely bring, underlying trading remains in line with full-year guidance provided at the point of IPO. We therefore remain confident, based on our market leading customer propositions within the attractive discount retail sector, in the continued delivery of long-term growth in line with our existing financial guidance.

Commenting on the results, Andy Bond, CEO Pepco Group, said:

"We anticipate that the environment in which we operate will remain changeable and challenging in the short term but over time as consumer behaviour returns to more normal patterns, as any Covid related restrictions that impact our customers confidence to shop are further relaxed.

However, as these results show, we have a clear and winning customer offer, a long-term growth strategy delivering stores in existing and exciting new markets, as well as a number of key initiatives to drive our sales and margin. As such, we remain confident about our prospects for continued profitable growth in the balance of the financial year and beyond."

Business Review

This report is presented for Pepco Group Limited, a privately incorporated company in the United Kingdom, to 31st March 2021.

On and shortly before 26th May 2021 the individual operating companies within the Group were re-organised under a Dutch entity which was subsequently listed on the Warsaw stock exchange (Pepco Group N.V.). References to the listing, refinancing and other events therefore specifically refer to this newly listed entity.

The Group has 3 core strategic imperatives, all of which evidenced significant progress in the half, as follows:

i. The continued expansion of the Group's store footprint across the whole of Europe;
ii. LFL revenue growth through the continual development of the Group's customer proposition; and
iii. Scale-led operating cost efficiencies

Store Expansion:
Despite the impact of significant Covid related restrictions, the Group continued to deliver new stores in all 16 territories in which it operates. A total of 225 new stores were opened in the first half year increasing the Group's store portfolio by 402 versus last year, representing growth of 14.1% on the prior year.

Within this PEPCO opened 129 stores in the half and 299 versus the end of March last year, a 15.5% increase on the prior year, with openings in all its 13 trading territories. Whilst Covid-related trading restrictions impacted our recent territory openings in both Italy and Serbia, they each remained cumulatively ahead of internal targets. This performance provides confidence in their continued strong performance once Covid restrictions are lifted and the strategic opportunity each country represents. During the half year preparations for the entry of the PEPCO brand into Spain continued at pace with the first stores opening shortly after the half ended. Our confidence in the potential scale for the brand in Spain reflects both the historic performance of PEPCO branded apparel as a Store in Store concept in Dealz and the demographic similarity of Spain to other successful PEPCO territories.

In the Poundland Dealz segment, after extensive trial and iteration of the customer offer and business model, the roll out of the Dealz fascia in Spain and Poland continued with 14 and 13 stores opened, respectively. At the end of the period Dealz traded from 123 locations, an increase of 27 (28%) since the start of the financial year as we continue to ramp up our roll out plans.

Customer Proposition:
Our continued core proposition development and improvement, evidenced by the Trading Stores[2] Like-for-Like of 5.0% across the half, clearly demonstrated both the continued strength of the proposition and the demand from customers for the products we offer in the context of significant consumer behavioural change.

The refreshment of our category mix to ensure it remains relevant for our customer is a constant element of our business model. In the first half this included the introduction of a chilled and frozen offer to 50 stores within Poundland and Dealz, meaning that this new footfall driving offer is now present in 129 stores with an intention to extend this to 700 stores over the next two years. Within PEPCO the phased introduction of complimentary, pick-up FMCG products such as nappies and baby wipes continues with strong initial results.

As part of our strategy to drive proposition enhancement we continued our store refit programmes. In the PEPCO segment we relocated 20 stores in the first half and invested in 276 existing stores to enhance the shopping experience and rebalance category space allocation to support sales growth. As noted above, in the Poundland Dealz segment a further 50 stores were refitted in the half delivering an enhanced shopping environment and exciting new categories including frozen, extended chilled and homewares.

Operating Cost Efficiencies:
We continued to progress operating margin initiatives, through a combination of operating cost efficiency actions and store rent negotiations.

Within this the most material saving is the long-term programme of store rental negotiations in Poundland, where we renegotiated 44 stores in the half delivering an average reduction of over 50% versus the current rent. We anticipate that these savings will continue with 211 store leases due to mature in the next two years, providing further opportunity for rental reduction.

Alongside this we continue to invest in initiatives to deliver long term efficiency savings. As a critical enabler to achieving this objective our ERP programme, through which our existing central systems will be replaced with Oracle as the Group's core ERP application, continued at pace across the Group. This includes the first Oracle finance implementation within Poundland / Dealz which will be live in early 2022 after the Group's peak trading period.

The end-to-end supply chain project in PEPCO which has clearly identified a number of opportunities to improve inventory management and further expand operating margins is also progressing positively.

Financial Review

Trading Context

The entirety of H1 FY21 was adversely impacted by periodic store closures and reduced consumer footfall as a consequence of Covid related trading restrictions, particularly impacting our PEPCO brand as a retailer of "non-essential" goods. As an illustration, in total c 10,700 trading weeks (c. 19% of the total) were impacted in PEPCO, including extended periods of store closure in Poland and Czechia. In contrast the Covid impact in H1 FY20 was concentrated in a shorter period (from early March in Europe and 23rd March in the UK) but as the first lockdown experienced by our customer the impact on our customer footfall was far more significant although stores remained open and able to trade.

		PEPCO (apparel-led multi-price)	Poundland Group (FMCG-led price-anchored)	Total Group
Revenue[2]	€m	1,017	979	1,995
Total Revenue Growth (reported / constant currency)	%	9.5% / 15.2%	-0.5% / 3.1%	4.4% / 9.0%
Trading Store Like-for-Like Growth[3]	%	8.8%	1.4%	5.0%
Reported (All-Stores) Like-for-Like Growth[4]	%	-1.2%	-2.9%	-2.1%
Gross Margin Growth (constant currency)	bps	115	57	101
Underlying EBITDA[5]	€m	215	108	324
Underlying EBITDA Growth	%	18.7%	12.5%	16.8%
Total Number of Stores	#	2,229	1,017	3,246
Net New Stores Year-to-Date (6 months Oct '20 to Mar '21)	#	129	96	225
Store Growth (Net New Stores) Versus Last Year	#	299	103	402
Store Growth (Net New Stores) Versus Last Year	%	15.5%	11.3%	14.1%

Pepco Group continued to trade resiliently and make strong strategic and financial progress in the first half, despite the impact of significant Covid related lockdown restrictions on store openings and consumer behaviour with revenue on a constant currency basis increasing 9.0% driven by continued store roll out.

