

Premier Group Limited

2024 Unaudited Interim Results

for the six months ended 30 September 2023



Premier



FINANCIAL HIGHLIGHTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

Revenue R9.4 billion ↑ 7.1%	EBITDA R1.0 billion ↑ 23.9%	EBITDA margin 10.9% (H1 2023: 9.4%)
Operating profit R805 million ↑ 33.3%	Operating profit margin 8.6% (H1 2023: 6.9%)	Net profit R424 million ↑ 6.1%⁽¹⁾
Normalised HEPS 331 cps ↑ 25.4%⁽¹⁾	Cash generated from operations R831 million ↑ 33.6%	Voluntary debt repayment⁽²⁾ R357 million
ROE⁽³⁾ 27.3% (H1 2023: 17.8%)	Group leverage ratio 1.4x (H1 2023: 1.4x)	ROIC⁽⁴⁾ 20.7% (H1 2023: 14.9%)

(1) Prior period normalised headline earnings per share were reduced for foreign exchange gains on cash and loans of a funding nature of R36 million and by the reversal of accrued withholding tax on preference dividends of R43 million to profit on the conversion of the redeemable preference shares to ordinary shares. These items are once-off adjustments and were included in the prior period net profit.

(2) Voluntary debt repayment consists of R250 million voluntary capital repayment made on the RCF borrowings facility and R107 million repayment made on the bank overdraft during the interim period.

(3) Refers to return on equity adjusted for the historical revaluation of intangibles.

(4) Refers to return on average invested capital which has been reduced by the historical revaluation of intangibles and capital projects not yet commissioned in the prior period.

COMMENTARY

OVERVIEW

The results for Premier Group Limited and its subsidiaries (together “Premier” or the “Group”) for the six months ending 30 September 2023 are pleasing, showcasing Premier’s agility and resilience in the face of ongoing economic challenges. The trading environment has been characterised by currency and soft commodity volatility, extensive infrastructural constraints and high interest rates. The consumer remains under significant stress which has been compounded by the low growth economy, but the reduced loadshedding regime has been a welcome relief. Inflation is anticipated to flatten as soft commodity prices continue to decline and stabilise. In line with this, price relief in wheat and maize has been passed through to the consumer, providing some respite from the inflationary impact on staple foods experienced in the recent past.

In this constrained environment, Premier has focused on achieving best-in-class efficiencies and execution in order to deliver growth and create value for its stakeholders. Cost saving initiatives remain a priority and the ongoing training and upskilling of our people enables the team to be agile and navigate the complexities of the operating environment.

Starting in May 2023, Premier has leveraged its customer relationships and distribution network to provide sales, merchandising and distribution services to Goldkeys International (Pty) Ltd for the “Golden Delight” rice brand. More recently the Sunblest pasta range was launched into select channels in the South African market after completion of the pasta manufacturing plant rebuild in Mozambique.

Our ESG principles have been further entrenched into our business strategy, with a daily focus on driving sustainability within the business. We continue to align our long-standing commitment to our purpose, that our products and people make a difference in the everyday lives of our consumers, with our behaviours throughout the organisation. Through partnerships with non-profit organisations, Premier has donated products valued at R32 million consisting of approximately 29 million nutritional meals and feminine hygiene products enabling over 11 000 girls to attend school during their period. Our solar installations, focus on logistics optimisation and waste reduction continue to provide cost savings and environmental efficiencies.

FINANCIAL REVIEW

The Group’s revenue increased by 7.1% to R9.4 billion, driven by increases in revenue in both the Millbake and the Groceries and International categories of 8.1% and 2.0% respectively. The impact of loadshedding on the business is not considered to have had a material effect, with additional costs incurred across the business for the period of approximately R17 million.

Earnings before finance income and finance costs (including foreign exchange gains), tax, depreciation and amortisation (“EBITDA”) increased by 23.9% to R1.0 billion mainly driven by the growth in Millbake EBITDA of 27.3%. The Groceries and International EBITDA declined by 4.0% mainly as a result of macro-economic conditions experienced by the Group’s business in Mozambique. The Group’s EBITDA margin improved by 150 basis points, when compared to the same period last year, to 10.9% in the current period.

Operating profit increased by 33.3% to R805 million. The operating profit margin improved by 170 basis points, when compared to the same period last year, to 8.6%.

Net finance costs increased by 182%, mainly attributable to the higher interest rates compared to the prior period and finance costs on the additional borrowings of R1.04 billion drawn in November 2022. The accrued withholding tax on preference dividends of R43 million, which was reversed to profit during the prior period, also contributed to the increase in net finance costs over the prior period. In addition, there was a decrease in the foreign exchange gains on cash and intergroup loans of a funding nature of R50 million as a result of the conversion of the intergroup loan into equity on 30 March 2023.

