**STEINHOFF INVESTMENT HOLDINGS LIMITED**
**Registration number: 1954/001893/06**

# CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS
**for the year ended 30 September 2019**

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*Preparation supervised by: TLR de Klerk (director); BCom (Hons), CTA, Hdip (Tax), CFM*

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate annual financial statements fairly present the state of affairs of Steinhoff Investment Holdings and its subsidiaries (the "Company" or "Steinhoff Investments" and together with its subsidiaries, the "Group") as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the consolidated and separate annual financial statements.

The consolidated and separate annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and its subsidiaries and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and its subsidiaries and all employees are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company and its subsidiaries is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company and its subsidiaries endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated and separate annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors draw attention to the critical assumptions and disclosures made throughout the consolidated and separate annual financial statements.

**Litigation**

The Company and its subsidiaries are subject to several legal claims and regulatory investigations. A key assumption in the Company's consolidated cash flows is that no material judgments or fines are issued against the Company and/or its subsidiaries and will become payable during the next twelve months. These legal proceedings and regulatory investigations have been initiated against the company and its subsidiaries since December 2017. The board, assisted by the litigation working group of Steinhoff N.V. ("Litigation Working Group"), and in consultation with the Company's attorneys, continue to assess the merits of, and responses to, these claims, and provide feedback to the relevant regulatory bodies. Several initial defences have already been filed by the Company and/or its subsidiaries in these legal proceedings. However, there remains a material uncertainty as to the ultimate impact of litigation on the liquidity of the company and its subsidiaries.

**Tax**

Tax remains a material uncertainty as a consequence of the accounting irregularities and the consequential effects thereof remain uncertain. A key assumption is therefore that the tax assumptions built into the current cash forecast, for the Company and its subsidiaries, continue to apply and that no unexpected material assessments are received.

**COVID-19**

The ongoing pandemic of coronavirus disease 2019 ("COVID-19") caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) is causing significant disruptions both on the supplier and demand side for the Group.

COVID-19 is a non-adjusting event for the Group in the 2019 Reporting Period and will therefore not have an impact on recognition and measurement of assets and liabilities in the 2019 Reporting Period.

Management are continuing to take an active approach, implementing a range of mitigating strategies to protect profitability and cashflow. Immediate and significant actions are being implemented to reduce costs and optimise liquidity. These include reducing operating expenditures, reducing stock of goods impacted by the trading restrictions, actions to optimise working capital and stopping all but essential capital expenditure.

The extent and duration of the current restrictions on trade remain uncertain and it is too early to determine the exact impact of the COVID-19 pandemic on the performance of the Group for the 2020 financial year. It is clear, however, that the pandemic and resulting restrictions will have a negative impact on overall turnover and the underlying business performance going forward.

While the Group is confident that the actions it is taking to address the impacts of COVID-19 are appropriate and timely, the situation remains fast moving and uncertain and these are being kept under constant review.

Also refer to disclosure in Note 34: Events occurring after the 2019 Reporting Period, for further actions implemented by the Group.

The consolidated and separate annual financial statements are prepared on the going concern basis. Besides the items listed above, nothing has come to the attention of the directors to indicate that the Group will not remain a going concern.

The external auditors are responsible for independently auditing and reporting on the consolidated and separate annual financial statements. The consolidated and separate annual financial statements have been examined by the Company's external auditors and their report is presented on pages 15 to 25.

The consolidated and separate annual financial statements set out on pages 26 to 172, which have been prepared on the going concern basis, were approved by the board on 28 May 2020 and were signed on their behalf by:

| | | |
|---|---|---|
| **M Moses** | **L du Preez** | **TLR de Klerk** |
| *Independent non-executive chairman* | *Executive director* | *Executive director* |

We certify, in accordance with section 88(2)(e) of the Companies Act, that other than the filing of XBRL annual financial statements and completion of a Compliance Checklist for the reporting period and certain prior periods due to the unavailability of completed annual financial statements, the Company has lodged with the Companies and Intellectual Properties Commission all such returns as are required for a public company in terms of the Act and that all such returns are true, correct and up to date.

**Steinhoff Secretarial Services Proprietary Limited**
*Company secretary*

28 May 2020
On behalf of Steinhoff Investment Holdings Limited

The directors submit their report on the consolidated and separate annual financial statements of Steinhoff Investments for the twelve month period ended 30 September 2019.

**NATURE OF BUSINESS**

Steinhoff Investments is a wholly-owned subsidiary of Steinhoff International Holdings N.V. ("Steinhoff N.V.") and is primarily involved in the retailing of general merchandise and operated a number of car dealerships. The Group operates in Africa. The Company is incorporated in South Africa and holds investments in and intercompany loans with fellow subsidiaries in the greater Steinhoff N.V. group of companies both in South Africa and Europe.

The announcement of accounting irregularities, the sudden resignation of the chief executive officer of Steinhoff N.V. in December 2017, other changes to the senior leadership team and to the Steinhoff N.V. Supervisory Board, the material decline in the share price and the withdrawal of various credit and trade facilities have all had a profound impact on the Steinhoff N.V. group, its subsidiaries and stakeholders (the “December 2017 Events”). The forensic investigation, initiated after the December 2017 Events, has been completed and Steinhoff N.V. released an overview of the forensic investigation, on *www.steinhoffinternational.com* , on 15 March 2019.

Steinhoff Investments is the issuer of variable rate, cumulative, non-redeemable, non-participating preference shares with a capital value of R1.5 billion. The preference shares are listed on the Johannesburg Stock Exchange ("JSE"). All shares are held by public shareholders. Following the December 2017 Events, Steinhoff Investments was unable to publish its consolidated and separate financial statements for the year ended 30 September 2017 by the requisite date, namely 28 February 2018. The listing of the preference shares was therefore suspended by the JSE effective 1 March 2018 and has remained suspended since that date.

As a consequence of the December 2017 Events, the 2016 standalone financial statements of Steinhoff Investments could no longer be relied on and will have to be restated.

During August 2018, the JSE imposed a public censure and a public fine in the amount of R1 000 000 against Steinhoff Investments as a result of the breach of paragraph 3.4(a) and General Principle (iii) of the JSE Listings Requirements. This was settled by Steinhoff Investments in the same month.

These consolidated and separate annual financial statements for the year ended 30 September 2019 are being released ahead of the release of the delayed consolidated and separate annual financial statements for the years ended 30 September 2017 and 2018 in order to give the market the most recent financial information as soon as possible. Refer to the audit opinion as part of the Auditor's Report, drawing the users' attention to the fact that at the reporting date no audited consolidated and separate financial statements were available for the earlier years then ended.

**Reportable irregularities**

As a result of the abovementioned, non-compliance of laws and regulations has been noted (also refer to note 37):

- Non-compliance of Companies Act requirements as annual financial statements for various individual entities have not been signed off within six months after year-end;
- Non-compliance of JSE Listing Requirements as Steinhoff Investments has not published interim and final results for several years, and
- Non-compliance of the Income Tax Act as the Group has not filed annual income tax returns for several entities as a result of the annual financial statements not being finalised for past years.

In accordance with the South African Auditing Profession Act 26 of 2005, these findings constitute reportable irregularities on the basis that persons responsible for the management of an entity may not have acted with the necessary care, skill and diligence required, which failure has caused, or is likely to cause material financial loss to the entity or stakeholders in its dealings with the entity, or, alternatively, this activity may have constituted a material breach of fiduciary duties by such persons.

Mazars reported these reportable irregularities to the Independent Regulatory Board for Auditors in South Africa and concluded that these matters are ongoing. Management believe that the release of the 2019 results is the starting process to effectively remediate the activities that gave rise to the reportable irregularities.

It is Steinhoff Investments’ current intention that the financial statements for the earlier years will be released before the end of 2020 and that regular financial reporting will resume with effect from the 2020 full year results.

The Group's stakeholders have been kept informed by regular announcements released through formal channels. All announcements can be found on the Investor Relations website of the holding company: *www.steinhoffinternational.com/sens.php.*

**HOLDING AND ULTIMATE HOLDING COMPANY**

The Company's holding company is Steinhoff N.V.

Steinhoff N.V. is primarily a global holding company with investments in a diverse range of retail businesses in Africa, Australasia, Europe, the United Kingdom and the United States of America.

**FINANCIAL REVIEW**

Steinhoff Investments achieved a commendable set of operating results for the 2019 financial year, despite a very difficult retail environment where consumer spending remained constrained, fuelled by high levels of unemployment and low economic growth.

A number of investments have been disposed of during the past few years and this resulted in an increase in cash held during both the 2018 and 2019 Reporting Periods.

The results for the year under review are fully set out in the attached consolidated and separate annual financial statements.

**SHARE CAPITAL**

The Company's authorised share capital comprises R505 000, divided into 101 000 000 ordinary shares of 0.5 cents each and the authorised preference share capital comprises R495 000, divided into 495 000 000 non-redeemable, cumulative, non-participating preference shares of 0.1 cent each.

**SHAREHOLDING**

As mentioned above, Steinhoff Investments is a wholly-owned subsidiary of Steinhoff N.V.

As at the Reporting Date, the preference shares were held by 2 073 public holders. The only investors holding more than 5% as at the Reporting Date were:

| | |
|---|---|
| Société Générale ITF PGR High Growth H4 | 13% |
| Allan Gray Stable Fund | 10% |
| Allan Gray Global Stable Portfolio | 5% |
| Peregrine Capital High Growth Offshore Segregated Portfolio | 5% |

None of the directors held any ordinary or preference shares in the Company in either the 2018 or 2019 Reporting Periods. This has not changed since the Reporting Date.

**DISTRIBUTIONS TO ORDINARY SHAREHOLDERS**

No dividends or distributions were approved or paid during the 2019 financial year (2018: R2 230 million).

**CONTRACTS**

No contracts, other than those disclosed in note 29, in which directors and officers of the Company had an interest and that significantly affected the affairs or business of the Company, or which could have resulted in a conflict of interest, were entered into during the year.

**CORPORATE ACTIVITY**

Following the December 2017 Events, in order to fund operations, repay debt and support the Group's short-term liquidity, management decided to dispose of certain non-core assets or assets requiring significant cash commitments including the following:

- Unitrans Automotive
- Africa Properties
- PSG - Investment in equity accounted company
- KAP - Investment in equity accounted company

For further details refer to note 1 and note 10 to the consolidated financial statements.

## EVENTS AFTER THE REPORTING DATE

### Litigation

A number of contractual claims have been initiated against the Group during and after the 2019 Reporting Period. They are all being defended. No provisions have been made for these claims during the 2019 Reporting Period, as it is not yet possible to determine the timing and outflow, if any, relating to these claims.

A key assumption in the Company's consolidated cash flows is that no material judgments or fines are issued against the Company and/or its subsidiaries and will become payable during the next twelve months. These legal proceedings have been initiated against the Company and its subsidiaries since December 2017. The board, assisted by the Litigation Working Group, and in consultation with the Company's attorneys, continue to assess the merits of, and responses to, these claims, and provide feedback to the relevant regulatory bodies. Several initial defences have already been filed by the Company and/or its subsidiaries in these legal proceedings. However, there remains a material uncertainty as to the ultimate impact of litigation on the liquidity of the Company and its subsidiaries.

For further details refer to note 22.3 and note 34 of the consolidated annual financial statements.

### Covid-19

At the time of writing, there is widespread global uncertainty associated with the COVID-19 pandemic. Trading subsequent to year-end remains volatile and the difficult trading environment is expected to persist as consumer spending continues to be constrained. We are closely monitoring the situation and its effect on business operations. While it is widely expected that the outbreak and spread of COVID-19 may lead to challenges, it is not yet possible to determine accurately any future impact on business operations. Also refer to disclosure in Note 34: Events occurring after the 2019 Reporting Period, for further actions implemented by the Group.

## GOING CONCERN

In determining the appropriate basis of preparation of the consolidated and separate financial statements, the board is required to consider whether the Group can continue in operational existence for the foreseeable future. Management has taken into account all available information about the foreseeable future relating to Steinhoff Investments and its subsidiaries and, currently, does not intend to liquidate the entity and plans to recover its assets and settle its debt in the normal course of business.

Given due cognisance of the Steinhoff N.V. group's and Steinhoff Investments Group's current financial position, we are of the opinion that the Group will be able to meet its liabilities as they become due and therefore appears to be a going concern for the 12 month period following the date of issue.

The board draws attention to the critical assumptions and disclosures made throughout these consolidated and separate annual financial statements.

### Tax

Tax remains a material uncertainty as a consequence of the accounting irregularities and the consequential effects thereof remain uncertain. A key assumption is therefore that the tax assumptions built into the current consolidated cash forecast, for the Group, continue to apply and that no unexpected material assessments will be received.

## CORPORATE GOVERNANCE

### JSE Listings Requirements

As at the date of publication of this report, the listing on the JSE of the Company's perpetual preference shares remains suspended due to non-compliance with the JSE Listings Requirements pertaining to the publication of annual financial statements for the 2017 and 2018 financial years. The Company has engaged with the JSE in order to cure the non-compliance over a period of time.

The JSE has granted the Company the following dispensations from the JSE Listings Requirements ("LRs"):

- The requirement to appoint a chief executive officer in terms of LR 3.84(b);
- The requirement to appoint a Financial Director in terms of LR 3.84(f);
- The requirement to appoint a remuneration committee, and the obligations pertaining to the preparation of a remuneration policy and implementation report in terms of LR 3.84(c) and (j).
- The requirement to publish a notice of AGM in terms of LR 3.19(a); and
- The requirement to publish an abridged report in terms of LR 3.21(b).

**Balance of Power and Authority of the Board of Directors**
The board is comprised of independent non-executive directors and executive directors, the majority of whom are independent non-executive directors as determined by the board. A delegation of authority framework has been adopted by the board, enabling the efficient administration of the day to day affairs of the Company. All other matters beyond the administrative scope of the delegation of authority framework are considered and determined by the full board, acting collectively. The board has appointed an independent non-executive chairman who does not also hold the position of chief executive officer.

**Board Committees**
An Audit & Risk Committee and a Social & Ethics Committee have been appointed in accordance with the requirements of the Companies Act, 71 of 2008 and King IV™.

The Audit and Risk committee is an independent statutory committee established by the board to assist it in discharging its risk management responsibilities within the Steinhoff Investment Group. The committee acts in compliance with section 94(7) of the Act and provides independent oversight of the risk management process and makes recommendations to the board. The committee does not assume management functions, which remain the responsibility of the executive directors and other senior members of management. The Audit & Risk Committee met four times during the 2019 Reporting Period and was comprised of Steve Booysen (Chairperson), Alex Watson (appointed 29 October 2018) and Moira Moses (appointed 29 October 2018). On 30 August 2019, Steve Booysen resigned as a director of the Company. Alex Watson replaced Steve Booysen as the Chairperson of the committee and Hugo Nelson was simultaneously appointed to the board and to the committee on 7 October 2019. All committee members attended all committee meetings held during the 2019 Reporting Period, save for one apology tendered by Moira Moses.