Trading Stores[3] LFL Revenue
Trading stores, defined as stores that were open for the full duration of any week, performed positively in the half delivering LFL growth of 5.0% (0.7% in H1 FY19). As Covid related restrictions weren't implemented until mid-March 2020 the trading impact from Covid was significantly lower in the first half of FY20, with only 2% of trading store weeks lost versus c. 15% of trading weeks in the 6-month period to end March 2021.

As a non-essential retailer with operations centred in Continental Europe, PEPCO was most impacted by Covid related closures with c. 19% of trading weeks across the half lost due to enforced closures, primarily in November and late December and again across February and March. Notably full country closure impacted Czechia, Croatia, Slovenia, Lithuania and Latvia alongside significant store asset type closures, such as indoor shopping mall stores in Poland across December and January. Stores not impacted by Covid closures traded strongly, delivering LFL growth of 8.8% consistent with that delivered in the first quarter of FY20, prior to any Covid related impact, underpinned by the continued investment to strengthen the customer offer discussed above.

As an essential retailer, Poundland / Dealz was able to trade throughout the period, despite the announcement of a UK wide lockdown in early January. However, each brand experienced significantly reduced footfall as our customers sought to both consolidate their shopping activity and avoid shopping locations such as covered shopping centres or busy high street locations, where they perceive that the risk to social distancing is at its maximum. Poundland was disproportionately impacted by this customer behaviour as the majority of stores are located in such locations.

In the context of a volatile trading environment, trading store LFL growth of 1.4% is considered likely to have resulted in market share gains in the UK, providing further evidence of the successful change programme the Poundland brand is undertaking.

All Store Revenue Performance
The Group delivered total H1 revenue growth on a constant currency basis of 9.0% and 4.4% on a reported basis (H1 FY21 €1,995m versus H1 FY20 €1,911m) including a LFL revenue decline of 2.1% primarily driven by 15% of trading weeks lost to Covid-19 related store closures (versus 2% in the prior year). The relative strength of revenue performance was driven primarily by continued strong underlying growth in PEPCO as customers clearly demonstrated their willingness to wait for a short period of closure to access the choice and value delivered by PEPCO, leading to extremely strong footfall and sales on re-opening.

Revenue momentum continues to build in Poundland / Dealz based on the ongoing enhancement of the customer proposition including the completion of a further 50 Chilled & Frozen store conversions during the half year.

Trading in the first quarter and January and February annualised a pre Covid-19 impacted period with limited trading restrictions in the previous financial year. During January and February 2021, on average, 20% of Group stores were closed which impacted revenue performance with year-on-year declines across these two months averaging approximately 6%, with all store LFL revenue totalling -12% but with trading store LFL growth of 4%.

Trading in March 2021 annualised the initial and most severe restrictions introduced in mid-March 2020 in Central Europe, such that all store LFL Revenue growth in PEPCO during March 2021 totalled over 60%. In the UK, the restrictions were introduced from 23rd March 2020 following a short period of stockpiling by consumers. Balancing these factors March year on year sales increased at Group level by approximately 35%.

Gross Margin
Across the first half, gross margin increased by over 100 bps (H1 FY21 42.4% versus H1 FY20 41.4%) driven through a combination of ongoing sourcing benefits, a short-term Covid benefit of an enhanced general merchandise mix and lower levels of mark down versus those anticipated in the initial weeks of Covid impacted trading in 2020.

Within PEPCO, gross margin improved by 115 bps through higher general merchandise sales reflecting the benefits of the strategic space initiatives and reduced markdowns. Process and systems enhancements in PEPCO have enabled a significantly more focused, targeted and tailored approach to the discounting of poor-performing ranges which, as an example, is now undertaken on a country-by-country basis rather than by applying the same discount to the product across all territories.

The Poundland Dealz business also expanded its gross margin year on year by c.60 bps through a combination of continued buying benefits plus the margin mix benefit of general merchandise sales growth. Gross margin also benefited from consumers 'stocking up' demand for lower margin FMCG products in the prior year and ongoing initiatives to expand the higher margin general merchandise footprint and lower mark down rates through operational initiatives to improve inventory allocation in line with rates of sale.

Operating Costs

Underlying operating costs of €686.0m increased by 4% year on year (+€26.4m) reflecting a revenue increase of 4.4% and the expansion of the Group's store footprint by 14.1%. Accordingly, cost ratios have remained broadly consistent year-on-year at 34.4% (34.5%) of revenue.

Of the €26m year-on-year increase, approximately two-thirds relates to the depreciation and amortisation associated with store expansion across the Group. The remaining third is driven by operating costs associated with the Group's increased scale partially offset by a reduction of costs in Poundland driven by Covid-19 UK government support primarily in the form of business rates relief.

Underlying EBITDA[5]

Group Underlying EBITDA grew by 16.8% or €46.7m versus H1 FY20 (H1 FY21 €324m vs H1 FY20 €277m), benefiting from continued store expansion, gross margin upside through better sourcing and a short-term mix benefit, alongside tightly managed operating costs coupled with UK government support.

Balance Sheet

Group capital expenditure was €78m (H1 FY20: €89m) primarily made up of store investment within PEPCO (€39m) and Poundland Dealz (€39m), infrastructure investment primarily in IT systems and the acquisition of Fultons Frozen Foods in October 2020. The acquisition of Fulton's will significantly enhance Poundland's capability in this frozen food category, enabling the scale roll out envisaged by management.