The effective tax rate for the period increased from 26.7% to 29.8%. The increase is attributable to the exempt income on the withholding tax on preference dividends which contributed to a lower effective tax rate in the prior period. Further, the Mozambique business had tax losses in the current period on which no deferred tax asset was recognised and have therefore contributed to a higher effective tax rate in the current period.

Net profit increased by 6.1% to R424 million.

Earnings per share (“EPS”) increased by 0.3% to 326 cents and headline earnings per share (“HEPS”) increased by 0.8% to 331 cents when compared to the same period last year. Normalised headline earnings per share increased by 25.4% to 331 cents. Normalised HEPS in the prior period was adjusted for foreign exchange gains on cash and loans of a funding nature of R36 million (net of tax) and by the reversal of accrued withholding tax on preference dividends of R43 million to profit on the conversion of the redeemable preference shares to ordinary shares, both of which were once off in nature. The improvement in normalised HEPS is underpinned by the growth in the Group’s operating profit. It is the Board’s opinion that normalised headline earnings per share provides shareholders with the most consistent perspective on Premier’s performance. There were no difference between HEPS and normalised HEPS for the current period.

Cash generated from operations increased by 33.6% to R831 million, underpinned by the growth in the Group’s EBITDA and supported by well managed working capital.

Cash outflows from investing activities increased by 14.8% to R240 million mainly attributable to capital expenditure on property, plant and equipment. The Group acquired a 35% shareholding in a skin care business in the United Kingdom (“UK”) for R7 million during the interim period.

COMMENTARY (CONTINUED)

The cash outflow from financing facilities of R394 million mainly relates to repayment of the bank overdraft facility of R107 million and capital repayments on borrowings of R260 million, of which R250 million were voluntary capital repayments made during the period. This voluntary capital repayment remains available to drawdown for future funding needs.

Other material cash flows during the year were net interest paid of R204 million and tax paid of R171 million.

The Group's net debt (including lease liabilities, but excluding the trade financing facility) on 30 September 2023 was R2.6 billion with a Group leverage ratio of 1.4x (H1 2023: 1.4x). The Group's leverage ratio has shown improvement compared with historical levels and management is comfortable that there is sufficient flexibility to provide for expansion.

Property, plant and equipment increased by R92 million, mainly attributable to additions of R239 million and exchange translation movement of R21 million, which was partially offset by depreciation charges of R158 million and disposals of R10 million. Capital expenditure ("Capex") to revenue was 2.6% (H1 2023: 2.5%). In keeping with Premier's strategy of achieving growth and being the lowest cost producer, investment in best-in-class facilities is an ongoing priority. Significant projects undertaken during the period included site optimisation at the Home and Personal Care ("HPC") manufacturing facility and upgrading the capacity of tampon manufacturing. The capex programme is expected to average R600 million per year for the 2024 and 2025 financial years. Expansionary capital expenditure over the next two years will primarily be dedicated to the rebuild of the Aero-ton bakery, which commenced in August 2023.

Return on invested capital ("ROIC") improved by 580 basis points to 20.7%. ROIC is calculated by using net operating profit after tax (including income from equity accounted investments) divided by average invested capital for the period which has been reduced for the historical revaluation of intangibles of R722 million, and capital projects not yet commissioned in the prior period of R301 million.

Return on equity ("ROE") improved by 950 basis points to 27.3%. ROE is calculated using net profit attributable to the owners of the Company divided by equity reduced by the historical revaluation of intangibles

DIVIDENDS

The board of directors resolved not to declare an interim dividend.

SEGMENTAL REVIEW

Millbake

The Millbake division delivered robust results underpinning the Group's performance for the six months ending 30 September 2023. Revenue increased by 8.1% to R7.9 billion and EBITDA increased by 27.3% to R970 million. The EBITDA margin of 12.3% improved by 180 basis points over the same period last year. The increase in Millbake's revenue is attributable to price/mix growth of 8% with flat volume growth. Revenue growth for the period has been softer due to softer commodity prices in wheat and maize and the associated price relief being passed through to consumers. Further price relief is expected to be muted by the rising fuel prices, high interest rates and the weakened Rand.

Investment in manufacturing site upgrades and facility optimisation to maintain best-in-class efficiencies remains integral to drive growth and create opportunities for expansion. The new mega-bakery in Pretoria has been in operation for a full 12 months and is on track to deliver its business case, the Aero-ton bakery is closed for a rebuild and good progress has been made with the Mthatha bakery which is scheduled for completion by the end of the financial year.

Groceries and International

The Groceries and International division delivered a sound performance for the six months ending 30 September 2023. The division's revenue increased by 2.0% to R1.5 billion, however EBITDA decreased by 4.0% to R107 million. The EBITDA margin contracted by 40 basis points over the same period last year to 7.2%.

Ongoing focus on site manufacturing optimisation and functionality remains critical in achieving cost efficiencies in Sugar Confectionery and HPC. Efficiencies and increased capacity of tampon manufacturing installed at the Durban HPC facility will enable the onshoring of supply to the UK market. The acquisition of a 35% stake in a UK based niche skin care treatment range, under the brand Science of Skin ("SOS"), is a step towards leveraging the Group HPC infrastructure to expand participation within the broader Personal Care category. Selected Lil-lets products have also been launched on Amazon in the United States.