The Social and Ethics committee operates under terms of reference that are aligned with the requirements of the Companies Act and King IV™ The Social and Ethics committee is responsible for various statutory duties, with regard to relevant legislation, other legal requirements and prevailing codes of best practice. The committee monitors the Company's activities with regards to ethics, social and economic development, good corporate citizenship, customer relations, environment, health and public safety, broad-based black economic empowerment, labour and employee engagement and compliance with applicable laws and regulations. As per the recommendations of King IV™, the committee meets the requirement of executive and non-executive directors, with a majority being non-executive members. The Social & Ethics Committee met once during the 2019 Reporting Period and was comprised of Alex Watson (Chairperson), Steve Booysen and Louis du Preez. All committee members attended the committee meeting held during the 2019 Reporting Period. On 30 August 2019, Steve Booysen resigned as a director of the Company. Hugo Nelson replaced Steve Booysen as the third member of the committee.

**Policies on Race and Gender Diversity at Board Level**
Appointments to the board are based on levels of skill, acumen and experience with due regard to race and gender diversity requirements. The board has adopted race and gender diversity policies to guide the identification of suitable candidates for appointment as directors. No voluntary targets have been set by the Company.

**Corporate Governance Codes**
As the Company is a direct wholly owned subsidiary of Steinhoff N.V., the principles of the 2016 Dutch Corporate Governance Code are considered and applied under direction of the Management and Supervisory Boards of Steinhoff N.V. in conjunction with the application of King IV™ as appropriate. Steinhoff Investments' King IV™ Compliance Checklist and more information on the Steinhoff Group's application of the 2016 Dutch Corporate Governance Code, as contained in Steinhoff N.V.'s annual report is available on the Company's website at *www.steinhoffinternational.com* .

**AUDITOR**
In line with the recent change of statutory external auditor at Steinhoff N.V., Mazars has taken over from Deloitte as the Group auditor from the 2019 Reporting Period onward and will remain in office in accordance with Section 90(6) of the Companies Act.

**EXTERNAL AUDIT**
The 2019 consolidated and separate annual financial statements have been audited by the external auditor, Mazars, and their opinion is set out on page 15 to 25.

The 2019 accounts were prepared before the completion and publication of the 2018 accounts. This approach includes a number of uncertainties as mentioned above under the nature of business section.

Under International Auditing Standards the auditor shall disclaim an opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base its opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive, or the auditor shall disclaim an opinion when, in extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding it having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial statements due to the potential interaction of the uncertainties and their possible cumulative effect on the financial statements.

Mazars have issued a disclaimer of opinion on the consolidated and separate financial performance and consolidated and separate cash flows. They have also issued a qualified audit opinion on the consolidated and separate financial position. In the auditor's report Mazars details the reasons why it has come to these conclusions. The main uncertainties listed and explained in the Basis for Opinions in the audit opinion are as follows:

- The prior year financial statements have not yet been audited, and as such the opening balances and comparative figures have not yet been signed off by Deloitte, the prior year auditor. As a result, Mazars were are unable to express an opinion on the opening balances contained in the consolidated and separate financial statements for the year ended 30 September 2019. Since opening balances enter into the determination of the financial performance and cash flows, Mazars were unable to determine whether adjustments might have been necessary in respect of the movements in the statements of profit or loss and other comprehensive income, the net cash flows from operating activities reported in the statements of cash flows and the changes in equity reported in the statements of changes in equity.
- Material uncertainty with respect to litigation and claims. The potential outcomes of the litigation and claims facing the Group and Company cannot be reasonably estimated by management at this time. Although management is unable to estimate the potential cash outflow in the case of unfavourable decisions by the courts, the potential outflows of cash could be considerable and also impact the going concern assumption.
- Material uncertainty related to going concern including the material uncertainty as to the ultimate impact of litigation and claims and regulatory enforcement on the liquidity of the Group and the Company. There is significant uncertainty relating to the outcome and the timing of the outcome of the material litigation and claims facing the Group and the Company. Consequently, a material uncertainty exists in determining whether preparing the consolidated and separate financial statements on the going concern basis of accounting is appropriate.
- Material uncertainty with regards to uncertain tax positions resulting from current and past restructuring. There are uncertainties as to the quantum of these uncertain tax positions and any adjustments relating thereto on the consolidated and separate financial statements.

**DIRECTORATE**

| | Type | Date of appointment | Date of resignation |
|---|---|---|---|
| **Directorate at date of signature of consolidated and separate annual financial statements:** | | | |
| Theodore de Klerk | Executive | 30 August 2019 | |
| Louis du Preez | Executive | 2 February 2018 | |
| Johan Geldenhuys | Executive | 2 February 2018 | |
| Moira Moses | Independent non-executive | 29 October 2018 | |
| Hugo Nelson | Independent non-executive | 30 August 2019 | |
| Alex Watson | Independent non-executive | 29 October 2018 | |
| **Directorate that resigned prior to the date of this report** | | | |
| Heather Sonn | Independent non-executive | | 18 May 2020 |
| Mariza Nel | Executive | | 31 January 2018 |
| Stéhan Grobler | Executive | | 2 February 2018 |
| Steve Booysen | Independent non-executive | | 30 August 2019 |
| Theunie Lategan | Non-executive | | 28 February 2018 |
| Len Konar | Non-executive | | 6 March 2018 |

None of the independent directors have long-term services contracts with the Company or any of its controlled entities. Executive directors have standard employment contracts with the Company and/or its subsidiaries.

**SECRETARY**

Steinhoff Secretarial Services Proprietary Limited acts as secretary to the Company. The board of directors considered and satisfied itself of the competence, qualifications and experience of the company secretary pursuant to paragraph 3.84(h) of the JSE LR's.

**CLOSING**

The Steinhoff Investments board and management wish to thank their stakeholders for their continued support.

**BUSINESS ADDRESS**
Building B2
Corner of Adam Tas and Devon Valley Road
Stellenbosch
Western Cape
7600

**POSTAL ADDRESS**
PO Box 122
Stellenbosch
Western Cape
7599

## BACKGROUND

The Steinhoff Investments' audit and risk committee ("Audit Committee") is pleased to present its report for the year ended 30 September 2019 as recommended by the King IV™ Report on Corporate Governance and in line with the South African Companies Act, 71 of 2008, as amended (the "Act").

The Audit Committee's operation is guided by a formal detailed charter that is in line with the Act and is approved by the board. The Audit Committee has discharged all its responsibilities as contained in the charter. This process is supported by the audit subcommittees that are in place for all significant operating divisions and subsidiaries. These subcommittees meet in terms of formal mandates and deal with all issues arising at the operational division or subsidiary level. These subcommittees elevate any unresolved issues of concern to the Audit Committee.

## OBJECTIVE AND SCOPE

The overall objectives of the Audit Committee are as follows:

- To review the principles, policies and practices adopted in the preparation of the accounts of companies in the Group and to ensure that the consolidated and separate annual financial statements of the Group and any other formal announcements relating to the financial performance comply with all statutory, regulatory and Steinhoff Investments' requirements as may be required.
- To ensure that the consolidated interim financial statements of the Group, in respect of the first six-month period, comply with all statutory, regulatory and Steinhoff Investments' requirements.
- To annually assess the appointment of the auditors and confirm their independence, recommend their appointment to the annual general meeting and approve their fees.
- To ensure that all financial information contained in any consolidated submissions to Steinhoff Investments is suitable for inclusion in its consolidated annual financial statements in respect of any reporting period.
- To review the work of the Group's external and internal auditors to ensure the adequacy and effectiveness of the Group's financial, operating, compliance and risk management controls.
- To review the management of risk and the monitoring of compliance effectiveness within the Group.
- To perform duties that are attributed to it by the Act, the JSE and the King IV™ Report.

During the Reporting Period the Audit Committee performed the following activities:

- Received and reviewed reports from both internal and external auditors concerning the effectiveness of the internal control environment, systems and processes.
- Reviewed the reports of both internal and external auditors detailing their concerns arising out of their audits and requested appropriate responses from management resulting in their concerns being addressed.
- Made appropriate recommendations to the board of directors regarding the corrective actions to be taken as a consequence of audit findings.
- Considered the independence and objectivity of the external auditors and ensured that the scope of their additional services provided was not such that they could be seen to have impaired their independence.
- Reviewed and recommended for adoption, by the board of directors, the consolidated results for the year ended 30 September 2019.
- Considered the effectiveness of internal audit, approved the one-year operational strategic internal audit plan and monitored adherence of internal audit to its annual plan.
- Meetings were held with the internal and external auditors, where management was not present, and no matters of concern were raised pursuant to paragraph 3.84(g)(ii) of the JSE LR's.
- Considered the appropriateness of the experience and expertise of the holding company CFO and concluded that these were appropriate.
- Considered the expertise, resources and experience of the finance function and concluded that these were appropriate.
- Considered the appropriateness and adequate functioning of the Company's financial reporting procedures.
- Executed its responsibilities pursuant to paragraph 22.15(h) of the JSE LR's.
- Considered the JSE's proactive monitoring of financial statements report.

The Audit Committee is of the opinion that the objectives of the Audit Committee were met during the period under review.

## ACCOUNTING PRACTICES AND INTERNAL CONTROL

Since the widely published December 17 Events, the Group has implemented many steps to enhance and extend the plans. The Steinhoff N.V. group prepared a remediation plan which is largely implemented and has resulted in overall improvements in controls throughout the Group. More details are available in the already published 2017, 2018 and soon to be published 2019 annual reports of Steinhoff N.V. Where weaknesses in specific controls had been identified, management undertook to implement appropriate corrective actions to mitigate the weaknesses identified.

Internal controls and systems have been designed to provide reasonable assurance as to the integrity and reliability of the financial information represented in the financial statements, and to safeguard, verify and maintain the assets of the Group. Nothing has come to the attention of the Audit Committee to indicate that any material breakdown in the functioning of the Group's key internal control systems has occurred during the year under review. The Audit Committee considers the Group's accounting policies, practices and financial statements to be appropriate.

**MEMBERSHIP**

| | |
|---|---|
| Alex Watson | Chairman |
| Moira Moses | |
| Hugo Nelson | |

The board is satisfied that these members have the required knowledge and experience as set out in section 94(5) of the Companies Act and regulation 42 of the Companies Regulations, 2011. The appointment of Audit Committee members will be a matter for consideration by shareholders at the forthcoming Annual General Meeting (AGM).

The executive directors, internal and external auditors and specialist members of the Group finance function attended the Audit Committee meetings by invitation. The Company Secretary of the Company acted as the secretary to this Audit Committee.

For the members' qualifications refer to the Steinhoff N.V.'s Annual Report and company website.

**EXTERNAL AUDIT**

The Audit Committee has satisfied itself through enquiry that the auditors of Steinhoff Investments are independent as defined by the Act.

The Audit Committee, in consultation with executive management, agreed to the audit fee for the 2019 financial year. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. Audit fees are disclosed in note 4.3.2 to the consolidated annual financial statements.

There is a formal procedure that governs the process whereby the external auditor is considered for the provision of non-audit services, and each request for additional services is considered in accordance with our set policy and procedure.

The Audit Committee notes the Key Audit Matters set out in the independent auditor's report. The Audit Committee has considered and evaluated this matter and is satisfied that it is represented correctly.

Meetings were held with the auditor, where management was not present, and no matters of concern were raised.

The Audit Committee has reviewed the performance of the external auditors, nominated for approval and ensured that the appointment of Mazars as the external auditor for the 2020 financial year, and Ms Yolandie Ferreira as the designated auditor is presented and included as a resolution at the annual general meeting pursuant to section 61(8) of the Act. . This will be her second year as auditor of the Company.

**MATTERS AND RISK AREAS PERTAINING TO THE 2019 ANNUAL CONSOLIDATED FINANCIAL STATEMENTS**

With reference to the Group's results for the current financial year, the Audit Committee paid specific attention to the matters highlighted below:

- Goodwill and indefinite life intangible asset impairment assessments of all operating segments, and the headroom estimated for each segment, which resulted in the impairment of the goodwill and other intangible assets of the building materials segment of Pepkor Holdings, as disclosed in the annual financial statements.
- The IFRS 9-based expected credit loss models and impairment methodologies developed and adopted by Pepkor Holdings' management, and the resultant provisioning on instalment sales, credit sales through store cards and loans to customer books, as disclosed in the annual financial statements.
- Impact assessment of the new IFRS 16: Leases, which is disclosed in the accompanying annual financial statements, and will be applied in the coming financial year.
- Provision for slow-moving and obsolete Pepkor Holdings stock, as well as ongoing levels of shrinkage experienced in the various retail chains.
- Provision for taxation, including deferred taxation, the factors impacting the effective rate of taxation, and remedial measures possible within the scope of taxation regulations of the countries within which the Group is doing business, which may improve the effective rate.
- Considered transactions for related-party disclosure.
- The impact of COVID-19 on the preparation of the financial statements and the application of the going concern assumption.

The Audit Committee, in forming a view of the specific matters highlighted, considered the opinion of the external auditor and management on all these matters. Mazars issued a disclaimer of opinion on the consolidated and separate financial performance and consolidated and separate cash flows. They have also issued a qualified opinion on the consolidated and separate financial position. In the auditor's report Mazars details the reasons why it has come to these conclusions. The main uncertainties are listed and explained in the Basis for Opinions in the audit opinion (refer page 15 to 25). The Audit Committee considers the Group's accounting policies, accounting practices and financial disclosures, as amended, to be appropriate.

## EVALUATION OF CHIEF FINANCIAL OFFICER

As required by JSE Listing Requirement 3.84(g), as well as the recommended practices as per King IV, the Audit Committee has assessed the competence and performance of the group chief financial officer and believes that he possesses the appropriate expertise and experience to meet his responsibilities in that position. The Audit Committee is satisfied with the expertise and adequacy of resources within the finance function and the experience of financial staff in this function.

## ANNUAL FINANCIAL STATEMENTS

The Audit Committee has evaluated the consolidated and separate annual financial statements for the year ended 30 September 2019, and considers that they comply, in all material aspects, with the requirements of the Act and International Financial Reporting Standards. The Audit Committee has therefore recommended the consolidated and separate annual financial statements, for approval to the board. The board has subsequently approved the consolidated and separate annual financial statements.

**A Watson**
*Audit Committee chairman*
28 May 2020

MAZARS

## Independent Auditor's Report

*To the shareholder of Steinhoff Investment Holdings Limited and its subsidiaries*

### Report on the Audit of the Consolidated and Separate Financial Statements

***Disclaimer of Opinion on the Consolidated and Separate Financial Performance and Consolidated and Separate Cash Flows and Qualified Opinion on the Consolidated and Separate Financial Position***

We have audited the consolidated and separate annual financial statements of Steinhoff Investment Holdings Limited set out on pages 26 to 172 which comprise the consolidated and separate statement of financial position as at 30 September 2019, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated and separate financial performance and consolidated and separate cash flows of Steinhoff Investment Holdings Limited and its subsidiaries for the year ended 30 September 2019. Because of the significance of the matters described in the Basis for Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated and separate financial performance and consolidated and separate cash flows.