Cash and Net Debt

The Group continues to be strongly cash generative after maintaining all of its targeted growth investments. Closing cash of €482m (H1 FY20: €292m) and net debt of €1,271m (H1 FY20: €1,357m) reflect continued underlying business growth and actions agreed with key suppliers that enhance the Group's working capital cycle.

In May 2021, the Group refinanced its existing external debt facilities comprising a €475m term facility and €130m RCF and the Shareholder intragroup loan of €247m. The Group's objectives were to ensure sufficient liquidity over a longer time period with new term loans backed up by a new RCF with a five-year maturity, to decrease the interest cost paid on the existing debt and to incorporate the existing lenders and treasury operation banks into an appropriate relationship bank group.

The refinance involved a group of 11 banks, all of whom are existing lenders or treasury operations banks, or IPO banks. Banks are classified into a Tier 1 and Tier 2 grouping determined by their final lending commitment and are a good representation of CEE, UK and international-focused banks.

The revised facilities comprise a 3-year €300m Term Loan A, 5-year €250m Term Loan B and 5-year €190m RCF at an initial interest rate of below 1.5%, significantly reducing the Group's annual interest.

Reflecting the listed status of the Group there are only two financial covenants in the new facilities, and reduced representations:

- Leverage Ratio < 2.8 times, acquisition spike to 3.05 times
- Interest Cover < 3.5 times

The Directors believe that the refinancing was a strong outcome and sets up the foundation for the Group to continue its expected growth trajectory, ensuring that the group has sufficient liquidity to easily meet all its future financial obligations.

True and Fair Statement

The Board of Directors is responsible for preparing the 2021 H1 Report, inclusive of the H1 Consolidated Financial Statements and the H1 Report on Operations, in accordance with the Dutch Financial Supervision Act and IAS 34 - Interim Financial Reporting as endorsed by the European Union.

In accordance with Section 5:25d, paragraph 2 of the Dutch Financial Supervision Act, the Board of Directors states that, to the best of its knowledge, the H1 Condensed Consolidated Financial Statements prepared in accordance with applicable accounting standards provide a true and fair view of the assets, liabilities, financial position and profit or loss of Pepco Group N.V. and its subsidiaries, and the undertakings included in the consolidation as a whole, and the H1 Report on Operations provides a fair review of the information required pursuant to Section 5:25d, paragraphs 8 and 9 of the Dutch Financial Supervision Act.

Explanatory Notes:

Basis of Preparation

Pepco Group Limited ('the Company') is a company domiciled in the United Kingdom. These consolidated condensed interim financial statements ('interim financial statements') as at and for the six months ended 31 March 2021 comprise the Company and its subsidiaries (together referred to as 'the Group').

On and shortly before 26th May 2021 the individual operating companies that underpin these group accounts were re-organised under a Dutch entity which was subsequently listed on the Warsaw Stock Exchange (Pepco Group N.V.). References to the listing, refinancing and other events specifically refer to this newly listed entity.

The interim financial statements have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on "Review of interim financial information" and do not include all of the information required for full annual financial statements.

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 30 September 2020. They do not include all the information required for a complete set of IFRS financial statements.

Reconciliation to IAS 17 Earnings

The financial statements are presented in line with current accounting standards including the application of IFRS 16 with respect to the treatment of operating leases. The impact of IFRS16 on the Group's key performance metrics is outlined in the table below:

€m	H1 FY21	IFRS16 Impact	FY21 H1 (IAS17)
Underlying EBITDA	324	114	209
Underlying PBT	112	-15	127
Non-underlying Items	-16	0	-16
Reported PBT	96	-15	111
Net Debt	1,271	-1,015	256
Net Debt / Underlying LTM EBITDA	2.6x	n/a	0.9x

Other

1. Note that the Group accounts are prepared for the six-month period ending 31st March 2021. Within this the 'PEPCO (Apparel-led multi-price)' segment operates on a calendar month basis with the 6-month period ending on 31st March 2021, and the 'Poundland Dealz (FMCG-led price-anchored)' segment primarily operates on a trading week basis with the 26-week period ending on 28th March 2021.

2. Revenues are unaudited with foreign currency revenues translated at the average rate for the month in which they are made.
3. Stores designated as Trading Stores, traded for the full seven days within each individual accounting week irrespective of other restrictions including part week closure, limitations on customer numbers and reduced customer offer.
4. LFL revenue growth is defined as year-on-year revenue growth for stores open beyond their trading anniversary.
5. Underlying EBITDA is defined as profit on ordinary activities (excluding non-underlying items) net of depreciation, amortisation, finance costs and taxation.
6. Underlying profit before tax excludes non-underlying items (see financial statements note 7 'Non-Underlying Items' for more detail).

The Group will report its Q3 Trading Update for the period 1st April 2021 to 30th June 2021 on 15th July 2021.