CIM, the Group's business division in Mozambique, remains under pressure as macro-economic factors and double-digit food inflation continue to weigh heavily on households. Political instability, climate change and widespread poverty are key issues facing the consumer. GDP growth is however projected to rise considerably over the next few years driven by growth in mining, agriculture and Liquefied Natural Gas ("LNG") exports. The CIM business is poised to capitalise on the economic recovery through established efficiencies in manufacturing capability and an extensive product range.

COMMENTARY (CONTINUED)

OUTLOOK⁽¹⁾

Premier has produced a pleasing set of maiden interim results as a listed company and is well positioned for further growth in the next six months, continuing to deliver on its investment case and remains committed to its purpose. Revenue growth is likely to moderate compared with the prior year which was impacted by significant inflation in soft commodity prices. Low single digit revenue growth is projected for the second half of the year, however margins are expected to remain in line with those achieved for the first half of the year. Due to the reduced debt levels, following the debt paydown, some benefit is anticipated, despite higher interest rates. The team will continue to focus on the bakery capex projects scheduled for the remainder of the year and remain alert for value adding acquisition opportunities. Innovation and product renovation to grow market share, maintain and expand product margins and brand equity are a strategic focus. In addition, emphasis remains on entrenching and delivering on our sustainability vision, supporting our people and communities in need, and evolving our business to limit our impact on the environment.

APPRECIATION

On behalf of the Board, we would like to express our gratitude to all our shareholders, our people, our customers, suppliers and all other stakeholders for their valued support during these challenging times.

For and on behalf of the Board

I van Heerden
Chairman

JJ Gertenbach
Chief Executive Officer

Waterfall
13 November 2023

⁽¹⁾ Any reference to future performance included in this announcement has not been reviewed or reported on by the Group's external auditors.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE

	Note	Unaudited Six months ended 30 September 2023 R'000	Reviewed Six months ended 30 September 2022 R'000	Audited Financial year ended 31 March 2023 R'000
Revenue from contracts with customers	4	9 353 508	8 730 702	17 938 460
Cost of sales		(6 317 311)	(6 096 821)	(12 521 106)
Gross profit		3 036 197	2 633 881	5 417 354
Other operating income		8 516	10 741	39 110
Credit loss allowances raised		(5 994)	(964)	(5 259)
Sales and marketing expenses		(889 517)	(812 497)	(1 678 648)
Distribution expenses		(471 221)	(462 090)	(918 530)
Administration expenses		(872 761)	(765 113)	(1 562 422)
Operating profit		805 220	603 958	1 291 605
Finance income	5	9 206	47 399	56 259
Finance costs	6	(212 443)	(158 922)	(345 671)
Foreign exchange gains	7	2 965	53 074	56 116
Income from equity accounted investments		(76)	-	-
Profit before tax		604 872	545 509	1 058 309
Income tax expense		(180 545)	(145 655)	(263 505)
Profit for the period		424 327	399 854	794 804
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Remeasurement gain on defined benefit obligations		-	-	2 320
Deferred tax on remeasurements		-	-	(468)
Total items that will not be reclassified to profit or loss		-	-	1 852
Items that may be reclassified to profit or loss:				
Foreign currency translation reserve		42 661	81 011	84 511
Other comprehensive income for the period net of tax		42 661	81 011	86 363
Total comprehensive income for the period		466 988	480 865	881 167
Profit attributable to:				
Owners of the Company		424 634	399 184	794 390
Non-controlling interest		(307)	670	414
		424 327	399 854	794 804
Total comprehensive income attributable to:				
Owners of the Company		467 295	480 195	880 753
Non-controlling interest		(307)	670	414
		466 988	480 865	881 167
Earnings per ordinary share attributable to owners of the Company				
Basic earnings per share (cents)	8	326.44	325.49	630.41
Basic earnings per share - diluted (cents)	8	326.44	287.70	593.29