In our opinion, except for the possible effects of the matters described in the Basis for Opinions section of our report, the consolidated and separate financial statements present fairly, in all material respects, the financial position of Steinhoff Investment Holdings Limited and its subsidiaries as at 30 September 2019 in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

***Basis for Opinions, Including Basis for Disclaimer of Opinion on the Consolidated and Separate Financial Performance and Consolidated and Separate Cash Flows and Qualified Opinion on the Consolidated and Separate Financial Position***

*Opening balances and comparative figures*

We were not appointed as auditors of the Steinhoff Investment Holdings Limited in the prior financial year. At the reporting date no audited consolidated and separate financial statements were available for the years ended 30 September 2018, 30 September 2017, and 30 September 2016. We refer to note 37 to the consolidated and separate financial statements where this matter, together with other matters pertaining to certain reportable irregularities have been described.

Due to the matter above, we were unable to obtain sufficient and appropriate audit evidence that the closing balances for the periods mentioned above were free from material misstatement, and we are unable to express an opinion on the opening balances contained in these consolidated and separate financial statements for the year ended 30 September 2019. We were unable to satisfy ourselves by alternative means concerning the opening balances and comparative figures. Since opening balances enter into the determination of the consolidated and separate financial performance and consolidated and separate cash flows, we were unable to determine whether adjustments might have been necessary in respect of the movements in the consolidated and separate statement of profit or loss and other comprehensive income, the net cash flows from operating activities reported in the consolidated and separate statement of cash flows and the changes in equity reported in the consolidated and separate statement of changes in equity.

Furthermore, our opinion on the current year's consolidated and separate financial position is qualified because of the possible effects of the matter described above on the comparability of the current year's consolidated and separate financial position with that of the prior year.

*Litigation and claims*

Following the public announcement on 5 December 2017 and the subsequent sharp decline in the share price of the Group and Company's parent Company, Steinhoff International Holdings N.V., the Company has received several claims from investors and vendors, which have been described in basis of preparation (Litigation), note 22.3 (Commitments and contingencies, legal claims) and note 34 (Events occurring after the reporting period, legal proceedings) to the consolidated and separate financial statements. The potential outcomes of the litigation and claims facing the Group and Company cannot be reasonably estimated by management at this time. Although management is unable to estimate the potential cash outflow in the case of unfavourable decisions by the courts, the potential outflows of cash could be considerable and impact the going concern assumption. We were unable to obtain sufficient appropriate audit evidence to determine whether any adjustment to the consolidated and separate financial statements is required with respect to the recognition of a provision in respect of IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

*Taxation*

As described in basis of preparation (Tax) and note 6 (Taxation, uncertain tax positions) management has concluded that material uncertainty exist in respect of uncertain tax positions resulting from current and past restructuring. We were unable to obtain sufficient appropriate audit evidence to determine the quantum of these uncertain tax positions, and any adjustments relating thereto on the consolidated and separate financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our modified opinion on the financial position.

### *Material Uncertainty Related to Going Concern*

Management prepared these consolidated and separate financial statements on the basis that the Group and the Company is a going concern. Management included their assessment, and the associated uncertainties they have identified, in basis of preparation (events after the reporting date and going concern). Management identified key assumptions in preparing the cash flow forecast and going concern assessment of the Group and the Company, including that no material judgements with respect to litigation and claims facing the Group and Company will become payable during the next 12 months, as well as material uncertainty as to the ultimate impact of litigation and claims and regulatory enforcement on the liquidity of the Group and the Company.

We have been unable to gather sufficient appropriate audit evidence to substantiate management's assumptions described above, including their material uncertainty as to the ultimate impact of litigation and claims and regulatory enforcement on the liquidity of the Group and the Company. The audit procedures that we have performed indicated significant uncertainty relating to the outcome and the timing of the outcome of the material litigation and claims facing the Group and the Company. We were unable to satisfy ourselves by alternative means concerning the matters described above. Consequently, and as indicated by the notes referred to above, a material uncertainty exists that may cast doubt on the Group and Company's ability to continue as a going concern. Our opinion is not modified further in respect of this matter.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Opinions section above, we have determined the matters described below to be the key audit matters to be communicated in our report on the consolidated and separate financial statements.

| *Matter* | *Audit response* |
| --- | --- |
| ***Goodwill and indefinite life intangible asset impairment assessments*** | |
| The group's net assets include a significant amount of goodwill amounting to R41.9 billion and trade and brand names amounting to R17.7 billion, classified as indefinite life intangible assets, allocated to groups of cash generating units (CGUs), as disclosed in note 8 (Intangible assets) in the consolidated financial statements.<br><br>Management performs annual impairment tests to assess the recoverability of the carrying value of goodwill and indefinite life intangible assets. The recoverable amount of the CGUs to which goodwill has been allocated is based on value in use calculations, determined using discounted cash flow models.<br><br>Based on their impairment assessments and calculations, management recognised impairment losses of R672 million against goodwill and R547 million against indefinite life intangible assets, relating to the building materials groups of CGUs.<br><br>No further impairment losses were recognised to goodwill and indefinite life intangible assets in relation to any other CGUs.<br><br>We considered this area to be a matter of most significance to our current year audit due to the following:<br>• the magnitude of the related goodwill and indefinite life intangible asset balances; and<br>• the significant judgement and key assumptions applied by management in performing the impairment assessments, which included the discount rate, long-term growth rate, medium-term revenue growth rate and future cash flows. | Our audit procedures included, among others, testing of the principles, integrity and mathematical accuracy of the group's discounted cash flow models. The detail of these audit procedures has been listed below:<br><br>• We utilised our valuation expertise to test the principles of management's calculation for each model. We assessed and challenged key inputs in the calculations, which included the discount rate, long-term growth rate, medium-term revenue growth rate and future cash flow assumptions by comparing them to approved business plans and independent market data.<br><br>• In assessing management's forecasts, we considered the historical accuracy of the underlying businesses' forecasts by comparing the actual results for the year with the original forecasts.<br><br>• We performed independent sensitivity calculations on the impairment assessments where no impairments were recognised, to determine the degree by which the key assumptions needed to change in order to trigger an impairment. |

| *Expected credit losses on financial assets* | |
|---|---|
| The group adopted International Financial Reporting Standard 9 – Financial Instruments (IFRS 9) for the first time in the current financial year. The group adopted IFRS 9 using the modified-retrospective approach with an adjustment for Expected Credit Losses (ECL) to opening retained earnings. The comparative financial statements were not restated, as permitted by IFRS 9 (refer to note 35.1.3, Changes in accounting policies, Effect of adopting IFRS 9: Financial instruments).<br><br>On a forward-looking basis, the group assesses the ECL associated with all financial assets measured at amortised cost and recognises an allowance for ECL on these financial assets. Refer to note 35.1.2 (Changes in accounting policies, Impairment of financial assets under the new impairment model) of the financial statements where the types of financial assets impacted and the ECL impairment models have been disclosed.<br><br>The key audit matter relates to the ECL raised on the following financial assets:<br><br>• Loans to customers through the provision of unsecured short-term loans from the group's Capfin business;<br><br>• Instalment sale receivables through financing options within the furniture, electronics and appliances segment; and<br><br>• Receivables relating to credit sales through store cards at Ackermans and Pepkor Speciality.<br><br>Refer to the accounting policies note on impairments of financial assets and note 19.3.1 (Financial risk management - Credit risk modelling applied to financial assets at amortised cost) for | Our audit procedures included, inter alia, the following:<br><br>• With the assistance of our accounting specialists, we assessed whether the model methodology and application of the methodology are in line with the requirements of IFRS 9; and<br><br>• We utilised our actuarial expert to assess the reasonability of the key judgements and estimates, i.e. determination of SICR, the loan write-off point, use of forward-looking information and event-driven credit estimates applied in the ECL calculations by evaluating management's estimates to actual results or independent market data where applicable; and to test the appropriateness and accuracy of the methodology applied by management in their calculations of the ECL. |

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| detail.<br><br>Management used the general approach in determining the ECL relating to loans to customers, instalment sale receivables and receivables relating to credit sales through store cards.<br><br>Under this approach the group assesses at the end of each reporting period whether there has been a significant increase in credit risk (SICR) since initial recognition. Where there has been an SICR, the group recognised an allowance for ECL resulting from all possible default events over the expected life of the financial asset. Refer to the significant judgements and estimates note on Impairment of financial assets for detail.<br><br>The measurement of the ECL under this approach reflects a probability weighted outcome, the time value of money and the best forward-looking information available to the group. This incorporates the probability of default (PD), exposure at default (EAD), timing of when default is likely to occur, and the loss given default (LGD).<br><br>We determined the ECL on the specific financial assets referred to above to be a matter of most significance to our current year audit due to the following:<br>• the first-time adoption of IFRS 9 by the group;<br>• the magnitude of the ECL provided as at 30 September 2019; and<br>• the degree of judgement and estimation applied by management in determining the ECL being determination of SICR, the loan write-off point, use of forward-looking information and event-driven credit estimates. | |

| Provision for shrinkage, obsolescence and markdown of inventories | |
|---|---|
| As at the financial year-end, the group held R13.8 billion of inventories that is net of a provision of R536 million for inventory that will be sold below cost price, shrinkage and obsolescence. Refer to the accounting policies note on inventories; and note 14 (Inventories) in the consolidated financial statements for detail.<br><br>Management recognises inventories at the lower of cost and net realisable value.<br><br>The inventory provision considers management's expectations of inventory on hand that will be sold below cost or not sold at all.<br><br>We considered the provisions for shrinkage, obsolescence and markdown of inventories to be a matter of most significance to the current year audit due to the significant judgement applied by management in determining the extent to which merchandise on hand at the reporting date will be sold below cost. | Our procedures included, among others, the following:<br><br>• We considered the relevance of historical data with respect to prior year inventory sold below cost, inventory aging profiles, outcomes of inventory counts, as well as different market factors impacting the sale of specific product lines;<br><br>• We evaluated the provision for obsolete and slow-moving inventory by comparing this to historical data trends of inventory sold below cost price and noted no material variances; and<br><br>• We tested the historical information of sales below cost applied and independently recalculated against the current balances of merchandise on hand at the reporting date to calculate the provision. |
| ***Impact of the outbreak of COVID-19 on the consolidated and separate financial statements*** | |
| Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19, The potential impact of COVID-19 is causing widespread disruption to normal patterns of business activity across the world, including South Africa and became significant on the 15th of March 2020 when the President of the Republic of South Africa declared the COVID-19 outbreak a national disaster and called for a nationwide lockdown from the 26th of March 2020 to the 16th April 2020. On 9 April 2020, the President announced a two-week extension of the lockdown. On 23 April 2020, the President announced a risk-adjusted strategy for re-opening the economy from midnight 30 April 2020. At the reporting date, the risk-level has been set at Level 4 by the | We assessed management's conclusion that the matter be treated as a non-adjusting post balance sheet event and that the impact of the outbreak of COVID-19 would not affect the preparation of the consolidated and separate financial statements on the going concern basis. We considered:<br><br>• The timing of the development of the outbreak across the world and in South Africa; and<br><br>• How the consolidated and separate financial statements and business operations of the Group and Company might be impacted by the disruption. |

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| government which still imposes strict measures on public movement and the ability of businesses to operate. A new list of essential businesses was made public by the government, including a broader range of businesses that are now allowed to operate that weren't previously. This resulted in the Group being able to open various of their businesses, however restrictions remain regarding the capacity at which these businesses can operate as a result of strict social distancing measures that remain. There is still significant uncertainty regarding the ultimate impact of COVID-19 on the business of the Group and Company.<br><br>Management's consideration of the impact on the consolidated and separate financial statements are disclosed in note 34 (Events Occurring After The Reporting Period, COVID-19). Whilst the situation is still evolving, based on the information available at this point in time, the directors have assessed the impact of COVID-19 on the business and have concluded that adopting the going concern basis of preparation is appropriate.<br><br>As per note 34 (Events Occurring After The Reporting Period, COVID-19) to the consolidated and separate financial statements, the directors have also concluded that COVID-19 is a non-adjusting post balance sheet event. | We received an assessment performed by management. We engaged an auditor's expert to review management's assessment, which included, inter alia the following:<br><br>• We reviewed management's going concern assessment incorporating the impact of COVID-19 implications. We made enquiries of management to understand the period of assessment considered by them.<br><br>• We evaluated the key assumptions in the assessment prepared by management and assessed the reasonableness of assumptions used given the information existing at the date of the audit procedures;<br><br>• We examined the cash flow forecasts and evaluated whether management's conclusion regarding going concern is appropriate; and<br><br>• We evaluated the adequacy and appropriateness of management's disclosure in respect of COVID-19 implications, disclosures within principal risks and uncertainties, post balance sheet events and going concern. |

***Other Information***

The directors are responsible for the other information. The other information comprises the information included in the document titled "Steinhoff Investment Holdings Limited Consolidated and Separate Annual Financial Statements for the year ended 30 September 2019", which includes the Directors' Responsibility and Approval Statement, the Secretary Certification, the Directors' Report and the Audit and Risk Committee Report as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

Further to the above, the directors are also presenting additional financial information as Annexure 1 to the consolidated and separate financial statements. The additional financial information does not form part of the other information, nor the consolidated or the separate financial statements and our auditor's reports thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Consolidated and Separate Financial Statements**

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

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

**Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made the directors.

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

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

## Other Matters

*The Group remediation plan*

We draw your attention to the publicly available Supervisory and Management Board reports contained in the Steinhoff International Holdings N.V. 30 September 2018 financial statements, in which the boards have given a description of their 'remediation plan' and Phase 2 of the PwC investigation. This remediation plan, which is in progress, includes measures taken and to be taken to strengthen governance and group-wide-controls, including the 'tone at the top' and other measures to prevent the accounting irregularities from re-occurring. The plan also includes measures taken or to be taken to correct the non-compliance with laws and regulations that have occurred. Furthermore, it includes actions taken and to be taken to recuperate losses that were caused by the individuals and /or organizations that played a part in the accounting irregularities or were instrumental in executing them.

*Predecessor Auditor*

We were not engaged to perform the audit of the consolidated and separate financial statements of Steinhoff Investment Holdings Limited for the year ended 30 September 2018. That audit has not been finalised at the date of this audit report.

## Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Mazars has been the auditor of Steinhoff Investment Holdings Limited and its subsidiaries for 1 year.

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified a reportable irregularity in terms of the Auditing Profession Act. We have reported such matter to the Independent Regulatory Board for Auditors. The matters pertaining to the reportable irregularities have been described in the note 37 to the consolidated and separate financial statements.