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 31 March 2021

	Note	**Underlying six months to 31 March 2021 unaudited**	**Non-underlying items[1] unaudited**	**Total six months to 31 March 2021 unaudited**	Underlying six months to 31 March 2020 unaudited	Non-underlying items unaudited	Total six months to 31 March 2020 unaudited	*Underlying twelve months to 30 Sep 2020 audited*	*Non-underlying items audited*	*Total twelve months to 30 Sep 2020 audited*
		€000	**€000**	**€000**	€000	€000	€000	*€000*	*€000*	*€000*
Continuing operations										
Revenue	5	**1,995,060**	**-**	**1,995,060**	1,911,757	-	1,911,757	*3,517,879*	-	*3,517,879*
Cost of sales		**(1,149,251)**		**(1,149,251)**	(1,120,368)	-	(1,120,368)	*(2,084,755)*	-	*(2,084,755)*
Gross profit		**845,809**	**-**	**845,809**	791,389	-	791,389	*1,433,124*	-	*1,433,124*
Distribution costs		**(563,025)**	**-**	**(563,025)**	(564,665)	-	(564,665)	*(1,052,987)*	-	*(1,052,987)*
Administrative expenses		**(124,904)**	**(6,650)**	**(131,554)**	(97,356)	(6,650)	(104,006)	*(233,733)*	*(19,699)*	*(253,432)*
Other operating income		**2,075**	**-**	**2,075**	2,453	-	2,453	*5,363*	-	*5,363*
Other expenses		**-**	**(9,050)**	**(9,050)**	-	(5,065)	(5,065)	-	*(12,060)*	*(12,060)*
Operating profit	6	**159,955**	**(15,700)**	**144,255**	131,821	(11,715)	120,106	*151,767*	*(31,759)*	*120,008*
Total financial income	8	**216**	**-**	**216**	459	-	459	*1,601*	-	*1,601*
Total financial expense	9	**(48,122)**	**-**	**(48,122)**	(58,176)	-	(58,176)	*(105,957)*	-	*(105,957)*
Gain on disposal of subsidiary		**-**	**-**	**-**	1,995	-	1,995	*1,995*	-	*1,995*
Profit before taxation from continuing operations for the year		**112,049**	**(15,700)**	**96,349**	76,099	(11,715)	64,384	*49,406*	*(31,759)*	*17,647*
Taxation	10	**(22,023)**	**-**	**(22,023)**	(15,607)	-	(15,607)	*(17,245)*	-	*(17,245)*
Profit/(loss) from continuing operations for the year		**90,026**	**(15,700)**	**74,326**	60,492	(11,715)	48,777	*32,161*	*(31,759)*	*402*
Loss on discontinued operations		**1**	**-**	**1**	(69)	-	(69)	*(939)*	-	*(939)*
Profit/(loss) for the year		**90,027**	**(15,700)**	**74,327**	60,423	(11,715)	48,708	*31,222*	*(31,759)*	*(537)*
Basic/Diluted earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company				41.3			27.0			*0.2*
Basic/Diluted earnings/(loss) per share for profit attributable to the ordinary equity holders of the company				41.3			27.0			*(0.3)*

1. See Note 7 for more detail.

The notes on pages 15 to 23 form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the six months ended 31 March 2021

	Six months to 31 March 2021 (unaudited)	Six months to 31 March 2020 (unaudited)	*Twelve months to 30 Sep 2020 (audited)*
	€000	€000	*€000*
(Loss)/profit for the year	**74,327**	48,708	*(537)*
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations	**36,157**	(29,475)	*(40,216)*
Effective portion of changes in fair value of cash flow hedges	**44,068**	28,558	*(7,488)*
Net change in fair value of cash flow hedges reclassified to profit or loss	**(2,087)**	(6,706)	*(6,865)*
Deferred tax on items that are or may be reclassified subsequently to profit or loss	**(8,135)**	(5,426)	*1,423*
Other comprehensive (expense)/income for the period, net of income tax	**70,003**	(13,049)	*(53,146)*
Total comprehensive (expense)/income for the year	**144,330**	35,659	*(53,683)*

The notes on pages 15 to 23 form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2021

	Note	**31 March 2021 (unaudited) €000**	31 March 2020 (unaudited) €000	*30 Sep 2020 (audited) €000*
Non-current assets				
Property, plant and equipment		**411,445**	379,775	*378,968*
Right-of-use asset	07	**879,796**	765,556	*806,854*
Goodwill and other intangible assets		**884,411**	822,189	*810,117*
Trade and other receivables	14	**3,845**	2,759	*3,200*
Derivative financial instruments		**1,625**	466	*1,488*
Deferred tax asset		**48,302**	26,922	*49,741*
		2,229,424	1,997,667	*2,050,368*
Current assets				
Inventories		**549,618**	540,141	*566,676*
Tax receivable		**2,508**	15,656	*3,043*
Trade and other receivables	14	**48,575**	57,814	*45,689*
Derivative financial instruments		**49,431**	40,261	*3,961*
Cash and cash equivalents		**482,006**	291,526	*400,167*
		1,132,138	945,398	*1,019,536*
Total assets		**3,361,562**	2,943,065	*3,069,904*
Current liabilities				
Trade and other payables	15	**595,631**	425,686	*610,564*
Current tax liabilities		**6,294**	2,913	*5,196*
Lease liabilities	17	**246,913**	232,623	*247,345*
Borrowings	15	**3,830**	56,944	*4,135*
Derivative financial instruments		**12,363**	2,449	*5,630*
Provisions		**15,327**	6,979	*9,854*
		880,358	727,594	*882,724*
Non-current liabilities				
Other non-current liabilities	16	**37,891**	39,106	*16,809*
Lease liabilities	17	**767,774**	627,521	*671,517*
Borrowings	16	**734,242**	679,466	*706,066*
Derivative financial instruments		**1,136**	360	*969*
Provisions		**36,280**	31,365	*38,168*
		1,577,323	1,377,818	*1,433,529*
Total liabilities		**2,457,681**	2,105,412	*2,316,253*
Net assets		**903,881**	837,653	*753,651*
Equity attributable to equity holders of the parent				
Share capital		**2**	2	*2*
Cash flow hedge reserve		**28,947**	24,457	*(4,899)*
Merger reserve		**4,952**	4,952	*4,952*
Translation reserve		**(13,474)**	(38,890)	*(49,631)*
Share-based payment reserve		**17,700**	5,900	*11,800*
Retained earnings		**865,754**	841,232	*791,427*
Total shareholders' equity		**903,881**	837,653	*753,651*

The notes on pages 15 to 23 form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 March 2021 (unaudited)

	Share capital €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 2020	2	(4,899)	(49,631)	4,952	11,800	791,427	753,651
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	74,327	74,327
Other comprehensive income for the period	-	33,846	36,156	-	-	-	70,002
Total comprehensive income for the period	-	33,846	36,156	-	-	74,327	144,330
Transactions with owners, recorded directly in equity							
Equity settled share-based payments	-	-	-	-	5,900	-	5,900
Total contributions by and distributions to owners	-	-	-	-	5,900	-	5,900
Balance at 31 March 2021	**2**	**28,947**	**(13,475)**	**4,952**	**17,700**	**865,754**	**903,881**

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 acquired.
4 The Group has implemented a Value Creation Plan (VCP) for its Executive Directors.