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT

	Note	Unaudited 30 September 2023 R'000	Reviewed 30 September 2022 R'000	Audited 31 March 2023 R'000
ASSETS				
Non-Current Assets				
Property, plant and equipment*		3 932 159	3 767 445	3 840 239
Right-of-use assets		221 316	194 378	251 435
Goodwill		233 147	233 147	233 147
Intangible assets		1 448 265	1 446 985	1 471 218
Investment in associate^		6 850	-	-
Loans receivable		25 913	38 140	24 577
Deferred income tax		36 218	15 865	32 812
		5 903 868	5 695 960	5 853 428
Current Assets				
Inventories		2 433 576	1 681 509	2 402 173
Trade and other receivables		1 955 220	1 670 092	1 794 914
Loans receivable		-	7 704	6 454
Current income tax receivable		9 395	6 637	13 539
Restricted cash		2 361	2 207	2 274
Cash and cash equivalents	10	449 799	425 772	595 402
		4 850 351	3 793 921	4 814 756
Total Assets		10 754 219	9 489 881	10 668 184
EQUITY				
Share capital		2 464 267	3 411 505	2 464 267
Reserves		(29 760)	(75 921)	(72 421)
Retained income		1 242 752	419 852	810 986
Equity attributable to the equity holders of the Company		3 677 259	3 755 436	3 202 832
Non-controlling interest		6 448	4 633	7 538
Total Equity		3 683 707	3 760 069	3 210 370
LIABILITIES				
Non-Current Liabilities				
Borrowings	9	2 664 453	2 032 512	2 926 602
Lease liabilities		234 439	180 489	249 372
Deferred income tax		590 269	572 414	618 990
Employee benefit obligations		24 569	47 815	46 574
		3 513 730	2 833 230	3 841 538
Current Liabilities				
Trade and other payables		1 522 634	1 110 410	1 830 621
Trade financing facility		884 190	563 077	760 222
Refund liabilities		530 181	480 174	423 123
Employee benefit obligations		375 048	297 923	288 862
Borrowings	9	24 023	180 741	22 370
Lease liabilities		41 839	57 816	52 687
Tax liabilities		73 030	27 895	37 176
Bank overdraft	10	105 837	178 546	201 215
		3 556 782	2 896 582	3 616 276
Total Liabilities		7 070 512	5 729 812	7 457 814
Total Equity and Liabilities		10 754 219	9 489 881	10 668 184

* Property, plant and equipment increased by R92 million, mainly attributable to additions of R239 million and exchange translation movement of R21 million, which was partially offset by depreciation charges of R158 million and disposals of R10 million.

^ The Group acquired a 35% shareholding in a skin care business in the United Kingdom.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE

	Share capital R'000	Foreign currency translation reserve R'000	Retained income R'000	Total attributable to equity holders of the Company R'000	Non- controlling interest R'000	Total equity R'000
Balance at 01 April 2022	126 879	(156 932)	20 668	(9 385)	3 963	(5 422)
Total comprehensive income for the period	-	81 011	399 184	480 195	670	480 865
Profit for the period	-	-	399 184	399 184	670	399 854
Other comprehensive income	-	81 011	-	81 011	-	81 011
Issue of shares	3 284 626	-	-	3 284 626	-	3 284 626
Balance at 30 September 2022	3 411 505	(75 921)	419 852	3 755 436	4 633	3 760 069
Total comprehensive income for the period	-	3 500	397 058	400 558	(256)	400 302
Profit for the period	-	-	395 206	395 206	(256)	394 950
Other comprehensive income	-	3 500	1 852	5 352	-	5 352
Dividend distribution	-	-	(2 763)	(2 763)	-	(2 763)
Return of capital	(947 238)	-	-	(947 238)	-	(947 238)
Changes in ownership interest - control not lost	-	-	(3 161)	(3 161)	3 161	-
Balance at 31 March 2023	2 464 267	(72 421)	810 986	3 202 832	7 538	3 210 370
Total comprehensive income for the period	-	42 661	424 634	467 295	(307)	466 988
Profit for the period	-	-	424 634	424 634	(307)	424 327
Other comprehensive income	-	42 661	-	42 661	-	42 661
Equity-settled share-based payment expense	-	-	6 349	6 349	-	6 349
Changes in ownership interest - control not lost	-	-	783	783	(783)	-
Balance at 30 September 2023	2 464 267	(29 760)	1 242 752	3 677 259	6 448	3 683 707

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE

	Note	Unaudited Six months ended 30 September 2023 R'000	Reviewed Six months ended 30 September 2022 R'000	Audited Financial year ended 31 March 2023 R'000
Cash flows from operating activities				
Cash flow from operations before working capital movements		1 053 837	885 647	1 818 695
Working capital movements		(222 488)	(263 414)	(273 603)
Cash generated from operations		831 349	622 233	1 545 092
Finance income received		8 124	2 213	9 534
Finance costs paid		(212 443)	(158 837)	(345 681)
Tax paid		(171 029)	(83 728)	(171 784)
Dividends paid		-	-	(1 590)
Net cash inflow from operating activities		456 001	381 881	1 035 571
Cash flows from investing activities				
Replacement of property, plant and equipment		(177 708)	(149 033)	(324 795)
Expansion of property, plant and equipment		(61 648)	(65 870)	(147 889)
Proceeds from disposal of property, plant and equipment		4 505	1 857	10 483
Purchase of intangible assets		-	(102)	(44 709)
Acquisition of investment in associate		(7 053)	-	-
Proceeds from loan receivables		2 205	-	-
Payment for acquisition of business, net of cash acquired		-	(23 499)	(23 499)
(Increase)/decrease in restricted cash		(87)	27 793	27 726
Net cash outflow from investing activities		(239 786)	(208 854)	(502 683)
Cash flows from financing activities				
Proceeds from issue of shares		-	2 484	2 484
Repayment of share capital		-	-	(932 060)
Proceeds from borrowings		-	-	1 040 000
Repayment of borrowings		(260 496)	(88 994)	(393 275)
Payment of principal portion of lease liabilities		(26 703)	(29 827)	(52 484)
Net (repayments)/proceeds from bank overdraft		(107 258)	-	201 215
Net cash outflow from financing activities		(394 457)	(116 337)	(134 120)
Net movement in cash and cash equivalents		(178 242)	56 690	398 768
Cash and cash equivalents at the beginning of the period	10	595 402	177 006	177 006
Effect of exchange rate changes on cash and cash equivalents		32 639	13 530	19 628
Cash and cash equivalents at the end of the period	10	449 799	247 226	595 402