**Mazars**
**Partner: Yolandie Ferreira**
**Registered Auditor**
**Date: 29 May 2020**
**Cape Town**

**STEINHOFF INVESTMENT HOLDINGS LIMITED**
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**
**FOR THE YEAR ENDED 30 SEPTEMBER 2019**

| | Notes | 2019 Rm | 2018 Rm |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 3 | **69 684** | 64 202 |
| Cost of sales[1] | | **(44 530)** | (42 027) |
| **Gross profit** | | **25 154** | 22 175 |
| Other income | 4.1 | **1 081** | 1 084 |
| Distribution expenses | 4.3 | **(1 128)** | (544) |
| Administration expenses | 4.3 | **(17 769)** | (17 565) |
| Debtors' cost | | **(1 137)** | (302) |
| Net other expenses | 4.2 | **307** | (5 480) |
| **Operating profit/(loss)** | | **6 508** | (632) |
| Finance costs | 5 | **(2 196)** | (2 134) |
| Income from investments | 5 | **1 103** | 799 |
| Share of profit of equity accounted companies | 10.2 | **793** | 916 |
| **Profit/(loss) before taxation** | | **6 208** | (1 051) |
| Taxation | 6 | **(2 152)** | (2 470) |
| **Profit/(loss) from continuing operations** | | **4 056** | (3 521) |
| | | | |
| **Discontinued operations** | | | |
| (Loss)/profit from discontinued operations | 1 | **(118)** | 612 |
| **Profit/(loss) for the period** | | **3 938** | (2 909) |
| | | | |
| **Profit/(loss) attributable to:** | | | |
| Ordinary shareholders of Steinhoff Investments | | **3 162** | (3 597) |
| Preference shareholders of Steinhoff Investments | | **126** | 127 |
| Non-controlling interests | 28 | **650** | 561 |
| **Profit/(loss) for the period** | | **3 938** | (2 909) |
| | | | |
| **Basic and diluted profit/(loss) per share (cents)** | | | |
| From continuing operations | 7 | **5 963.6** | (7 652.7) |
| From discontinued operations | 7 | **(214.5)** | 1 112.7 |
| | | **5 749.1** | (6 540.0) |

[1] *The material component of cost of sales comprises the cost of sales of inventory.*

The accompanying notes are an integral part of the consolidated financial statements.

**STEINHOFF INVESTMENT HOLDINGS LIMITED**
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 30 SEPTEMBER 2019**

| | Notes | 2019 Rm | 2018 Rm |
|---|---|---|---|
| **Profit/(loss) for the period** | | **3 938** | (2 909) |
| **Other comprehensive income/(loss)** | | | |
| ***Items that will not be reclassified subsequently to profit or loss:*** | | | |
| Net fair value loss on assets measured at fair value through other comprehensive income | | **(118)** | - |
| | | **(118)** | - |
| ***Items that may be reclassified subsequently to profit or loss:*** | | | |
| Exchange loss on translation of foreign operations | | **(281)** | (438) |
| Income tax on exchange loss on translation of foreign operations | | **-** | 161 |
| Exchange differences relating to hyperinflation | | **-** | 42 |
| Foreign currency translation reserve reclassified to profit or loss | 4.2.3 | **-** | 54 |
| Fair value reserve reclassified to profit or loss | 4.2.3 | **-** | 3 860 |
| Net fair value loss on cash flow hedges (2018: includes other assets and liabilities measured at fair value through other comprehensive income | | **(105)** | (4 939) |
| Income tax on fair value loss on cash flow hedges and other fair value reserves | | **37** | 508 |
| Other comprehensive income/(loss) of equity accounted companies | 10.2 | **13** | (11) |
| | | **(336)** | (763) |
| **Total other comprehensive loss for the period** | | **(454)** | (763) |
| **Total comprehensive income/(loss) for the period** | | **3 484** | (3 672) |
| **Total comprehensive income/(loss) attributable to:** | | | |
| Ordinary shareholders of Steinhoff Investments | | **2 708** | (4 360) |
| Preference shareholders of Steinhoff Investments | | **126** | 127 |
| Non-controlling interests | | **650** | 561 |
| **Total comprehensive income/(loss) for the period** | | **3 484** | (3 672) |

The accompanying notes are an integral part of the consolidated financial statements.

| | Notes | Ordinary share capital and premium Rm | Accumulated losses Rm | Foreign currency translation reserve Rm | Excess of consideration (paid to)/received from non-controlling interest Rm | Sundry reserves Rm | Total ordinary equity attributable to owners of Steinhoff Investments Rm | Preference share capital and premium Rm | Accumulated profit/loss due to preference shareholders Rm | Preference equity attributable to preference shareholders Rm | Non-controlling interests Rm | Total Rm |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total equity at 1 October 2017** | | **119 020** | **(86 132)** | **234** | **(2 355)** | **918** | **31 685** | **4 882** | **33** | **4 915** | **14 450** | **51 050** |
| Loss for the period | | - | (3 597) | - | - | - | (3 597) | - | 127 | 127 | 561 | (2 909) |
| Other comprehensive loss for the period | | - | - | (181) | - | (582) | (763) | - | - | - | - | (763) |
| **Total comprehensive (loss)/income for the period** | | - | (3 597) | (181) | - | (582) | (4 360) | - | 127 | 127 | 561 | (3 672) |
| **Transactions with the owners in their capacity as owners** | | | | | | | | | | | | |
| Preference dividends paid | | - | - | - | - | - | - | - | (128) | (128) | (393) | (521) |
| Ordinary dividends paid | | - | (2 230) | - | - | - | (2 230) | - | - | - | (15) | (2 245) |
| Derecognition of subsidiaries with non-controlling interests | | - | - | - | - | - | - | - | - | - | (6) | (6) |
| Transactions with non-controlling interests without change in control | | - | - | - | 653 | - | 653 | - | - | - | 1 699 | 2 352 |
| Attributable share of other reserves relating to equity accounting | 10.2 | - | - | - | - | 15 | 15 | - | - | - | - | 15 |
| Share-based payments | 32.2 | - | - | - | - | 28 | 28 | - | - | - | - | 28 |
| Redemption of preference shares | 27.2 | - | - | - | - | - | - | (3 500) | - | (3 500) | - | (3 500) |
| Transfers due to share scheme recharge arrangements | 32.2 | - | (65) | - | - | 65 | - | - | - | - | - | - |
| Transfers to other reserves upon disposal of subsidiaries and associates | | - | 319 | - | - | (319) | - | - | - | - | - | - |
| Other movements in reserves | | | (28) | - | | - | (28) | - | - | - | - | (28) |
| **Total equity at 30 September 2018** | | **119 020** | **(91 733)** | **53** | **(1 702)** | **125** | **25 763** | **1 382** | **32** | **1 414** | **16 296** | **43 473** |
| Effect of adopting IFRS 9 – Financial Instruments, net of taxation | | - | (82) | - | - | - | (82) | - | | - | - | (82) |
| **Restated balance as at 1 October 2018** | | **119 020** | **(91 815)** | **53** | **(1 702)** | **125** | **25 681** | **1 382** | **32** | **1 414** | **16 296** | **43 391** |
| Profit for the period | | - | 3 162 | - | - | - | 3 162 | - | 126 | 126 | 650 | 3 938 |
| Other comprehensive income for the period | | - | - | (281) | - | (173) | (454) | - | - | - | - | (454) |
| **Total comprehensive (loss)/income for the period** | | - | 3 162 | (281) | - | (173) | 2 708 | - | 126 | 126 | 650 | 3 484 |
| **Transactions with the owners in their capacity as owners** | | | | | | | | | | | | |
| Preference dividends | | - | - | - | - | - | - | - | (126) | (126) | - | (126) |
| Ordinary dividends | | - | - | - | - | - | - | - | - | - | (281) | (281) |
| Transactions with non-controlling interests without change in control | | - | - | - | 32 | - | 32 | - | - | - | (83) | (51) |
| Attributable share of other reserves relating to equity accounting | 10.2 | - | - | - | - | (3) | (3) | - | - | - | - | (3) |
| Share-based payments | 32.2 | - | | - | - | 109 | 109 | - | - | - | - | 109 |
| Transfers to other reserves upon disposal of subsidiaries and associates | | - | 226 | - | (65) | (161) | - | - | - | - | - | - |
| Other movements in reserves | | - | (19) | - | - | - | (19) | - | - | - | - | (19) |
| **Total equity at 30 September 2019** | | **119 020** | **(88 446)** | **(228)** | **(1 735)** | **(103)** | **28 508** | **1 382** | **32** | **1 414** | **16 582** | **46 504** |

Refer to note 25 for description of nature and purpose of each reserve.

The value of the main components of sundry reserves are: Share based payment reserve (2019: R232 million 2018: R123 million) and cash flow hedging reserve (2019: (R210 million) 2018: (R142 million)).
The accompanying notes are an integral part of the consolidated financial statements.

**STEINHOFF INVESTMENT HOLDINGS LIMITED**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT 30 SEPTEMBER 2019**

| | Notes | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | 8 | **41 865** | 42 541 |
| Intangible assets | 8 | **17 979** | 18 512 |
| Property, plant and equipment | 9 | **5 484** | 7 280 |
| Investment property | 9 | **-** | 1 424 |
| Investments in equity accounted companies | 10 | **3 226** | 6 957 |
| Other financial assets | 11 | **5 037** | 4 954 |
| Deferred tax assets | 6.3 | **1 245** | 1 466 |
| Trade and other receivables | 12 | **154** | 57 |
| | | **74 990** | 83 191 |
| **Current assets** | | | |
| Inventories | 14 | **13 825** | 12 869 |
| Trade and other receivables | 12 | **8 704** | 6 076 |
| Taxation receivable | | **485** | 409 |
| Intergroup loans and receivables | 30 | **743** | 294 |
| Other financial assets | 11 | **1** | - |
| Cash and cash equivalents | 15 | **11 818** | 6 484 |
| | | **35 576** | 26 132 |
| Assets classified as held-for-sale | 33 | **12 543** | 9 847 |
| | | **48 119** | 35 979 |
| **Total assets** | | **123 109** | 119 170 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Ordinary share capital and premium | 26 | **119 020** | 119 020 |
| Other reserves | 25 | **(2 066)** | (1 524) |
| Accumulated losses | 25 | **(88 446)** | (91 733) |
| **Total ordinary equity attributable to owners of Steinhoff Investments** | | **28 508** | 25 763 |
| Preference share capital and premium | 27 | **1 382** | 1 382 |
| Accumulated profit attributable to preference shareholders | | **32** | 32 |
| **Total equity attributable to preference shareholders of Steinhoff Investments** | | **1 414** | 1 414 |
| Non-controlling interests | 28 | **16 582** | 16 296 |
| **Total equity** | | **46 504** | 43 473 |
| **Non-current liabilities** | | | |
| Borrowings | 16 | **37 711** | 19 518 |
| Employee benefits | 20 | **89** | 91 |
| Deferred tax liabilities | 6.3 | **4 024** | 4 315 |
| Provisions | 21 | **464** | 564 |
| Trade and other payables | 17 | **461** | 545 |
| | | **42 749** | 25 033 |
| **Current liabilities** | | | |
| Trade and other payables | 17 | **11 925** | 11 930 |
| Taxation payable | | **1 171** | 683 |
| Intergroup loans and payables | 30 | **3 647** | 4 350 |
| Employee benefits | 20 | **1 017** | 905 |
| Provisions | 21 | **173** | 277 |
| Borrowings | 16 | **11 069** | 27 552 |
| | | **29 002** | 45 697 |
| Liabilities directly associated with assets classified as held-for-sale | 33 | **4 854** | 4 967 |
| | | **33 856** | 50 664 |
| **Total equity and liabilities** | | **123 109** | 119 170 |

The accompanying notes are an integral part of the consolidated financial statements.

**STEINHOFF INVESTMENT HOLDINGS LIMITED**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 30 SEPTEMBER 2019**

| | Notes | 2019 Rm | 2018 Rm |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash generated from operations | 23.1 | **6 498** | 4 724 |
| Dividends received | 5 & 10.2 | **603** | 237 |
| Ordinary dividends paid | | **(281)** | (2 246) |
| Preference dividends paid | | **(63)** | (521) |
| Interest received | 5 & 1.1 | **813** | 570 |
| Interest paid | 5 & 1.1 | **(1 861)** | (2 110) |
| Taxation paid | | **(2 098)** | (2 125) |
| Net cash inflow/(outflow) from operating activities | | **3 611** | (1 471) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Additions to property, plant and equipment and investment property | 9 & 33 | **(3 024)** | (2 520) |
| Additions to intangible assets | 8 | **(145)** | (72) |
| Proceeds on disposal of property, plant and equipment and intangible assets | | **433** | 153 |
| Acquisition of subsidiaries and businesses, net of cash on hand at acquisition | 24 | **18** | (412) |
| Disposal of businesses net of cash | | **(12)** | 6 |
| Proceeds from the disposal of investments in equity accounted companies | | **4 727** | 16 080 |
| KAP | 10.2 | **4 727** | 3 639 |
| PSG | 10.2 | **-** | 12 417 |
| Other | 10.2 | **-** | 24 |
| Loans to equity accounted companies | 10.2 | **(50)** | (8) |
| Loans advanced to related parties | | **-** | (2 313) |
| Receipts from related party loans receivable | | **(38)** | 88 |
| Movement in other investments and loans | | **(73)** | (5 143) |
| Other | | **(39)** | 2 |
| Net cash inflow from investing activities | | **1 797** | 5 861 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Repayment of preference share equity | | **-** | (3 500) |
| Transactions with non-controlling interests | 28.2 | **(25)** | 3 674 |
| Repayment of loans from related parties | | **(692)** | (1 481) |
| Proceeds from loans from related parties | | **-** | 680 |
| Repayment of borrowings | 16.2 & 23.2 | **(523)** | (21 063) |
| Proceeds from borrowings | 16.2 & 23.2 | **1 500** | 19 988 |
| Debt raising fees paid | | **-** | (110) |
| Net cash inflow/(outflow) from financing activities | | **260** | (1 812) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **5 668** | 2 578 |
| Effects of exchange rate translations on cash and cash equivalents | | **(207)** | (430) |
| Cash and cash equivalents at beginning of the period | 15 & 33 | **7 741** | 5 593 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | | **13 202** | 7 741 |
| | | | |
| **Reconciliation of Cash and Cash Equivalents at end of period** | | | |
| Cash and cash equivalents | 15 | **11 818** | 6 484 |
| Cash and cash equivalents included in assets held-for-sale | 33 | **1 384** | 1 257 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | | **13 202** | 7 741 |

The accompanying notes are an integral part of the consolidated financial statements.

## REPORTING ENTITY

Steinhoff Investments is a South African registered company, with tax residency in South Africa. The consolidated annual financial statements of Steinhoff Investments for the year ended 30 September 2019 comprise Steinhoff Investments and its subsidiaries (together referred to as the "Steinhoff Investments Group" or "Group") and the Group's interest in associate companies and joint-venture companies. The Group is primarily involved in the retailing of general merchandise and operated a number of car dealerships until the Automotive business was disposed of after the Reporting Period. The Group operates in Africa.

## BASIS OF PREPARATION

### Statement of compliance

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the interpretations adopted by the International Accounting Standards Board ("IASB"), the IFRS Interpretations Committee of the IASB ("IFRIC"), the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listing Requirements, the requirements of the South African Companies Act, 71 of 2008, as amended ("the Act") and have been audited in compliance with all the requirements of section 29(1) of the Act, as required.

Accounting policies set out here have been applied consistently to all periods presented and are consistent with policies applied in previous accounting periods, except for new accounting standards noted below. All new accounting standards that became effective in the current reporting period have been adopted. The following standards had an impact on the consolidated and separate annual financial statements in the 2019 Reporting Period:

- IFRS 9: Financial Instruments (“IFRS 9”)
- IFRS 15: Revenue from Contracts with Customers (“IFRS 15”)

Refer to note 35 for details on the change in accounting policies.