The notes on pages 15 to 23 form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 March 2021 (unaudited)

	Share capital	Cash flow hedge reserve[1]	Translation reserve[2]	Merger reserve[3]	Share-based payment reserve[4]	Retained earnings	Total equity
	€000	€000	€000	€000	€000	€000	€000
Balance at 1 October 2019	2	8,031	(9,415)	4,952	-	792,524	796,094
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	48,708	48,708
Other comprehensive income for the period	-	16,426	(29,475)	-	-	-	(13,049)
Total comprehensive income for the period	-	16,426	(29,475)	-	-	48,708	35,659
Transactions with owners, recorded directly in equity							
Equity settled share-based payments	-	-	-	-	5,900	-	5,900
Total contributions by and distributions to owners	-	-	-	-	5,900	-	5,900
Balance at 31 March 2020	**2**	**24,457**	**(38,890)**	**4,952**	**5,900**	**841,232**	**837,653**

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 acquired.
4 The Group has implemented a Value Creation Plan (VCP) for its Executive Directors.

The notes on pages 15 to 23 form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 March 2021

	Note	**Six months to 31 March 2021 (unaudited)**	Six months to 31 March 2020 (unaudited)	*Twelve months to 30 Sep 2020*
		€000	€000	*€000*
Cash flows from operating activities				
Profit/(loss) for the period:				
Continuing operations		**74,326**	48,777	*402*
Discontinued operations		**1**	(69)	*(939)*
Adjustments for:				
Depreciation, amortisation and impairment		**46,939**	41,697	*90,561*
Right-of-use asset amortisation		**116,641**	97,471	*199,832*
Financial income	8	**(216)**	(459)	*(1,601)*
Financial expense	9	**48,122**	58,176	*105,996*
Gain on sale of non-current assets		**-**	(1,995)	*(1,995)*
Loss on sale of property, plant and equipment		**27**	(484)	*(45)*
Equity settled share-based payment expenses		**5,900**	6,650	*13,300*
Taxation	10	**22,023**	15,607	*17,245*
		313,763	265,333	*422,756*
Decrease/(increase) in trade and other receivables		**(1,894)**	5,705	*19,570*
Increase in inventories		**32,882**	(13,688)	*(50,745)*
Increase in trade and other payables		**(15,740)**	47,181	*238,394*
Decrease in provisions and employee benefits		**(6,490)**	(24,745)	*(11,907)*
Settlement of derivatives		**1,839**	(1,286)	*10,261*
Cash generated by operations		**324,359**	278,500	*628,329*
Tax paid		**(26,533)**	(39,624)	*(48,758)*
Net cash from operating activities		**297,826**	238,876	*579,571*
Cash flows used in investing activities				
Proceeds from sale of property, plant and equipment		**51**	819	*729*
Interest received		**304**	373	*1,367*
Acquisition of a subsidiary net of cash acquired		**(5,684)**	-	*-*
Disposal of a subsidiary net of cash disposed		**-**	(3,510)	*(3,510)*
Additions to property, plant and equipment		**(67,542)**	(87,869)	*(139,170)*
Additions to other intangible assets		**(12,104)**	(10,222)	*(24,774)*
Net cash used in investing activities		**(84,975)**	(100,409)	*(165,358)*
Cash flows from financing activities				
Proceeds from bank loan net of fees incurred		**-**	53,000	*53,000*
Repayment of borrowings		**-**	-	*(53,000)*
Interest paid		**(15,982)**	(17,637)	*(19,865)*
Payment of interest on lease liabilities		**(18,471)**	(21,251)	*(40,660)*
Repayment of lease liabilities		**(95,661)**	(97,776)	*(182,669)*
Net cash from financing activities		**(130,114)**	(83,664)	*(243,194)*
Net increase in cash and cash equivalents		**82,738**	54,803	*171,019*
Cash and cash equivalents at beginning of period		**400,167**	246,974	*246,974*
Effect of exchange rate fluctuations on cash held		**(898)**	(10,251)	*(17,826)*
Cash and cash equivalents at end of period		**482,006**	291,526	*400,167*

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

Pepco Group Limited ('the Company') is a company domiciled in the United Kingdom. These consolidated condensed interim financial statements ('interim financial statements') as at and for the six months ended 31 March 2021 comprise the Company and its subsidiaries (together referred to as 'the Group'). The Group is primarily involved in the retail of goods across the three major categories of fast-moving consumer goods (FMCG), general merchandise (GM) and apparel.

The interim financial statements have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on "Review of interim financial information" and do not include all of the information required for full annual financial statements.

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 30 September 2020. They do not include all the information required for a complete set of IFRS financial statements.

The accounting policies adopted are consistent with those of the previous financial year, except for the estimation of income tax (see note 10).

2. Going Concern

The consolidated historical financial information has been prepared on a going concern basis. At the time of signing the consolidated historical financial information, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operational existence for the foreseeable future, which is not less than twelve months from signing the consolidated historical financial information, in doing so the directors have considered reasonable downside sensitivities.

The Group had €1,753m of borrowings as at 31 of March 2021, of which €1,014m related to liabilities relating to IFRS 16. Borrowings relating to loan undertakings as at 31 March 2021 was €738m, of which €249m was due to related party undertakings. In August 2019 the Group successfully re-financed under a two-and-a-half-year term debt for €475m to replace its existing external facility, repayable in February 2022, and further reduce its exposure to the Steinhoff Group. As a direct consequence of the liquidity pressures arising from Covid-19 the Group achieved consent from creditors to waive payment of two quarters' worth of term loan cash interest settlements (€14m) and instead capitalise this interest to provide additional liquidity. This has resulted in the debt repayable on this debt increasing to €489m.