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 September 2023 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for interim financial statements and the requirements of the Companies Act. The condensed consolidated interim financial statements were prepared in accordance with IAS 34 Interim Financial Reporting, the framework concepts and the measurement and recognition requirements of IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The interim financial statements have not been audited or reviewed by the Group's auditors. The directors take full responsibility for the preparation of the condensed consolidated interim financial statements.

The condensed consolidated interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, the condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2023. They have been prepared under the supervision of the Chief Financial Officer, F Grobbelaar CA(SA).

2. ACCOUNTING POLICIES

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

3. SEGMENTAL INFORMATION

Revenue by segment - Sale of goods	Sale of food products R'000	Sale of personal care products R'000	Sale of animal feeds R'000	Total R'000
Six months ended 30 September 2023				
Millbake	7 865 339	-	-	7 865 339
Groceries and International	931 218	405 047	145 625	1 481 890
	8 796 557	405 047	145 625	9 347 229
Six months ended 30 September 2022*				
Millbake	7 277 543	-	-	7 277 543
Groceries and International	949 176	347 808	156 175	1 453 159
	8 226 719	347 808	156 175	8 730 702
Financial year ended 31 March 2023*				
Millbake	14 975 443	-	-	14 975 443
Groceries and International	1 948 266	707 040	307 711	2 963 017
	16 923 709	707 040	307 711	17 938 460

* The results for the Millbake and Groceries and International segments in the comparative periods have been restated to reallocate nutritional beverages, a maize based product, which now form part of Millbake for segmental reporting purposes. The nutritional beverages results were previously included as part of the Groceries and International segment.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023 (CONTINUED)

3. SEGMENTAL INFORMATION (CONTINUED)

	Six months ended 30 September 2023 R'000	Six months ended 30 September 2022* R'000	Financial year ended 31 March 2023* R'000
Reconciliation from EBITDA to operating profit			
Millbake	969 650	761 469	1 630 369
Groceries and International	106 816	111 252	206 039
Corporate office	(59 512)	(52 021)	(105 246)
EBITDA	1 016 954	820 700	1 731 162
Depreciation and amortisation	(211 734)	(216 742)	(439 557)
Operating profit	805 220	603 958	1 291 605
Depreciation and amortisation			
Millbake	140 773	143 165	292 009
Groceries and International	38 355	44 532	88 437
Corporate office	32 606	29 045	59 111
	211 734	216 742	439 557
Capital expenditure			
Millbake	170 564	170 719	391 575
Groceries and International	63 038	38 442	72 265
Corporate office	5 754	5 742	8 844
	239 356	214 903	472 684

* The results for the Millbake and Groceries and International segments in the comparative periods have been restated to reallocate nutritional beverages, which now form part of Millbake for segmental reporting purposes. The nutritional beverages results were previously included as part of the Groceries and International segment.

	Six months ended 30 September 2023 R'000	Six months ended 30 September 2022 R'000	Financial year ended 31 March 2023 R'000
Non-current assets by geography			
South Africa	4 789 633	4 638 837	4 778 628
Outside South Africa	1 052 104	1 003 118	1 017 411
	5 841 737	5 641 955	5 796 039
Loans receivable	25 913	38 140	24 577
Deferred income tax	36 218	15 865	32 812
Non-current assets per Statement of Financial Position	5 903 868	5 695 960	5 853 428

The Chief Operating Decision Maker ("CODM") and the Board review the normalised headline earnings per share and dilutive normalised headline earnings per share of the Group on a regular basis as part of assessing the overall performance of the Group. Refer to note 8 for more details regarding these performance measurements.

Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The CODM is responsible for allocating resources, assessing the performance of operating segments and making strategic decisions. The Chief Executive Officer ("CEO") is the CODM and assesses the performance of operating segments based on earnings before finance income and finance costs (including foreign exchange gains), tax, depreciation and amortisation ("EBITDA").