### Historical cost convention

The financial statements are prepared under the historical cost convention adjusted for the effects of inflation where entities operate in hyperinflationary economies and for the revaluation of certain financial instruments to fair value. During the 2019 Reporting Period, the Angolan economy was reconsidered in accordance with the accounting principles set out in IAS 29: Financial Reporting in Hyperinflationary Economies, and has been considered to be out of hyperinflation. In the 2018 Reporting Period, the Angolan economy was assessed as hyperinflationary.

### Going concern

In determining the appropriate basis of preparation of the 2019 consolidated and separate annual financial statements, the board of directors is required to consider whether the Group and Company can continue in operational existence for the foreseeable future.

The Group and Company’s cash flow forecast indicate that both the Group and the Company can, based on certain critical assumptions, continue in operational existence for the foreseeable future, namely for 12 months after the date of authorisation.

The board of directors draws attention to the following critical assumptions that are key in arriving at the forecasted cash flows, namely:

*Litigation*

The Group and the Company are subject to several legal claims (also refer to Note 22 – Commitments and Contingencies). A key assumption in both the Group and the Company's cash flow forecasts is that no material judgements are issued against the Group or Company that will become payable during the next 12 months. The board of directors, assisted by the Steinhoff N.V. boards and Litigation Working Group, and in consultation with the Group’s attorneys, continue to assess the merits of, and responses to, these claims, and provide feedback to the regulatory bodies. Defences have been filed by the Group in various legal proceedings and the Company and applicable subsidiaries have co-operated with various regulators in their investigations. However, there remains a material uncertainty as to the ultimate impact of litigation and regulatory enforcement on the liquidity of the Group. The majority of the claims do not have an impact on the 2019 consolidated and separate annual financial statements.

*Tax*

Tax remains a material uncertainty as the tax impact of the accounting irregularities identified and the consequential effects thereof remains uncertain. This is exacerbated by the fact that these irregularities impact multiple jurisdictions, the finalisation of which will require substantial analysis and negotiation with various tax authorities in the respective jurisdictions. A key assumption is therefore that the tax assumptions built into the current cash forecast, for both the Group and Company, continue to apply and that no unexpected material assessments are received.

## BASIS OF PREPARATION (continued)

### Going concern (continued)

*COVID-19*
At the time of writing, there is widespread global uncertainty associated with the COVID-19 pandemic. While it is widely expected that the outbreak and spread of COVID-19 may lead to challenges, it is not yet possible to determine accurately any future impact on business operations.

*Supply-side*
The risk of the COVID-19 pandemic on the supply of inventory throughout the Group, is a significant uncertainty of which the extent and ultimate impact remains unknown. Alternative sourcing could have a severely adverse effect on margins. However, businesses in the Group are taking a number of steps to mitigate any potential effect, including alternative sourcing arrangements.

*Demand-side*
The South African government implemented broad-based steps to contain the spread of the pandemic, resulting in significant restrictions on movement and public gatherings, and the closure of commercial facilities. These measures have resulted in the partial or full closure of a number of the Group's general merchandise stores and/or restrictions on trading hours.

As a result turnover will in all probability reduce, and this will continue for the duration of these restrictions.

COVID-19 is a non-adjusting event for the Group in the 2019 Reporting Period and will therefore not have an impact on recognition and measurement of assets and liabilities in the 2019 Reporting Period.

While the Group is confident that the actions it is taking to address the impact of COVID-19 are appropriate and timely, the situation remains fast moving and uncertain and these are being kept under constant review. Also refer to disclosure in Note 34: Events occurring after the 2019 Reporting Period, for further actions implemented by the Group.

*Conclusion*
The board of directors draws attention to the fact that these material uncertainties extend beyond the foreseeable future.

### Presentation and functional currency

The consolidated and separate annual financial statements are prepared on the accrual basis in millions of Rand (Rm) unless otherwise indicated. The Rand is the Group's presentation currency and the Company's functional currency.

## AREAS OF CRITICAL JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgements and estimates that affect the application of accounting policies and the reported values of assets, liabilities, income and expenses. Actual results may differ from estimates. Judgements have been made after taking into account all currently available information, but these could change if additional relevant information comes to light.

Critical accounting estimates are those that involve complex or subjective judgements or assessments.

| Judgements: | Note reference |
|---|---|
| **Going concern assumption** | **Basis of preparation** |
| **Consolidation decisions** | |

Management's assessment of whether the Group control/controlled the following entities included significant judgements.

| Main group | Entity | Treated as controlled | Note reference |
|---|---|---|---|
| Campion group | *Amongst others:* | No | Basis of preparation |
| | Wands Investments Proprietary Limited, including its subsidiaries Century Capital Proprietary Limited and FGI Holdings Proprietary Limited | No | Basis of preparation |
| | Town Investments | Yes, from January 2019 | Basis of preparation |

## BASIS OF PREPARATION (continued)
## AREAS OF CRITICAL JUDGEMENTS AND ESTIMATES (continued)

### Campion group
In January 2019 Steinhoff N.V. concluded various settlement agreements with Campion Capital S.A., a company incorporated under the laws of Switzerland and its subsidiaries ("Campion group"), the main terms of which included the settlement of a number of outstanding loans owing to Steinhoff Investments in exchange for the receipt by Steinhoff Investments of a number of investments previously held by the Campion group including, amongst others:

- Approximately 18 million Steinhoff N.V. shares (held by Town Investments); and
- Legal ownership of Town Investments.

The recovery in terms of the settlement agreement reached with the Campion group was considered not material. It was taken to profit or loss as recovery from the previous loans impaired in prior years.

### Tekkie Town and Town Investments
The Group acquired a 100% interest in Tekkie Town in two phases as follows:

- A special purpose vehicle, Town Investments, was set up for the purpose of the Tekkie Town acquisition. Town Investments was funded and guaranteed by the Group, but owned by a third party in the Campion group. Town Investments acquired 43.06% of the shares in Tekkie Town from a previous shareholder for cash which was funded by a loan from the Group to Town Investments.
- The Group then obtained 100% of the interest in Tekkie Town in exchange for Steinhoff N.V. shares. The Steinhoff N.V. group issued approximately 18 million Steinhoff N.V. shares as consideration to Town Investments for the 43.06% interest in Tekkie Town and approximately 25 million Steinhoff N.V. shares to the management of Tekkie Town for the remaining 56.94% interest in Tekkie Town.

Town Investments was established with assistance from the Group in order to acquire Steinhoff N.V. shares. There was insufficient evidence during the 2018 Reporting Period to suggest that the Group controlled the activities of Town Investments in the absence of holding voting rights despite strong indicators of control. The Group was exposed to variable returns arising from the loan funding provided to acquire the shares.

Management concluded that it should therefore not consolidate Town Investments but accounted for the transaction entered into with Town investments in order to reflect the substance of the transaction and the Group’s exposure. Since the only assets held by Town Investments are the shares in Steinhoff N.V., the repayment of the loan to Steinhoff Investments is dependent on the performance of the underlying Steinhoff N.V. shares. Steinhoff Investments was therefore exposed to negative returns from Town Investments in respect of the funding it has provided, and the third party shareholders of Town Investments were exposed to possible upside to the extent the value of the Steinhoff N.V. shares exceeds the funding provided by Steinhoff Investments. Steinhoff Investments did not consolidate this entity during the 2018 Reporting Period, however it was concluded that Steinhoff Investments control both the loan and the shares in Steinhoff N.V. The loan was eliminated and the investment in N.V. shares were treated as an investment at fair value through other comprehensive income.

During the 2019 Reporting Period the Group acquired 100% of the ordinary shares of Town Investments in January 2019 as part of the Campion group settlement, therefore Town Investments will be consolidated from this acquisition date. The 17.9 million Steinhoff N.V. shares continue to be treated as an investment at fair value through other comprehensive income.

| Main group | Entity | Treated as controlled | Note reference |
|---|---|---|---|
| Other | BVI | Yes | Note 29 |

### BVI
BVI was founded in 2011 by the senior management of Pepkor Holdings Limited ("Pepkor Holdings") with the objective of enabling senior employees of Pepkor Holdings to share in the growth of the company over a long term by indirectly owning shares in Pepkor Holdings through the BVI structure. Pepkor Holdings granted loans to certain senior employees to enable them to buy their allocated BVI shares, but a number of employees also funded their own investments. The structure also received funding from Rand Merchant Bank (“RMB”). Companies in the Pepkor Holdings group guaranteed the RMB funding.

BVI shares not allocated to employees were taken up by a Pepkor Holdings company with the purpose of later allocating these shares to employees joining the scheme.

## BASIS OF PREPARATION (continued)
## AREAS OF CRITICAL JUDGEMENTS AND ESTIMATES (continued)

On 20 April 2015, following the acquisition of Pepkor Holdings by the Group, the Pepkor Holdings shares held by BVI were swapped for Steinhoff N.V. shares. From 2016 when an employee wanted to exit the BVI structure, the Group would also provide a loan to BVI to fund the repurchase of its BVI shares from the employer as opposed to BVI having to sell Steinhoff N.V. shares to fund the settlement.

BVI was set up solely on behalf of the employee shareholders who would benefit from the growth of the Pepkor Holdings group and later the Steinhoff N.V. share value and allowed the employees the discretion of when to exit the structure. Since Steinhoff N.V.'s acquisition of Pepkor Holdings, it continued to act as guarantor to the RMB funding, and also facilitated the exit of employees by either providing the necessary funding to BVI or by permitting BVI to dispose of shares in order to fund the share repurchase from the employee.

Although the Group's voting rights were limited to their equity interests, management has concluded that the Group had de facto control over BVI as a result of its exposure to variable returns linked to the funding and guarantees provided.

The Group consolidated BVI for both periods presented. Management has limited financial information of BVI and therefore deemed the value of the Steinhoff N.V. shares to approximate BVI's capital raised and the funding procured.

### Classification and completeness of related parties and affiliated parties — Notes 29

The uncertainties relating to the identification of the nature of the relationship with certain entities, particularly in light of the frequency and complexity of transactions with so called independent parties, raises challenges in the application of the related party definition.

### Recoverability of financial and other assets

**Financial assets**

The recoverability of loans and assets with counterparties have been assessed and where there are allegations that the Group entered into non-arm's length transactions, where there is no security on the loans in the entity with the liability or where the Group does not have sufficient information to perform a recoverability test, management have deemed it appropriate to impair these assets.

Management has also deemed it appropriate to impair loans if there is no security on such loans.

| Individually material impaired financial assets | Note reference |
|---|---|
| • Loans with holding company and fellow subsidiaries | Note 4.2.2 |

### Presentation of liabilities

In terms of presentation requirements of IFRS, a liability should be classified as current if the entity does not have an unconditional right to defer settlement of that liability for at least 12 months after the Reporting Date. Prior to the Steinhoff N.V. Group restructuring being put in place, a number of covenants relating to existing debt had been breached. As the financial creditors had not been obligated to condone the covenant breaches, the loans could have been called and therefore were required to be recognised as current liabilities in the 2018 financial statements. Where Group subsidiaries entered into new facilities during the Reporting Period, these were considered separately for classification as current or non-current based on the contractual terms effective at the Reporting Date.

### Expected impact of IFRS 16 — Note 35

The application of IFRS 16 will have a material impact on the group's statement of financial position, statement of comprehensive income and classification in the statement of cash flows for the 2020 Reporting Period. Management has done an estimation of the impact this standard will have on the 2020 Reporting Period based on a review of the leasing arrangements within the Group.

The expected and actual impact will be different as a result of:

- The finalisation of the validation of completeness and accuracy of the identified contracts; and
- New lease contracts to be entered into in 2020 Reporting Period.

## BASIS OF PREPARATION (continued)
## AREAS OF CRITICAL JUDGEMENTS AND ESTIMATES (continued)

| Judgements (continued): | Note reference |
|---|---|
| • Recognition and measurement of provisions | Note 21 |
| • Correct classification and completeness of contingent liabilities | Note 22 |
| • Correct classification and completeness of liabilities and events occurring after the Reporting Period | Note 22 and note 34 |

| ESTIMATES | Note reference |
|---|---|
| • Estimation of uncertain tax positions | Note 6 |
| • Estimation of future taxable profits in support of recognition of deferred taxation assets | Note 6 |
| • Estimation of inputs into discounted cash flow models relating to the impairment of goodwill | Note 8 |
| • Estimation of inputs into discounted cash flow models relating to the impairment of intangible assets | Note 8 |
| • Estimation of the useful life of intangible assets | Note 8 |
| • Estimation of the recoverable amount and fair value of properties | Note 9 |
| • Estimation of the useful life and residual values of buildings | Note 9 |
| • Estimation of fair value of identifiable assets and liabilities impacting the measurement of goodwill in a business combination | Note 24 |

## ACCOUNTING POLICY ELECTIONS

The following significant accounting policy and disclosure elections have been made by the Group:

| Area | Details |
|---|---|
| **Transitions** | |
| IFRS 9: Financial Instruments | The Group has elected to apply IFRS 9 Financial Instruments retrospectively, it has elected not to restate its comparative financial information and will only restate the opening retained earnings balance as at 1 October 2018. |
| IFRS 15: Revenue from Contracts with Customers | The Group has elected to apply IFRS 15 using the modified retrospective approach by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to opening balance of equity at 1 October 2018. |
| **Statement of profit or loss** | |
| Income from investments | The Group has elected to present income from investments separately on the face of the statement of profit or loss. Income from investments comprise finance income and dividend income. |
| Discontinued operations | The Group has elected to present the detail of the profit or loss of discontinued operations in a separate note instead of on the face of the statement of profit or loss. |
| **Statement of other comprehensive income** | |
| Hyperinflation | In the current year, Pepkor Holdings' Angolan operations were assessed in accordance with the criteria stipulated in IAS 29: Financial Reporting in Hyperinflationary Economies and, based on the factors indicated under judgements, concluded that the country was no longer considered in a hyperinflationary economy. During the prior year, Pepkor Holdings' operations in Angola were reported in accordance with IAS 29: Financial Reporting in Hyperinflationary Economies following its classification as a hyperinflationary economy. |
| **Statement of financial position** | |
| Investment properties | The Group has elected to measure all investment properties using the cost model. |
| Owner-occupied properties | The Group has elected to measure all owner-occupied properties using the cost model. |
| Intangible assets | The Group has elected to measure all intangible assets using the cost model. |
| **Statement of cash flows** | |
| Interest paid and received | The Group views interest paid and received as operating activities as these are largely incurred in the funding of operations. |
| Dividends paid and received | The Group discloses dividends paid and received as operating activities as this demonstrates the Group's ability to pay dividends out of operating cash flows. |
| Discontinued operations | The Group has elected not to disaggregate cash flows from discontinued operations in the statement of cash flows. The detail of the main components of cash flow from discontinued operations are disclosed in the notes to the financial statements. |

## APPROVAL

The annual consolidated and separate financial statements were prepared under the supervision of the board of directors of the Company and were authorised for issue on 28 May 2020.