This facility contains financial covenants which are typical for this type of facility and include minimum EBITDA and minimum cash measured at quarterly intervals. The directors are satisfied that these financial covenants will be met even when reasonable downside sensitivities are applied.

The Group's current external third-party debt of €489m and the related party Steinhoff debt of €249m, were refinanced on 26 May 2021. The terms of these new borrowings are under a senior facilities agreement comprising of (i) a 3-year €300m term loan facility; (ii) a 5-year €250m term loan facility; and (iii) a €190m multi-currency revolving credit facility maturing after 5 years. Under the new senior facilities agreement, the Group will be subject to a maximum adjusted leverage ratio covenant of 2.8:1 and a minimum interest cover ratio of 3.5:1 tested twice annually and in each case on a pre-IFRS 16 basis. The directors are satisfied that these financial covenants will be met even when reasonable downside sensitivities are applied.

3. Accounting estimates and judgements

In preparing interim financial statements, management is required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The critical accounting estimates and judgements applied in preparing these interim financial statements are consistent with those presented in note 1.22 of the Group's annual consolidated financial statements as at and for the year ended 30 September 2020.

4. Segmental information

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, being "multi-price" and "price-anchored" businesses. The multi-price segment refers to the businesses trading under the PEPCO banner. The price-anchored segment refers to businesses 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 amortisation of capital contributions in respect of property leases.

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 historical financial information. 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 are included within the "other" segment and the consolidation adjustments and eliminations are presented within "eliminations". Inter-segment trade balances and borrowings are included within the relevant segment and the consolidation adjustments and eliminations are presented within "eliminations". Group external borrowings and other activities that do not meet the threshold requirements for individual reporting are included within the "other" segment.

All income statement disclosures are for the continuing business only. The total asset, total liability and capital expenditure disclosures are for the entire Group including discontinued operations.

	Six months to March 2021 (unaudited)	Six months to March 2020 (unaudited)	*Twelve months to Sep 2020*
	€000	€000	*€000*
External revenue			
PEPCO (apparel-led multi-price)	**1,016,554**	928,414	*1,737,956*
Poundland Group (FMCG-led price-anchored)	**978,506**	983,344	*1,779,923*
Group external revenue	**1,995,060**	1,911,758	*3,517,879*
EBITDA			
PEPCO (apparel-led multi-price)	**215,224**	181,267	*298,971*
Poundland Group (FMCG-led price-anchored)	**108,146**	96,143	*135,304*
Other	**(6,458)**	(7,174)	*(11,651)*
Group EBITDA	**316,912**	270,236	*422,624*
Less reconciling items to operating profit			
Depreciation of property, plant and equipment	**(41,839)**	(42,861)	*(80,263)*
Impairment of property, plant and equipment	**(200)**	37	*(53)*
Amortisation of right-of-use asset	**(116,641)**	(97,471)	*(199,832)*
Amortisation of other intangibles	**(4,612)**	(4,530)	*(10,245)*
Impairment of other intangibles	**(289)**	-	-
Amortisation of capital contributions in respect of property leases	**-**	-	-
Loss on disposal of property, plant and equipment	**(28)**	(7)	*(163)*
Other expenses	**(9,050)**	(5,065)	*(12,060)*
Group operating profit	**144,255**	120,106	*120,008*
Profit before tax			
PEPCO (apparel-led multi-price)	**116,248**	90,929	*123,662*
Poundland Group (FMCG-led price-anchored)	**19,146**	142,285	*100,826*
Other	**(39,045)**	(168,830)	*(206,841)*
Group profit before tax	**96,349**	64,384	*17,647*
Depreciation and amortisation			
PEPCO (apparel-led multi-price)	**90,342**	76,175	*156,696*
Poundland Group (FMCG-led price-anchored)	**72,819**	62,428	*136,118*

Other	**-**	564	*1,728*
Group depreciation and amortisation	**163,161**	139,167	*294,542*

Impairment of property, plant and equipment and intangible assets			
PEPCO (apparel-led multi-price)	**489**	(37)	*53*
Poundland Group (FMCG-led price-anchored)	**-**	-	-
Other	**-**	-	-
Group impairment of property, plant and equipment and intangible assets	**489**	(37)	*53*
Additions to non-current assets			
PEPCO (apparel-led multi-price)	**169,569**	143,649	*279,874*
Poundland Group (FMCG-led price-anchored)	**71,248**	53,669	*127,155*
Other	**-**	1,368	*1,923*
Group additions to non-current assets	**240,817**	198,686	*408,952*
Total assets			
PEPCO (apparel-led multi-price)	**2,721,666**	2,384,806	*2,574,490*
Poundland Group (FMCG-led price-anchored)	**1,447,817**	1,738,259	*1,715,090*
Other (including eliminations)	**(807,921)**	(1,180,000)	*(1,219,676)*
	3,361,562	2,943,065	*3,069,904*
Total liabilities			
PEPCO (apparel-led multi-price)	**843,641**	579,859	*766,669*
Poundland Group (FMCG-led price-anchored)	**1,059,317**	983,493	*1,021,922*
Other	**554,723**	542,060	*527,662*
	2,457,681	2,105,412	*2,316,253*

5. Revenue

Revenue comprises the fair value of goods sold to customers, net of value added tax and promotional sales discounts. The Group's disaggregated revenue recognised relates to the following geographical segments:

	Six months to March 2021 (unaudited)	Six months to March 2020 (unaudited)	*Twelve months to Sep 2020*
	€000	€000	*€000*
United Kingdom	**784,567**	843,542	*1,503,591*
Poland	**832,293**	769,480	*879,161*
Rest of Europe	**378,200**	298,735	*1,135,127*
	1,995,060	1,911,757	*3,517,879*