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023 (CONTINUED)

3. SEGMENTAL INFORMATION (CONTINUED)

The Group's operating segments are differentiated as follows:

- **Millbake:** This segment comprises the milling and bakery operations in South Africa, eSwatini and Lesotho. The milling and bakery operations share similar economic characteristics as the flour from the milling operations is the main raw material used in the baking of bread.
- **Groceries and International:** This segment comprises home and personal care products and sugar-based confectionery products. Also included in this segment are the Group's subsidiary in the United Kingdom involved in the sales and distribution of home and personal care products and the Group's subsidiary in Mozambique which produces diversified products including wheat flour, maize meal, pasta, biscuits and animal feeds.

The corporate office presented comprises the costs incurred by the Group's corporate office.

As part of a strategic review, a decision has been taken that the beverages business would report directly to the Milling Executive from 1 April 2023, on the basis that it is produced from maize and trades using maize brands. Therefore, the results for the Millbake and Groceries and International segments in the comparative periods have been restated to reallocate nutritional beverages, which now form part of Millbake for segmental reporting purposes. The nutritional beverages results were previously included as part of the Groceries and International segment.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

	Six months ended 30 September 2023 R'000	Six months ended 30 September 2022 R'000	Financial year ended 31 March 2023 R'000
Sale of goods	9 347 229	8 730 702	17 938 460
Rendering of services	6 279	-	-
	9 353 508	8 730 702	17 938 460

The Group derives revenue from the sale of goods and the rendering of services at a point in time which have been disaggregated as follows:

	Six months ended 30 September 2023 R'000	Six months ended 30 September 2022 R'000	Financial year ended 31 March 2023 R'000
Sale of goods			
Sale of food products	8 796 557	8 226 719	16 923 709
From operations in South Africa	7 764 387	7 211 804	14 841 754
From operations outside South Africa	1 032 170	1 014 915	2 081 955
Sale of personal care products	405 047	347 808	707 040
From operations in South Africa	225 352	210 182	418 505
From operations outside South Africa	179 695	137 626	288 535
Sale of animal feeds	145 625	156 175	307 711
From operations in South Africa	51 411	31 961	70 193
From operations outside South Africa	94 214	124 214	237 518
	9 347 229	8 730 702	17 938 460
Rendering of services in South Africa			
Sales and merchandising services	4 949	-	-
Customer management services	1 235	-	-
Warehousing and distribution services	95	-	-
	6 279	-	-

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023 (CONTINUED)

5. FINANCE INCOME

	Six months ended 30 September 2023 R'000	Six months ended 30 September 2022 R'000	Financial year ended 31 March 2023 R'000
Loans receivable	1 565	1 673	3 212
Banks	7 281	1 948	8 831
Other receivables	360	265	703
Preference dividends	-	43 513	43 513
	9 206	47 399	56 259

The conversion of the redeemable preference shares during the prior period, on 4 May 2022, did not result in the accrued withholding tax becoming due and payable. Consequently, the accrued withholding tax on the preference dividends was reversed to profit during the prior period.

6. FINANCE COSTS

	Six months ended 30 September 2023 R'000	Six months ended 30 September 2022 R'000	Financial year ended 31 March 2023 R'000
Borrowings	140 047	76 785	201 787
Bank overdraft	24 697	23 222	43 239
Trade financing facility	32 248	20 233	49 087
Lease liabilities	13 718	11 619	25 730
Other payables	1 733	2 900	1 665
Loan from shareholder	-	14 275	14 275
Preference dividends	-	9 888	9 888
	212 443	158 922	345 671

The loan from the shareholder was ceded for equity during the prior period, on 4 May 2022, which resulted in the decrease in the finance cost on the shareholder loan. Furthermore, the redeemable preference shares were converted to equity on 4 May 2022, which resulted in the decrease in preference dividends.

The increase in finance costs from borrowings over the same period last year is as a result of higher interest rates and an increase in borrowings as illustrated in note 9.

7. FOREIGN EXCHANGE GAINS

	Six months ended 30 September 2023 R'000	Six months ended 30 September 2022 R'000	Financial year ended 31 March 2023 R'000
Foreign exchange gains on cash and loans of a funding nature	2 965	53 074	56 116

The foreign exchange gains on cash and loans of a funding nature in the comparative periods were mainly attributable to an intergroup loan with exposure to foreign currency risk linked to the ZAR to MZN exchange rate. The intergroup loan was converted into equity on 30 March 2023 and therefore the Group did not incur any significant foreign exchange gains in the current period.

The table below references the exchange rates for each reporting period.

	Six months ended 30 September 2023 MZN	Six months ended 30 September 2022 MZN	Financial year ended 31 March 2023 MZN
ZAR to MZN exchange rate - Closing rate	3.37	3.59	3.57

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023 (CONTINUED)

8. EARNINGS PER SHARE

The “A” and “A1” ordinary shareholders have a right to receive a distribution when the Board authorises a distribution to the Company’s ordinary shareholders. The distribution is determined in relation to the equivalent number of ordinary shares which equals the value of the “A” and “A1” ordinary shares. The equivalent number of ordinary shares which equals the value of the “A” and “A1” ordinary shares, is included in the calculation of earnings per share (“EPS”), headline earnings per share (“HEPS”), normalised headline earnings per share and dilutive earnings per share.