## 1. DISCONTINUED OPERATIONS

Following the December 2017 Events, in order to fund operations, repay debt and support the Group's short-term liquidity, management decided to dispose of certain non-core assets or assets requiring significant cash commitments.

The businesses included in the following former reportable segments were classified as held-for-sale during the 2018 and 2019 Reporting Periods. These businesses have been disclosed as discontinued operations:

### Automotive

On 28 March 2019 the Company announced that it had reached in-principle agreement to dispose of 74.9% of the shares in Unitrans (and its subsidiaries) held by Steinhoff Africa Holdings Proprietary Limited ("Steinhoff Africa"), and 100% of the loan claims against Unitrans held by Steinhoff Africa, to CFAO Holdings South Africa Proprietary Limited. Negotiations regarding the possible disposal has been ongoing since May 2018. From 30 September 2018 the Automotive business met the criteria to be classified as held-for-sale.

On 25 November 2019 the Group sold 74.9% of the issued ordinary shares of Unitrans Motors Holdings Proprietary Limited to CFAO Holdings South Africa Proprietary Limited.

The effective date of sale has been determined as 27 November 2019. Automotive will be fully consolidated up to this date.

The Automotive business was a separate reportable segment and has therefore been disclosed as a discontinued operation.

On 19 December 2019 the Group sold the remaining 25.1.% of the issued ordinary shares of Unitrans Motors Holdings Proprietary Limited to Kapela Holdings Proprietary Limited.

### Africa Properties

The Group has commenced a process post March 2019 to dispose of the remaining property portfolio of the property division in Africa. Management considered various disposal options for their South African property portfolio in order to optimise the balance sheet and unlock value for shareholders.

The disposal portfolio consists of retail, office, warehouse, dealerships, truck shops, vacant land and residential properties, which includes properties tenanted by third party tenants. The list of properties in each portfolio have been identified and offers are currently being assessed against the valuations conducted for each of the properties.

At 30 September 2019 the Africa Properties portfolio met the criteria to be classified as held-for-sale. The impact of COVID-19 on the finalisation of the disposals remain uncertain.

The businesses discussed above are presented as discontinued operations in the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows for the period ended 30 September 2018 and 2019, as required by IFRS. Comparative information has been restated accordingly.

The detail of assets classified as held-for-sale is presented in note 33.

**ACCOUNTING POLICY**

**Inter-company transactions between continuing and discontinued operations**

Inter-company transactions and balances between continuing and discontinued operations are eliminated within both continuing and discontinued operations. The inter-company eliminations are added back as reconciling items for segmental reporting to present the reportable segments prior to the inter-company eliminations as this more closely reflects the trading conditions within each reportable segment.

The Group has elected to disclose the financial results and cash flows of discontinued operations in a separate note as opposed to on the face of the statement of profit or loss and statement of cash flows.

## 1. DISCONTINUED OPERATIONS (continued)

### 1.1 STATEMENT OF PROFIT OR LOSS FOR DISCONTINUED OPERATIONS

| | Notes | 2019 Rm | 2018 Rm |
|---|---|---|---|
| Revenue | | **24 522** | 23 485 |
| Cost of sales | | **(20 930)** | (20 221) |
| **Gross profit** | | **3 592** | 3 264 |
| Other income | | **712** | 735 |
| Distribution expenses | | **-** | - |
| Administration expenses | | **(3 072)** | (2 393) |
| Other expenses | | **(1 230)** | (661) |
| Impairments | 1.1.1 | **(1 261)** | (682) |
| Profit on disposal of property, plant and equipment and investment properties | 1.1.2 | **31** | 13 |
| Net profit on sale or partial sale of investments | 1.1.3 | **-** | 8 |
| **Operating profit** | | **2** | 945 |
| Finance costs | | **(181)** | (325) |
| Income from investments | | **86** | 79 |
| Share of profit/(loss) of equity accounted companies | | **44** | (27) |
| **(Loss)/profit before taxation** | | **(49)** | 672 |
| Taxation | | **(69)** | (60) |
| **(Loss)/profit for the period** | | **(118)** | 612 |
| **(Loss)/profit attributable to:** | | | |
| Owners of Steinhoff Investments | | **(118)** | 612 |
| Non-controlling interests | | **-** | - |
| **(Loss)/profit for the period** | | **(118)** | 612 |

#### 1.1.1 Impairment

| | 2019 Rm | 2018 Rm |
|---|---|---|
| Goodwill | **-** | 332 |
| Intangible assets | **283** | 168 |
| Investment property | **262** | - |
| Property, plant and equipment | **685** | 182 |
| Other | **31** | - |
| | **1 261** | **682** |

#### 1.1.2 Profit on disposal of property, plant and equipment and intangible assets

| | 2019 Rm | 2018 Rm |
|---|---|---|
| Profit on disposal of property, plant and equipment and intangible assets | **31** | **13** |

#### 1.1.3 Profit on sale and partial sale of investments

| | 2019 Rm | 2018 Rm |
|---|---|---|
| Profit on sale and partial sale of investments | **-** | **8** |

### 1.2. PRESENTATION OF DISCONTINUED OPERATIONS IN THE STATEMENT OF CASH FLOWS

| | 2019 Rm | 2018 Rm |
|---|---|---|
| **Cash flows from discontinued operations** | | |
| Net cash inflow/(outflow) from operating activities | **2 198** | (336) |
| Net cash outflow from investing activities | **(1 417)** | (807) |
| Net cash (outflow)/inflow from financing activities | **(661)** | 1 635 |
| **Net cash inflow** | **120** | 492 |

## 1. DISCONTINUED OPERATIONS (continued)

### 1.3. SEGMENTAL INFORMATION RELATING TO DISCONTINUED OPERATIONS

**Segmental revenue from discontinued operations**

| | 2019 Rm | 2018 Rm |
|---|---|---|
| Automotive | **24 358** | 23 340 |
| Africa Properties | **164** | 145 |
| **Net external revenue from discontinued operations*** | **24 522** | 23 485 |

** Revenue between discontinued operations have been eliminated*

**Operating profit before depreciation and amortisation adjusted for material items ("EBITDA")**

| | 2019 Rm | 2018 Rm |
|---|---|---|
| **EBITDA reconciles to the operating profit per statement of profit or loss from discontinued operations as follows:** | | |
| Operating profit from discontinued operations | **2** | 945 |
| Depreciation and amortisation | **7** | 211 |
| Other material expenses | **1 230** | 661 |
| Intercompany elimination with continuing operations | **25** | (666) |
| **EBITDA per segment reporting from discontinued operations** | **1 264** | 1 151 |
| Automotive | **1 014** | 900 |
| Africa Properties | **250** | 251 |
| **EBITDA from discontinued operations as presented** | **1 264** | 1 151 |

**Operating profit adjusted for material items ("EBIT")**

| | 2019 Rm | 2018 Rm |
|---|---|---|
| **EBIT reconciles to the operating profit per statement of profit or loss from discontinued operations as follows:** | | |
| Operating profit from discontinued operations | **2** | 945 |
| Other material expenses | **1 230** | 661 |
| Intercompany eliminations with continuing operations | **25** | (666) |
| **EBIT per segment reporting from discontinued operations** | **1 257** | 940 |
| Automotive | **1 014** | 702 |
| Africa Properties | **243** | 238 |
| **EBIT from discontinued operations as presented** | **1 257** | 940 |

## 1. DISCONTINUED OPERATIONS (continued)

### 1.3. SEGMENTAL INFORMATION RELATING TO DISCONTINUED OPERATIONS

#### Other material expenses

Other material expenses added back in the calculation of EBIT and EBITDA above are allocated to the reportable segments as follows:

| | Notes | 2019 Rm | 2018 Rm |
|---|---|---|---|
| **Impairments** | 1.1.1 | **1 261** | 682 |
| Automotive | | **761** | 619 |
| Africa Properties | | **500** | 63 |
| **Profit on disposal of property, plant and equipment and intangible assets** | 1.1.2 | **(31)** | (13) |
| Automotive | | **15** | 9 |
| Africa Properties | | **(46)** | (22) |
| **Profit on sale and partial sale of investments** | 1.1.3 | **-** | (8) |
| Africa Properties | | **-** | (8) |
| | | **1 230** | 661 |

## 2. SEGMENT INFORMATION

The Group determined the board of directors to be the chief operating decision-makers ("CODM") for all periods under review.

The Group has disclosed the following reportable segments in respect of the 2019 Reporting Period.

The CODM examines the Group's performance both from a product and geographical perspective and has identified the following reportable segments of its business based on how information is accumulated and reported to the CODM:

- **Pepkor Holdings**

  The Pepkor Holdings group is listed on the JSE. Revenue in Pepkor Holdings is derived from a portfolio of retail chains focused on selling predominantly clothing, footwear, textiles, cell phones, airtime and fast moving consumer goods ("FMCG"). Pepkor Holdings also operates in the Building Supplies and Furniture divisions where revenue is derived from sales of DIY ("do-it-yourself") building supplies and materials and furniture and appliances, respectively. The Pepkor Holdings group operates within Africa and majority of its revenue is derived from South Africa. The CODM monitors the performance of this listed group on a consolidated basis. The Pepkor Holdings group's annual consolidated financial statements were released on 31 January 2020 and can be found on the group's website at: *www.pepkor.co.za*

- **Corporate and treasury services**

  The Group's corporate offices provide strategic direction and services to the decentralised operations both globally and in Africa. Activities include management of regulator and stakeholder engagement processes, negotiating funding and identifying and implementing corporate activities.

### Measures reported to the CODM

### Revenue

Segment revenue excludes Value Added Taxation. Intersegment revenue is eliminated in the segment from which it was sold. Sales between segments are made on an arm's length basis.

Refer to note 1 for the accounting policy on the elimination of intercompany transactions between continuing and discontinued operations.

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

### Segment revenue from continuing operations

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Total segment revenue Rm | Intersegment revenue Rm | Revenue from external customers Rm | Total segment revenue Rm | Intersegment revenue Rm | Revenue from external customers Rm |
| Pepkor Holdings** | **69 681** | **-** | **69 681** | 64 168 | - | 64 168 |
| Corporate and treasury services | **3** | **-** | **3** | 34 | - | 34 |
| | **69 684** | **-** | **69 684** | 64 202 | - | 64 202 |

* *Intercompany revenue from discontinued operations has already been eliminated from 'Revenue from external customers'.*

** *For further disaggregation of revenue, refer to the annual financial statements of Pepkor Holdings*

## 2. SEGMENT INFORMATION (continued)

### Revenues from external customers - by geography from continuing operations

| | 2019 Rm | 2018 Rm |
|---|---|---|
| The Company is domiciled in South Africa. The Group operates within Africa. The amount of its revenue from external customers is presented below based on the geographies that contribute materially to the Group's revenue. | | |
| Rest of Africa | **8 013** | 7 581 |
| South Africa | **61 671** | 56 621 |
| | **69 684** | 64 202 |

**Operating performance measures - from continuing operations**

The Group's share of equity accounted earnings, finance costs, investment income and income tax expenses are not monitored on a segmental level by the CODM and are therefore not allocated to the segments.

**Operating profit or loss before depreciation and amortisation adjusted for material items ("EBITDA")**

Segment performance is measured on continuing operation's operating profit before depreciation, amortisation and material items and represents segment revenue less segment expenses, excluding depreciation, amortisation and other material expenses as included in note 4.2.

Segment expenses include distribution expenses and administration expenses.

Refer to note 1 for the accounting policy on the elimination of intercompany transactions between continuing and discontinued operations.

### EBITDA reconciles to the operating profit/(loss) per statement of profit or loss as follows:

| | Notes | 2019 Rm | 2018 Rm |
|---|---|---|---|
| Operating profit/(loss) per statement of profit or loss | | **6 508** | (632) |
| Depreciation and amortisation | 4.3.1 | **1 305** | 1 141 |
| Other material expenses | 4.2 | **(307)** | 5 480 |
| Intercompany eliminations (discontinued operations) | | **(25)** | 666 |
| **EBITDA per segment reporting** | | **7 481** | 6 655 |
| | | | |
| **EBITDA per segment:** | | | |
| Pepkor Holdings | | **8 038** | 7 571 |
| Corporate and treasury services | | **(557)** | (916) |
| | | **7 481** | 6 655 |

## 2. SEGMENT INFORMATION (continued)

### Operating profit or loss adjusted for material items ("EBIT")

Segment performance is measured on continuing operations' operating profit before material items and represents segment revenue less segment expenses, excluding depreciation, amortisation and other material expenses included in note 4.2.

Depreciation and amortisation have been allocated to the segments to which they relate.

Refer to note 1 for the accounting policy on the elimination of intercompany transactions between continuing and discontinued operations.

### EBIT reconciles to the operating profit/(loss) per statement of profit or loss as follows:

| | Notes | 2019 Rm | 2018 Rm |
|---|---|---|---|
| Operating profit/(loss) per statement of profit or loss | | **6 508** | (632) |
| Other material expenses | 4.2 | **(307)** | 5 480 |
| Intercompany eliminations (discontinued operations) | | **(25)** | 666 |
| **EBIT per segment reporting** | | **6 176** | 5 514 |
| | | | |
| **EBIT per segment:** | | | |
| Pepkor Holdings | | **6 739** | 6 437 |
| Corporate and treasury services | | **(563)** | (923) |
| | | **6 176** | 5 514 |

### Other material expenses

Other material expenses added back in the calculation of EBIT and EBITDA above are allocated to the reportable segments as follows:

| | Notes | 2019 Rm | 2018 Rm |
|---|---|---|---|
| **Impairments** | 4.2.1 | **1 303** | 20 |
| Pepkor Holdings | | **1 280** | 20 |
| Corporate and treasury services | | **23** | - |
| **Impairment of financial assets** | 4.2.2 | **(313)** | 2 272 |
| Pepkor Holdings | | **-** | 2 |
| Corporate and treasury services | | **(313)** | 2 270 |
| **Cumulative other comprehensive income reclassified to profit or loss** | 4.2.3 | **-** | 3 914 |
| Corporate and treasury services | | **-** | 3 914 |
| **Loss on disposal of property, plant and equipment and intangible assets** | 4.2.4 | **19** | 26 |
| Pepkor Holdings | | **15** | 16 |
| Corporate and treasury services | | **4** | 10 |
| **Profits on sale and partial sale of investments** | 4.2.5 | **(892)** | (1 660) |
| Corporate and treasury services | | **(892)** | (1 660) |
| **Fees relating to forensic investigation, advisory and restructure of the businesses** | 4.2.6 | **328** | 908 |
| Corporate and treasury services | | **328** | 908 |
| **Advisory fee recovery** | 4.2.7 | **(752)** | - |
| Corporate and treasury services | | **(752)** | - |
| | | **(307)** | 5 480 |

## 2. SEGMENT INFORMATION (continued)

### Segmental assets

Assets that are not considered to be segment assets such as cash and cash equivalents, investments in equity accounted companies, short and long term investments and loans are excluded from the allocation of assets to segments.

Investment in equity accounted companies and short and long term investments (financial assets) are monitored by the CODM on a Group level as these assets are not related to the underlying operations or impact their performance. Such assets are not allocated to segments.