6. Operating profit

	Six months to March 2021 (unaudited)	Six months to March 2020 (unaudited)	*Twelve months to Sep 2020*
	€000	€000	*€000*
Operating profit for the period has been arrived at after charging/(crediting):			
Expense relating to short-term, low-value and variable leases	**12,551**	11,980	*45,532*
Depreciation of tangible fixed assets and other items:			
Owned	**41,838**	37,166	*80,263*
Amortisation of right-of-use assets	**116,641**	97,471	*199,832*
Impairment of property, plant and equipment	**200**	(37)	*53*
Amortisation of other intangibles	**4,612**	4,530	*10,245*
Impairment of other intangibles	**289**	-	-
Cost of inventories recognised as an expense	**1,132,301**	1,104,222	*2,043,978*
Write downs of inventories recognised as an expense	**13,746**	11,979	*18,441*

7. Non-underlying items

Non-underlying items are defined as one-off and unusual in nature and disclosed separately in the Group statement of comprehensive income.

	Six months to March 2021 (unaudited)	Six months to March 2020 (unaudited)	*Twelve months to Sep 2020*
	€000	€000	*€000*
IFRS 2 charge	**6,650**	6,650	*13,300*
Other expenses	**9,050**	5,065	*12,060*
Restructuring, strategic change and other costs	**-**	-	*6,399*
	15,700	11,715	*31,759*

IFRS 2 charge: A new Value Creation Plan was approved by the Board of Directors in March 2020 as a reward tool to incentivise the top management of the Pepco Group. The scheme is one-off, material and unusual in nature; the awards will be granted once under the VCP to the management team.

Other expenses: Other expenses relate to project costs associated with a potential exit transaction that was successfully executed on 26 May 2021.

8. Financial income

	Six months to March 2021 (unaudited)	Six months to March 2020 (unaudited)	*Twelve months to Sep 2020*
	€000	€000	*€000*
Bank interest receivable	**216**	459	*946*
Other interest receivable	**-**	-	*655*
	216	459	*1,601*

9. Financial expense

	Six months to March 2021 (unaudited)	Six months to March 2020 (unaudited)	*Twelve months to Sep 2020*
	€000	€000	*€000*
Interest on bank loans and amortisation of capitalised finance costs	**19,161**	18,384	*37,657*
Interest on lease liabilities	**18,471**	21,251	*40,660*
On amounts owed to Group undertakings	**8,715**	9,036	*18,251*
Unrealised foreign currency losses on borrowings	**1,775**	9,506	*9,389*
	48,122	58,177	*105,957*

10. Taxation

Taxation is recognised based on a weighted average of management's estimate of the forecast effective tax rate expected for the full financial year. The estimated effective tax rate for the year to 30 September 2021 of 22.9% (2020: 24.2%) has been applied for the six months period ended 31 March 2021 resulting in a tax charge of €22.0m (2020: €15.6m).

11. Earnings per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss)attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year. The company has no dilutive potential ordinary shares. Basic and diluted earnings/(loss) per share is calculated as follows:

	Six months to March 2021 (unaudited)	Six months to March 2020 (unaudited)	*Twelve months to Sep 2020*
	€	€	*€*
Basic/diluted earnings/(loss) per share			
From continuing operations attributable to the ordinary equity holders of the company	**41.3**	27.0	*0.2*
From discontinued operations	**0.0**	(0.0)	*(0.5)*
Total basic/diluted earnings/(loss) per share attributable to the ordinary equity holders of the company	**41.3**	27.0	*(0.3)*
Underlying basic/diluted earnings/(loss) per share attributable to the ordinary equity holders of the company	**50.0**	33.6	*17.9*
	€000	€000	*€000*
Profit/(loss) attributable to the ordinary equity holders of the company	**74,327**	48,708	*(537)*
Add back non-underlying items:			
(Profit)/loss from discontinued items	**(1)**	69	*939*
Other non-underlying items	**15,700**	11,715	*31,759*
Adjusted profit attributable to the ordinary equity holders of the company	**90, 026**	60,942	*32,161*
Weighted average number of shares used as the denominator in calculating basic earnings per share	**1,801,242**	1,801,242	*1,801,242*

12. Dividends

No dividends were declared or paid in the six months to March 2021 or March 2020. Pepco Group does not intend to pay an ordinary interim dividend in the year to September 2021.

13. Other financial assets and liabilities

Other financial assets and other financial liabilities include the fair value of derivative contracts which the Group uses to manage its foreign currency and interest rate risks. All derivatives are categorised as Level 2 under the requirements of IFRS 13 “Fair value measurement”, as they are valued using techniques based significantly on observed market data (refer to the Fair Value Hierarchy table in Note 17 of the September 2020 Annual Report).

14. Trade and other receivables

	March 2021 (unaudited)	March 2020 (unaudited)	*Sep 2020*
	€000	€000	*€000*
Non-current trade and other receivables			
Other receivables	**3,845**	2,759	*3,200*
	3,845	2,759	*3,200*
Current trade and other receivables			
Trade receivables	**815**	8,136	-
Other receivables	**8,111**	7,528	*10,226*
Amounts owed by Group undertakings	**2,603**	(527)	*902*
Prepayments	**37,046**	42,677	*34,561*
	48,575	57,814	*45,689*

14. Trade and other receivables (continued)

Current amounts owed by Group undertakings of €2.6m are non-interest bearing and are repayable on demand. These amounts were recovered in full post year end.

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

	March 2021 (unaudited)	March 2020 (unaudited)	*Sep 2020*
	€000	€000	*€000*
Trade payables	**280,231**	210,888	*280,631*
Other taxation and social security	**52,297**	44,300	*62,671*
Amounts owed to Group undertakings	**258**	946	*1,696*
Other payables	**77,289**	77,159	*78,274*
Accruals	**185,556**	92,393	*187,292*
Trade and other payables	**595,631**	425,686	*610,564*
Borrowings from credit institutions	**3,830**	56,944	*4,135*
Borrowings	**3,830**	56,944	*4,135*
	599,461	482,630	*614,699*

Amounts owed to Group undertakings are repayable on demand and non-interest bearing at March 2021 and March 2020 respectively.