	Six months ended 30 September 2023	Six months ended 30 September 2022	Financial year ended 31 March 2023
Number of ordinary shares in issue	128 905 800	128 905 800	128 905 800
Weighted average number of equivalent ordinary shares from “A” and “A1” ordinary shares	1 173 660	1 855 254	1 176 937
Weighted average number of ordinary shares in issue [^]	130 079 460	122 642 390	126 012 283
Diluted weighted average number of ordinary shares in issue [^]	130 079 460	127 061 180	128 227 731
Basic earnings per share (cents)	326.44	325.49	630.41
Basic earnings per share - diluted (cents)	326.44	287.70	593.29
Headline earnings per share (cents)	330.61	328.13	633.64
Headline earnings per share - diluted (cents)	330.61	290.25	596.47
Normalised headline earnings per share (cents)	330.61	263.67	551.67
Normalised headline earnings per share - diluted (cents)	330.61	262.28	549.85

[^] Includes the weighted average number of equivalent ordinary shares which equals the “A” and “A1” ordinary share values.

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares and is based on the net profit attributable to owners of the Company, adjusted for the after-tax dilutive effect of the R33.6 million preference dividends for the comparative periods. During the comparative periods, the Company had dilutive potential ordinary shares which comprised the right the Company had to convert the redeemable preference shares to ordinary shares of the Company. During the prior period, on 4 May 2022, the redeemable preference shares were converted into ordinary shares of the Company.

The reconciliation of the weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share is as follows:

	Six months ended 30 September 2023	Six months ended 30 September 2022	Financial year ended 31 March 2023
Weighted average number of ordinary shares in issue	130 079 460	122 642 390	126 012 283
Adjusted for:			
Right to convert redeemable preference shares	-	4 418 790	2 215 448
Weighted average number of ordinary shares for calculation of dilutive earnings per share	130 079 460	127 061 180	128 227 731

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023 (CONTINUED)

8. EARNINGS PER SHARE (CONTINUED)

Headline earnings

Headline earnings is calculated in accordance with the Circular 1/2023 Headline Earnings as issued by the South African Institute of Chartered Accountants (SAICA), as amended from time to time and as required by the JSE Limited. Reconciliation between net profit attributable to the owners of the Company and headline earnings:

	Six months ended 30 September 2023 R'000	Six months ended 30 September 2022 R'000	Financial year ended 31 March 2023 R'000
Profit attributable to the owners of the Company	424 634	399 184	794 390
<i>Adjusted for:</i>			
Loss on disposal of property, plant and equipment	5 575	3 570	4 744
Total non-controlling interest and tax effect of adjustments	(159)	(328)	(664)
Headline earnings	430 050	402 426	798 470

Normalised headline earnings and diluted normalised headline earnings

The CODM and the Board review normalised headline earnings per share and dilutive normalised headline earnings per share of the Group on a regular basis as part of assessing the overall performance of the Group.

The calculation of normalised headline earnings per share in the comparative periods excludes from headline earnings the impact of the foreign exchange gains on cash and the intergroup loan. The intergroup loan was converted into equity on 30 March 2023 and therefore the Group should not incur any significant foreign exchange movement on cash and loans of a funding nature going forward. Further, the once-off impact of the accrued withholding tax on the preference dividends that was reversed to profit and the related non-controlling interest and tax effect on these items are excluded from headline earnings. The normalised headline earnings are divided by the weighted average number of ordinary shares in issue and the equivalent number of ordinary shares which equals the value of the "A" and "A1" ordinary shares.

Reconciliation between headline earnings and normalised headline earnings:

	Six months ended 30 September 2023 R'000	Six months ended 30 September 2022 R'000	Financial year ended 31 March 2023 R'000
Headline earnings	430 050	402 426	798 470
<i>Adjusted for:</i>			
Foreign exchange gains on cash and loans of a funding nature	-	(53 074)	(56 116)
Finance costs - Preference dividends	-	(43 513)	(43 513)
Total non-controlling interest and tax effect of adjustments	-	17 533	(3 666)
Normalised headline earnings	430 050	323 372	695 175
<i>Adjusted for:</i>			
Dilutive earnings effect - Preference dividends	-	9 888	9 888
Diluted normalised headline earnings	430 050	333 260	705 063

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023 (CONTINUED)