The segmental assets below are presented on a consolidated basis and all intercompany balances and investments in subsidiary companies have been disregarded for purposes of presenting segmental assets.

### Reconciliation between total assets per statement of financial position and segmental assets

| | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|
| Total assets per statement of financial position | **123 109** | 119 170 |
| *Less:* Cash and cash equivalents | **(11 818)** | (6 484) |
| *Less:* Investments in equity accounted companies | **(3 226)** | (6 957) |
| *Less:* Long-term investments and loans | **(5 037)** | (4 954) |
| *Less:* Short-term investments and loans | **(1)** | - |
| *Less:* Intragroup loans and receivables | **(743)** | (294) |
| *Less:* Assets classified as held-for-sale | **(12 543)** | (9 847) |
| Segmental assets | **89 741** | 90 634 |
| | | |
| **Segmental assets:** | | |
| Pepkor Holdings | **89 370** | 86 765 |
| Corporate and treasury services | **371** | 384 |
| Africa Properties* | **-** | 3 485 |
| | **89 741** | 90 634 |

** The Africa Properties segment was classified as a disposal group held-for-sale in 2019 and therefore no segmental assets are provided for the 2019 Reporting Period. Refer to note 33.*

### Segmental non-current assets

The total of non-current assets other than financial instruments and deferred taxation assets is presented per segment below.

### Reconciliation between non-current assets per statement of financial position and segmental assets

| | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|
| Total non-current assets per statement of financial position | **74 990** | 83 191 |
| *Less:* Deferred taxation assets | **(1 245)** | (1 466) |
| *Less:* Long-term investments and loans (financial assets) | **(5 037)** | (4 954) |
| Segmental non-current assets | **68 708** | 76 771 |
| | | |
| Pepkor Holdings | **65 514** | 66 299 |
| Corporate and treasury services | **3 194** | 6 949 |
| Africa Properties* | - | 3 523 |
| | **68 708** | 76 771 |

** The Africa Properties segment was classified as a disposal group held-for-sale in 2019 and therefore no segmental assets are provided for the 2019 Reporting Period. Refer to note 33.*

## 2. SEGMENT INFORMATION (continued)

### Segmental net debt

The purpose of the debt or the company in which the debt is raised determines the debt cluster to which the debt, cash and cash equivalents and related finance costs and investment income is allocated. These debt clusters are then reviewed by the CODM.

| 30 September 2019 | Gross Cash Rm | Gross Debt Rm | Net Debt Rm |
|---|---|---|---|
| Pepkor Holdings | **3 925** | **(17 365)** | **(13 440)** |
| Corporate and treasury services | **7 893** | **(31 415)** | **(23 522)** |
| | **11 818** | **(48 780)** | **(36 962)** |

| 30 September 2018 | Gross Cash Rm | Gross Debt Rm | Net Debt Rm |
|---|---|---|---|
| Pepkor Holdings | 3 835 | (16 058) | (12 223) |
| Corporate and treasury services | 2 641 | (31 012) | (28 371) |
| Africa Properties | 8 | - | 8 |
| | 6 484 | (47 070) | (40 586) |

## 3. REVENUE

| | Note | 2019 Rm | 2018 Rm |
|---|---|---|---|
| **Revenue from contracts with customers** | | | |
| Sale of goods and related revenue | | **67 029** | 62 985 |
| Other revenue | | **15** | 554 |
| **Other sources of revenue** | | | |
| Financial services income | | **2 640** | 663 |
| Total revenue from continuing operations | 2 | **69 684** | 64 202 |

### ACCOUNTING POLICY

#### Recognising revenue from major business activities

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

Revenue is recognised at an amount that reflects the consideration received or receivable for the sale of merchandise from ordinary operating activities of the Group, net of Value Added Tax, rebates and discounts and after eliminating sales within the Group.

Revenue is not recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods as well as continuing management involvement with goods to a degree usually associated with ownership. Where the group acts as agent and is remunerated on a commission basis, only the commission income, and not the value of the business transaction, is included in revenue.

The recovery of duties and taxes payable on imports and exports are not recognised in revenue but netted off against the expense paid on behalf of the customer.

***Right of return***

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

Revenue is recognised for the major business activities using the methods outlined below:

***Sale of goods and related revenue***

The Group operates retail stores selling clothing, general merchandise, furniture, appliances, electronics and building materials. Revenue from the sale of goods is recognised at a point in time when the performance obligation is met. Performance obligation to customer is met once control of goods transfer to customers.
Deposits received from customers are recognised as deferred revenue. These balances are considered contract liabilities, as they are received prior to the satisfaction of performance obligations.

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

***Financial services revenue***

Financial services revenue comprises mainly of interest income and financial services fee revenue.

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

Financial service fee revenue is earned based on a fixed percentage of outstanding debtor balances collected on behalf of third parties. Performance obligations are deemed to be met once the Group recovers the outstanding balance from a debtor or portion thereof, at which point the revenue is recognised.

## 4. MATERIAL ITEMS INCLUDED IN PROFIT OR LOSS AND BREAKDOWN OF EXPENSES BY NATURE

| | | Notes | 2019 Rm | 2018 Rm |
|---|---|---|---|---|
| **4.1** | **OTHER INCOME** | | | |
| | Commission received[1] | | **616** | 581 |
| | Other income | | **465** | 503 |
| | | | **1 081** | 1 084 |

[1] *Relate mainly to commissions received on ancillary services provided by Pepkor Holdings.*

### 4.2 OTHER EXPENSES

The Group has identified a number of material expenses which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group.

| | | Notes | 2019 Rm | 2018 Rm |
|---|---|---|---|---|
| **4.2.1** | **Impairment** | | | |
| | Goodwill | 8 | **672** | - |
| | Intangible assets | 8 | **547** | - |
| | Property, plant and equipment | 9 | **69** | 20 |
| | Other | | **15** | - |
| | | | **1 303** | 20 |

| | | Notes | 2019 Rm | 2018 Rm |
|---|---|---|---|---|
| **4.2.2** | **(Reversal of impairment)/impairment of financial assets** | | | |
| **a)** | **Intergroup loans and receivables** | | **(329)** | 2 271 |
| | Reversals of impairment were recognised in the 2019 Reporting Period upon recovery of receivables. In the 2018 Reporting Period impairment provisions have been made against the loans receivable from entities within the Steinhoff Europe group as well as Steinhoff N.V. as these loans are not deemed to be recoverable. | | | |
| **b)** | **Other loans and receivables** | | **16** | 1 |
| | | | **(313)** | 2 272 |

| | | Notes | 2019 Rm | 2018 Rm |
|---|---|---|---|---|
| **4.2.3** | **Cumulative other comprehensive income reclassified to profit or loss** | | | |
| | Foreign currency translation reserve reclassified to profit or loss on disposal of associate | | **-** | 54 |
| | Fair value reserve reclassified to profit or loss* | 11.2 | **-** | 3 860 |
| | | | **-** | 3 914 |

**The majority of the reclassification of the fair value reserve to profit or loss in the 2018 Reporting Period relates to the cumulative fair value adjustment recognised on the investment in Steinhoff N.V. shares as a result of the decline in the Steinhoff N.V. share price. These fair value adjustments were deemed to be permanent in nature and was therefore reclassified to profit or loss.*

## 4. MATERIAL ITEMS INCLUDED IN PROFIT OR LOSS AND BREAKDOWN OF EXPENSES BY NATURE (continued)

| | Notes | 2019 Rm | 2018 Rm |
|---|---|---|---|
| **4.2 OTHER EXPENSES (continued)** | | | |
| **4.2.4 Loss on disposal of property, plant and equipment and intangible assets** | | **19** | 26 |
| **4.2.5 (Profit)/loss on sale and partial sale of investments** | | | |
| Profit on the disposal of PSG | 10.5 | **-** | (376) |
| Profit on the disposal of KAP | 10.5 | **(882)** | (1 304) |
| Profit on disposal of Sikhulasonke | | **-** | (33) |
| Other | | **(10)** | 53 |
| | | **(892)** | (1 660) |
| **4.2.6 Fees relating to forensic investigation, advisory and restructure of the businesses** | | **328** | 908 |

As a result of the December 2017 Events, it has been necessary for the Group to engage a wide range of professional advisers to assist the Group with its investigative, legal, financial and regulatory requirements as it seeks to stabilise and restructure the Group. The scale and complexity of this task has meant that the aggregate adviser costs for both the reporting periods have been substantial. The principle adviser relationships included legal advisors, financial restructuring and corporate advisory functions that support the Group on discussions and engagement with its creditors, liquidity management and operational measures, forensic investigation services and regulatory and taxation advisory services.

| | Notes | 2019 Rm | 2018 Rm |
|---|---|---|---|
| **4.2.7 Advisory fee recovery** | | **(752)** | - |

During the 2019 Reporting Period, the Group recovered fees incurred relating to forensic investigation, advisory and restructure of the business since the December 2017 Events. These fees were paid by the Group in prior reporting periods, on behalf of certain Steinhoff N.V. European subsidiaries. Refer to note 30 for outstanding balances with group entities.

| | Notes | 2019 Rm | 2018 Rm |
|---|---|---|---|
| **TOTAL OTHER EXPENSES FROM CONTINUING OPERATIONS** | | **(307)** | 5 480 |

## 4. MATERIAL ITEMS INCLUDED IN PROFIT OR LOSS AND BREAKDOWN OF EXPENSES BY NATURE (continued)

| | Notes | 2019 Rm | 2018 Rm |
|---|---|---|---|

### 4.3 OPERATING EXPENSES BY NATURE

Distribution expenses relates to selling activities which mainly include delivery costs, rent paid on warehouses and distribution centres and salaries and wages relating to logistics staff.

Other distribution and administrative expenses include general administration expenses such as electricity, cleaning, stationery, repairs and other general operating costs.

The material items included in distribution and administration expenses are set out below:

#### 4.3.1 Depreciation and amortisation

| | Notes | 2019 Rm | 2018 Rm |
|---|---|---|---|
| Depreciation | 9 | **1 164** | 1 056 |
| Amortisation | 8 | **141** | 85 |
| | | **1 305** | 1 141 |
| Included in distribution and administration expenses | | **1 299** | 1 141 |
| Included in cost of sales | | **6** | - |
| | | **1 305** | 1 141 |

#### 4.3.2 Auditor's remuneration

| | Notes | 2019 Rm | 2018 Rm |
|---|---|---|---|
| Audit fees expensed | | **62** | 51 |

Audit fees are billed monthly for work performed and expensed in profit or loss. The majority of the 2018 and 2019 Reporting Periods' audit work was performed in the 2020 Reporting Period and will be expensed in the 2020 Reporting Period when billed.

#### 4.3.3 Employee benefit expenses

| | Notes | 2019 Rm | 2018 Rm |
|---|---|---|---|
| Salaries and wages | | **7 788** | 8 242 |
| Share-based payments - equity-settled | 32.2 | **108** | 61 |
| Contributions to defined benefit plans (post-retirement benefit expenses) | | **97** | 88 |
| Contributions to defined contribution plans (post-retirement benefit expenses) | | **81** | 90 |
| | | **8 074** | 8 481 |

The Groups manufacturing entities do not comprise a material part of the business and any employee benefit expense included in cost of sales is not considered material.

#### 4.3.4 Net foreign exchange (gains)/losses

| | Notes | 2019 Rm | 2018 Rm |
|---|---|---|---|
| Net (gain)/loss on forward exchange contracts | | **(250)** | 255 |
| Net gain on conversion of monetary assets - realised | | **(13)** | (4) |
| Net loss on conversion of monetary assets - unrealised | | **388** | 576 |
| | | **125** | 827 |

## 4. MATERIAL ITEMS INCLUDED IN PROFIT OR LOSS AND BREAKDOWN OF EXPENSES BY NATURE (continued)

| | Notes | 2019 Rm | 2018 Rm |
|---|---|---|---|
| **4.3 OPERATING EXPENSES BY NATURE (continued)** | | | |
| **4.3.5 Operating lease charges - properties** | | | |
| Rental of properties | 22.2 | **3 825** | 3 198 |
| **4.3.6 Operating lease charges - other** | | | |
| Leases of plant, equipment, vehicles and other | 22.2 | **33** | 38 |
| **4.3.7 Other distribution and administration expenses** | | **5 479** | 4 373 |
| **TOTAL DISTRIBUTION AND ADMINISTRATION EXPENSES FROM CONTINUING OPERATIONS** | | **18 897** | 18 109 |
| Distribution expenses | | **1 128** | 544 |
| Administration expenses | | **17 769** | 17 565 |
| **TOTAL DISTRIBUTION AND ADMINISTRATION EXPENSES FROM CONTINUING OPERATIONS** | | **18 897** | 18 109 |

## 5. FINANCE COSTS AND INCOME FROM INVESTMENTS

| | Finance Costs Rm | Finance income Rm | Net income /(cost) Rm |
|---|---|---|---|
| **2019** | | | |
| Dividends received** | **-** | **361** | **361** |
| Finance costs and income | | | |
| (Bank overdrafts)/Cash and cash equivalents | **(204)** | **527** | **323** |
| Instalment sale agreements | **(3)** | - | **(3)** |
| Loans and liability | **(1 824)** | **27** | **(1 797)** |
| Other | **(165)** | **188** | **23** |
| | **(2 196)** | **1 103** | **(1 093)** |
| | | | |
| **2018** | | | |
| Dividends received** | - | 306 | 306 |
| Finance costs and income from investments | | | |
| (Bank overdrafts)/Cash and cash equivalents | (145) | 449 | 304 |
| Instalment sale agreements | (4) | - | (4) |
| Loans and liability | (1 907) | 16 | (1 891) |
| Other | (78) | 28 | (50) |
| | (2 134) | 799 | (1 335) |

*** The majority of the dividends received relates to accrued dividends on the investment in preference shares of Lancaster 102. Refer to note 11 for terms of the preference share investment.*

**ACCOUNTING POLICY**

**Interest income, finance costs and other finance income and costs**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Dividend income is recognised in the statement of profit or loss on the date that the Group's right to receive payment is established.

Other net finance income and expenses comprise unwinding of the discount on provisions recognised on investments.

## 6. TAXATION

Steinhoff Investments is a South African tax resident.

For periods ending 30 September 2019 and 30 September 2018 the corporate taxation rate in South Africa is 28%. Capital gains are taxed at 22.4%.

### ACCOUNTING POLICY

#### Current taxation

Included within the tax charge are charges relating to:
- Normal corporate taxation;
- Capital gains taxation;
- Dividends withholding taxation

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the Reporting Date, and any adjustment to tax payable in respect of previous periods.

#### Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the Reporting Date.

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable, on the basis of all available evidence it is considered more likely than not, that there will be suitable taxable profits against which the reversal of the deferred tax asset can be deducted.

### Significant accounting estimate and judgments

**Uncertain tax positions**

Uncertainty exists regarding the tax impact of the items described hereunder.

Management has estimated the tax consequences associated with the alleged accounting irregularities. Where specific items were identified that could result in an increase in taxable profit, they were recognised. In the case of specific items that could result in a reduction of taxable profit and where it is uncertain whether they will be allowed by the relevant tax authorities, these items were ignored.