16. Non-current liabilities

	March 2021 (unaudited)	March 2020 (unaudited)	*Sep 2020*
	€000	€000	*€000*
Accruals	**37,380**	38,616	*16,333*
Amounts owed to Group undertakings	**510**	490	*476*
Trade and other payables	**37,890**	39,106	*16,809*
Borrowings from credit institutions	**485,107**	464,754	*481,893*
Loans from Group undertakings	**249,135**	214,712	*224,173*
Borrowings	**734,242**	679,466	*706,066*
	772,132	718,572	*722,875*

Included within non-current liabilities are loans from Group undertakings of €249.2m (H1 2020: €214.7m) which are interest bearing at a margin above LIBOR per annum repayable in 2027.

Included within non-current liabilities are loans from credit institutions of €485.1m (H1 2020: €464.8m). Costs incurred in obtaining the loans from credit institutions have been capitalised and are allocated to the Consolidated income statement over the life of the debt facility. At March 2021 borrowings are stated net of unamortised issue costs of €6.9m (H1 2020: €13.9m). Interest is being charged on the net borrowings amount at an effective rate of 7.8%. This facility contains financial covenants which are typical for this type of facility and include minimum EBITDA and minimum cash measured at quarterly intervals. In light of the expected impact of the Covid-19 pandemic, the Group negotiated a waiver of these covenants effective until June 2021; however, following better than forecast trading the Group remained compliant with these covenants for the six months ended March 2021.

The loans from credit institutions are secured over amounts owed by the Group to related party Steinhoff entities, share pledges over the shares of material overseas subsidiaries and debentures over other assets of the Group.

17. Leases

	March 2021 (unaudited)	March 2020 (unaudited)	*Sep 2020*
	€000	€000	*€000*
Right of use asset	**879,796**	765,556	*806,854*
Maturity profile of lease liability			
Less than twelve months	**246,913**	232,623	*247,345*
More than twelve months	**767,774**	627,521	*671,517*
	1,014,687	860,144	*918,862*

18. Alternative performance measures

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 historical financial information section are underlying EBITDA and underlying profit before tax.

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 Group statement of comprehensive income separately identifies trading results before non-underlying and other items. The Directors believe that presentation of the Group's results in this way 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 the Executive Committee 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 period ended 31 December 2020; see note 4 for more details:

- project costs associated with a potential exit transaction that was aborted as a consequence Covid-19;
- IFRS 2 charges in relation to Value Creation Plan award to the management team; and

Underlying EBITDA

Underlying EBITDA is defined as reported EBITDA excluding the impact of non-underlying items. Prior year underlying EBITDA also excluded the impact of the discontinued operations Sapphire 117 Limited and Vaucluse Diffusion SAS.

	Six months to March 2021 (unaudited)	Six months to March 2020 (unaudited)	*Twelve months to Sep 2020*
	€000	€000	*€000*
Reported EBITDA	**316,912**	270,236	*422,624*
Non-underlying items	**6,650**	6,650	*19,699*
Underlying EBITDA	**323,562**	276,886	*442,323*

Underlying PBT

Underlying PBT is defined as reported PBT excluding the impact of non-underlying items. Prior year underlying EBITDA also excluded the impact of the discontinued operations Sapphire 117 Limited and Vaucluse Diffusion SAS.

	Six months to March 2021 (unaudited)	Six months to March 2020 (unaudited)	*Twelve months to Sep 2020*
	€000	€000	*€000*
Reported PBT	**96,349**	64,384	*17,647*
Non-underlying items	**15,700**	11,715	*31,759*
Underlying PBT	**112,049**	76,099	*49,406*

19. Acquisitions

On 8 October 2020 the Group completed on the acquisition of Viewtone Trading Group Limited (trading as "Fulton's") by means of acquiring 100% of the issued share capital and its subsidiaries. The consideration consists of two elements, the initial consideration and deferred consideration.

	Fair value to the Group
	€000
Cash consideration	2,989
Deferred consideration	2,214
Total fair value consideration transferred	**5,203**

The fair value of net liabilities has been determined at €0.3m, the residual goodwill of €5.5m represents the fair value of the ability of the established business to earn a higher rate of return on an assembled collection of net assets that it would be expected if those net assets had been acquired separately. Furthermore, it represents synergies and other benefits from combining the acquirer's and acquiree's net assets and businesses as well as the assembled workforce that does not meet separate recognition criteria.

	Fair value to the Group
	€000
Tangible fixed assets	957
Right of Use assets	2,302
Cash and cash equivalents	(545)
Inventories	3,945
Trade and other payables	(3,291)
Lease liabilities	(3,324)
Interest bearing loans and borrowings	(348)
Net identifiable assets and liabilities acquired	**(304)**
Goodwill	5,507
Consideration transferred	**5,203**

The cash impact of this acquisition in the period to 31 March 2021 was €3.5m outflow, consisting of initial consideration paid €3.0m and overdraft acquired on acquisition of €0.5m.

20. Transactions with related partied

	Six months to March 2021 (unaudited)	Six months to March 2020 (unaudited)	*Twelve months to Sep 2020*
	€000	€000	*€000*
Steinhoff group[1] companies	**(8,751)**	(9,036)	*(18,251)*

21. Subsequent events

On 23 April 2021 the Group refinanced its existing borrowings arrangements, excluding IFRS16 liabilities with a senior facilities agreement comprising (i) a 3-year €300m term loan facility; (ii) a 5-year €250m term loan facility; and (iii) a €190m multicurrency revolving credit facility maturing after 5 years (the New Senior Facilities Agreement).

On 14th May 2021 the issued share capital of the company was acquired by a newly incorporated Pepco Group N.V.