9. BORROWINGS

				Six months ended 30 September 2023 R'000	Six months ended 30 September 2022 R'000	Financial year ended 31 March 2023 R'000
Secured bank loans	Currency	Interest rate	Maturity date			
Term loan facilities						
FirstRand Bank Limited - Syndicated Term facility	ZAR	JIBAR plus 1.35%	2 November 2025	1 900 000	-	1 900 000
Standard Bank of South Africa Limited	ZAR	Prime less 0.7%	30 November 2025	172 512	193 253	183 008
FirstRand Bank Limited - Facility A	ZAR	JIBAR plus 2.35% to 2.85%	9 December 2024	-	360 000	-
Revolving loan facilities						
FirstRand Bank Limited - RCF	ZAR	JIBAR plus 1.45%	2 November 2026	455 964	-	705 964
Standard Bank of eSwatini Limited	SZL	Prime plus 0.45%	31 July 2026	80 000	80 000	80 000
First National Bank of eSwatini Limited	SZL	Prime plus 0.45%	31 July 2026	80 000	80 000	80 000
FirstRand Bank Limited - Facility B	ZAR	JIBAR plus 1.4% to 1.9%	9 December 2024	-	1 200 000	-
FirstRand Bank Limited - Facility C	ZAR	JIBAR plus 2.5% to 3%	9 December 2024	-	300 000	-
				2 688 476	2 213 253	2 948 972
Non-current				2 664 453	2 032 512	2 926 602
Current				24 023	180 741	22 370
				2 688 476	2 213 253	2 948 972

During the interim period the Group made voluntary capital debt repayments of R250 million on the RCF facility.

10. CASH AND CASH EQUIVALENTS

For purposes of the Statement of Financial Position, cash and cash equivalents and bank overdraft consist of:

	Six months ended 30 September 2023 R'000	Six months ended 30 September 2022 R'000	Financial year ended 31 March 2023 R'000
Cash on hand	16 264	12 130	16 581
Bank balances	433 535	413 642	578 821
Cash and cash equivalents	449 799	425 772	595 402
Bank overdraft	(105 837)	(178 546)	(201 215)

For purposes of the Statement of Cash Flows, cash and cash equivalents consist of:

	Six months ended 30 September 2023 R'000	Six months ended 30 September 2022 R'000	Financial year ended 31 March 2023 R'000
Cash on hand	16 264	12 130	16 581
Bank balances	433 535	413 642	578 821
Cash and cash equivalents	449 799	425 772	595 402
Bank overdraft	-	(178 546)	-
Net cash and cash equivalents	449 799	247 226	595 402

At 31 March 2023, the Group reassessed the classification of bank overdrafts as a component of cash and cash equivalents and identified that the bank overdraft did not fluctuate from being overdrawn to a positive balance it has therefore been concluded that the bank overdraft no longer forms an integral part of the Group's cash management, and instead represents a form of financing and the related cash flow movements are presented as cash flows from financing activities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023 (CONTINUED)

11. RELATED PARTY TRANSACTIONS

During the interim period 734 981 and 413 021 share appreciation rights ("SARs") at a strike price of R Nil were awarded to JJ Gertenbach and F Grobbelaar respectively. A further 175 000 SARs at a strike price of R56.71 were awarded to F Grobbelaar. 50% of awarded SARs vest on the fourth anniversary of their issue date and the remaining 50% on the fifth anniversary.

12. COMMITMENTS

Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	Six months ended 30 September 2023 R'000	Six months ended 30 September 2022 R'000	Financial year ended 31 March 2023 R'000
Property, plant and equipment	86 178	75 754	104 966

13. EVENTS AFTER THE INTERIM PERIOD

There were no material events after the interim period up to the date of this report that may have affected the reported results at the financial reporting date.

CORPORATE INFORMATION

Company name	Premier Group Limited
Company registration number	2007/016008/06
Country of incorporation and domicile	Republic of South Africa
JSE share code	PMR
ISIN	ZAE000320321
Registered office and business address	Building 5 Maxwell Office Park Magwa Crescent West Waterfall City, 2090 Private Bag X2127, Isando, 1600 Telephone +27 11 565 4300
Directors	JJ Gertenbach (Chief Executive Officer) F Grobbelaar (Chief Financial Officer) I van Heerden (Non-executive Chairperson) FN Khanyile (Lead Independent Non-executive) JER Matthews* (Non-executive) H Ramsumer (Independent Non-executive) CJ Roodt (Independent Non-executive) W Sihlobo (Independent Non-executive) * PRN Hayward-Butt is an alternate Director to JER Matthews
Bankers	FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited and Investec Bank Limited
Company secretary	M Stoltz Email: companysecretary@premiermcg.com
Transfer secretaries	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 Private Bag X9000, Saxonwold, 2132 Telephone +27 11 370 5000
Sponsor	Rand Merchant Bank (a division of FirstRand Bank Limited) 1 Merchant Place, Cnr Fredman Drive and Rivonia Road, Sandton, 2196 PO Box 786273, Sandton, 2146 Telephone +27 11 282 8000
Independent auditor	PricewaterhouseCoopers Inc. 4 Lisbon Lane, Waterfall City, Jukskei View, 2090 Private Bag X36, Sunninghill, 2157 Telephone +27 11 797 4000
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Investor relations	investor@premiermcg.com
Tax reference number	9102629160
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