The tax position of the single entities impacted by the consequences of the alleged accounting irregularities in prior years may give rise to both short- and long-term tax related consequences. Due to backlogs experienced by local tax authorities, the adjusted financial results would not have been considered by the local tax authorities as yet and as a result the impact of potential tax adjustments, fines, penalties and/or refunds is unknown at present. Due to the uncertainty associated with such tax items, there is a possibility that the final outcome may differ significantly from the current estimates.

Furthermore, as the Group forms part of the greater Steinhoff N.V. Group which is a multi-national group, there are a number of cross-border related party transactions in place in all spheres of the Group's business. In light of the revenue authorities' increased focus on transfer pricing matters the Group faces potential risks as its related party transactions may be challenged by the relevant tax authorities.

### Recoverability of deferred taxation assets

Deferred taxation assets have been recognised for the carry forward amount of unused tax losses relating to the Group's operations where there is compelling evidence that it is probable that sufficient taxable profits will be available in the future to utilise the tax losses carried forward, either by the specific company to which it relates or the wider Group. Management has carefully assessed the entities' ability to generate future taxable profits against which the recognised tax losses can be utilised. Such assessments are based on the approved budgets and the forecasts of the entities including its ability to raise funding to maintain and support its operations.

## 6. TAXATION (continued)

### 6.1 Income tax expense recognised in profit or loss

**Major components of the tax expense from continuing and discontinued operations:**

| | 2019 Rm | 2018 Rm |
|---|---|---|
| **Current tax** | | |
| Income tax | | |
| Current period | **1 678** | 1 394 |
| Prior period adjustments | **(27)** | 165 |
| Capital gains tax | **416** | 202 |
| Withholding tax | **142** | 160 |
| | **2 209** | 1 921 |
| **Deferred taxation** | | |
| Originating and reversing temporary differences - current period | **(83)** | 479 |
| Adjustments relating to prior period | **26** | 70 |
| | **(57)** | 549 |
| **Total tax from continuing operations** | **2 152** | 2 470 |
| **Components of the tax expense from discontinued operations:** | | |
| Current tax | **161** | 178 |
| Deferred taxation | **(92)** | (118) |
| | **69** | 60 |
| Total taxation expense recognised in profit or loss | **2 221** | 2 530 |

**Reconciliation of rate of taxation**

| | 2019 Rm | 2018 Rm |
|---|---|---|
| Profit/(loss) before income tax from continuing operations | **6 208** | (1 051) |
| (Loss)/profit before income tax from discontinued operations | **(49)** | 672 |
| | **6 159** | (379) |
| South African standard rate of taxation at 28% | **(1 725)** | 106 |
| Effect of different statutory taxation rates of subsidiaries in other jurisdictions | **588** | 23 |
| Effect of non-deductible expenses and tax exempt income[1] | **(1 546)** | (2 340) |
| Unrecognised tax losses | **(68)** | (234) |
| Effect of profit of equity accounted companies | **222** | 249 |
| Prior period adjustments | **(5)** | (231) |
| Withholding taxes | **(142)** | (326) |
| Utilisation of previously unrecognised tax losses and temporary differences | **170** | 129 |
| Previously unrecognised tax losses raised | **3** | - |
| Other reconciling items | **282** | 94 |
| Total taxation expense recognised in profit or loss | **(2 221)** | (2 530) |

[1] *Non-deductible expenses are largely attributable to impairments of goodwill, intangible assets and intergroup loans and preference share dividends*

### 6.2 Tax provisions

Tax provisions are included in the taxation payable balance. The taxation receivable and payable balances are disclosed on the face of the Statement of Financial Position.

## 6. TAXATION (continued)

### 6.3 Deferred tax assets and liabilities

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 30 September 2019 Rm | 30 September 2018 Rm | 30 September 2019 Rm | 30 September 2018 Rm | 30 September 2019 Rm | 30 September 2018 Rm |
| Recognised deferred tax assets and liabilities attributable to the following categories: | | | | | | |
| Intangible assets and goodwill | **(14)** | (14) | **(3 939)** | (4 056) | **(3 953)** | (4 070) |
| Property, plant and equipment | **129** | 177 | **(71)** | (85) | **58** | 92 |
| Provisions | **722** | 578 | **(2)** | 18 | **720** | 596 |
| Share-based payments | **40** | 65 | **-** | (44) | **40** | 21 |
| Taxation losses | **56** | 418 | **(2)** | 7 | **54** | 425 |
| Other* | **312** | 242 | **(10)** | (155) | **302** | 87 |
| Balance at end of the period | **1 245** | 1 466 | **(4 024)** | (4 315) | **(2 779)** | (2 849) |

** Included in Other are deferred taxes attributable to prepayments, operating leases and unrealised foreign currency gains.*

| | | | |
|---|---|---|---|
| Balance at beginning of period | | **(2 849)** | (3 128) |
| Deferred tax of businesses acquired | Note 24 | **-** | 26 |
| Deferred tax of subsidiaries derecognised | | **(1)** | - |
| Amounts charged directly to other comprehensive income: | | | |
| Cash flow hedging reserve and fair value reserves | | **37** | 508 |
| Exchange differences on translation of foreign operations, including hyperinflation | | **(5)** | 134 |
| Amounts charged directly to equity: | | | |
| Share based payment reserves | | **6** | 7 |
| Effect of adopting IFRS 9 | | **32** | - |
| Current period charge: | | | |
| From continuing operations | Note 6.1 | **57** | (549) |
| From discontinued operations | Note 6.1 | **92** | 118 |
| Transferred to held-for-sale assets or liabilities | Note 33 | **(137)** | 34 |
| Other | | **(7)** | - |
| Exchange differences on translation of foreign operations | | **(4)** | 1 |
| Balance at end of the period | | **(2 779)** | (2 849) |

## 6. TAXATION (continued)

### 6.3 Deferred tax assets and liabilities

| | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|
| **Unrecognised deferred tax assets** | | |
| Deferred tax assets have not been recognised in respect of the following items: | | |
| Unrecognised taxation losses | **3 371** | 6 612 |
| Deferred tax assets have not been recognised in respect of these items because it is not yet certain that future taxable profits will be available against which the Group can realise the benefits therefrom. | | |
| **Taxation losses** | | |
| Estimated recognised taxation losses available for offset against future taxable income | **220** | 1 454 |

### 6.4 Expiry profile of taxation losses

The majority of the tax losses do not have expiry dates for utilisation.

## 7. EARNINGS PER SHARE

| | 2019 Cents | 2018 Cents |
|---|---|---|
| The calculation of per share numbers uses the exact unrounded numbers. This may result in differences when compared to calculating the numbers using the rounded number of shares and loss as disclosed below. | | |
| **Basic and diluted earnings/(loss) per share** | | |
| From continuing operations | **5 963.6** | (7 652.7) |
| From discontinued operations | **(214.5)** | 1 112.7 |
| Basic and diluted earnings/(loss) per share | **5 749.1** | (6 540.0) |
| **Headline earnings/(loss) per share** | | |
| Headline earnings/(loss) is an additional earnings/(loss) number that is permitted by IAS 33: Earnings per Share ("IAS 33"). The starting point is profit/(loss) as determined in IAS 33, excluding separately identifiable remeasurements, net of related taxation (both current and deferred) and related non-controlling interests other than remeasurements specifically included in headline earnings/(loss). This number is required to be reported by the JSE, where the Group is listed, and is defined by Circular 4/2018 Headline Earnings. | | |
| Separately identifiable remeasurements are those where the applicable IFRS explicitly requires separate disclosure of the operating and/or the platform remeasurement in the Consolidated Financial Statements. No adjustments would be permitted on the basis of voluntary disclosure of gains or losses (or components of these). | | |
| From continuing operations | **6 498.1** | (4 484.3) |
| From discontinued operations | **1 473.5** | 2 174.5 |
| Headline earnings/(loss) per share | **7 971.6** | (2 309.8) |

All potential ordinary shares were anti-dilutive and therefore diluted per share numbers are the same as basic or headline per share numbers.

### RECONCILIATIONS OF DENOMINATOR AND NUMERATOR

### 7.1 Weighted average number of ordinary shares

| | Notes | 2019 Million | 2018 Million |
|---|---|---|---|
| Issued ordinary shares at beginning of the period | 26.2 | **55** | 55 |
| Weighted average number of ordinary shares at end of the period for the purpose of basic loss per share and headline loss per share | | **55** | 55 |

### 7.2 Basic earnings/(loss) and headline earnings/(loss) attributable to the ordinary shareholders of Steinhoff Investments

| | Notes | Continuing operations Rm | Discontinued operations Rm | Total Rm |
|---|---|---|---|---|
| **2019** | | | | |
| Basic earnings/(loss) for the period attributable to Owners of Steinhoff Investments | | **3 280** | **(118)** | **3 162** |
| Adjusted for remeasurement items | 7.3 | **294** | **928** | **1 222** |
| **Headline earnings attributable to Owners of Steinhoff Investments** | | **3 574** | **810** | **4 384** |
| **2018** | | | | |
| Basic (loss)/earnings for the period attributable to Owners of Steinhoff Investments | | (4 209) | 612 | (3 597) |
| Adjusted for remeasurement items | 7.3 | 1 743 | 584 | 2 327 |
| **Headline loss attributable to Owners of Steinhoff Investments** | | (2 466) | 1 196 | (1 270) |

## 7. EARNINGS PER SHARE (continued)

### 7.3 Remeasurement items as defined by the HEPS circular

| | Notes | 2019 Gross of taxation and non-controlling interests Rm | 2019 Net of taxation and non-controlling interests Rm | 2018 Gross of taxation and non-controlling interests Rm | 2018 Net of taxation and non-controlling interests Rm |
|---|---|---|---|---|---|
| Remeasurement items reflect and affect the resources committed in producing operating/trading performance and are not the performance itself. These items deal with the platform/capital base of the entity. | | | | | |
| Refer to note 4 for further details regarding the nature of the remeasurement items. | | | | | |
| **Continuing operations** | | | | | |
| **Impairment** | | **1 303** | **1 165** | 20 | 16 |
| Goodwill | 4.2.1 | **672** | **672** | - | - |
| Intangible assets | 4.2.1 | **547** | **427** | - | - |
| Property, plant and equipment | 4.2.1 | **69** | **54** | 20 | 16 |
| Other | | **15** | **12** | - | - |
| **Foreign currency translation reserve and fair value reserve reclassified to profit or loss** | 4.2.3 | **-** | **-** | 3 914 | 3 350 |
| **Loss on disposal of property, plant and equipment and intangible assets** | 4.2.4 | **19** | **18** | 26 | 18 |
| **Profit on sale and partial sale of investments** | 4.2.5 | **(892)** | **(889)** | (1 660) | (1 641) |
| | | **430** | **294** | 2 300 | 1 743 |
| **Discontinued operations** | | | | | |
| **Impairment** | 1.1.1 | **1 230** | **959** | 682 | 605 |
| Goodwill | | **-** | **-** | 332 | 332 |
| Intangible assets | | **283** | **221** | 168 | 131 |
| Property, plant and equipment | | **685** | **534** | 182 | 142 |
| Investment property | | **262** | **204** | - | - |
| **Profit on disposal of property, plant and equipment, intangible assets and scrapping of vehicle rental fleet** | 1.1.2 | **(31)** | **(31)** | (13) | (13) |
| **Profit on sale and partial sale of investments** | 1.1.3 | **-** | **-** | (8) | (8) |
| | | **1 199** | **928** | 661 | 584 |

## 8. INTANGIBLE ASSETS

### ACCOUNTING POLICY

### Goodwill

Goodwill recognised as the excess of the:
• consideration transferred, plus
• the amount of any non-controlling interest in the acquired entity, and
• acquisition-date fair value of any previous equity interest in the acquired entity
over the fair value of the net assets acquired in a business combination.

Refer to note 24 for the accounting policy applied to business combinations.

Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Calculation of profits and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

### Other intangible assets

**Trade and brand names**

Separately acquired trade and brand names are shown at historical cost. Trade and brand names acquired in a business combination are recognised at fair value at the acquisition date. The majority of the Group's trade and brand names have indefinite useful lives and are subsequently carried at cost less accumulated impairment losses. Internally generated trade and brand names are not recognised in the Statement of Financial Position.

**Dealership agreements**

Dealership agreements acquired in a business combination are recognised at fair value at the acquisition date. They have indefinite useful lives and are subsequently carried at cost less accumulated impairment losses.

**Software and ERP systems**

Purchased software is measured at cost less accumulated amortisation and impairment losses. Expenditure on internally developed software is capitalised when the expenditure qualifies as development activities, otherwise it is recognised in profit or loss when incurred.

**Other intangible assets**

Included in other intangible assets are patents, licenses and other contract-related intangible assets.

**Amortisation of intangible assets with finite useful lives**

Amortisation of intangible assets is recognised in profit or loss on a straight-line basis over the assets' estimated useful lives, unless such lives are indefinite.

**Impairment of intangible assets**

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Intangible assets with finite useful lives are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Intangible assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each Reporting Period.

## 8. INTANGIBLE ASSETS (continued)

### Significant accounting estimates and judgements

***Useful life of intangible assets***

**Software and ERP systems**

The Group amortises software and ERP systems over their useful lives ranging between one and eight years using the straight-line method.

**Indefinite useful life intangible assets**

An indefinite life does not mean an infinite useful life, but rather that there is no foreseeable limit to the period over which the asset can be expected to generate cash flows for the entity.

**Trade and brand names**

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

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

## 8. INTANGIBLE ASSETS (continued)

| | | | Indefinite useful life | | | | |
|---|---|---|---|---|---|---|---|
| | Notes | Goodwill Rm | Trade and brand names Rm | Dealership agreements Rm | Software and ERP systems Rm | Other intangibles Rm | Total Rm |
| **Balance at 1 October 2017** | | 42 693 | 18 127 | 1 571 | 241 | - | 62 632 |
| Additions | | - | - | - | 72 | - | 72 |
| Amortisation | | - | - | - | (81) | (4) | (85) |
| From continuing operations | 4.3.1 | - | - | - | (81) | (4) | (85) |
| From discontinued operations | | - | - | - | - | - | - |
| Acquired on acquisition of businesses | 24.4 | 180 | 72 | - | 5 | 19 | 276 |
| Impairment | 8.1 | (332) | - | (168) | - | - | (500) |
| From continuing operations | 4.2.1 | - | - | - | - | - | - |
| From discontinued operations | 1.1.1 | (332) | - | (168) | - | - | (500) |
| Transfer from property, plant and equipment | | - | - | - | 61 | - | 61 |
| Transferred to discontinued operations and assets held-for-sale | 33 | - | - | (1 403) | - | - | (1 403) |
| **Balance at 30 September 2018** | | **42 541** | **18 199** | **-** | **298** | **15** | **61 053** |
| Additions | | **-** | **3** | **-** | **141** | **-** | **144** |
| Amortisation | | **-** | **-** | **-** | **(137)** | **(4)** | **(141)** |
| From continuing operations | 4.3.1 | **-** | **-** | **-** | **(137)** | **(4)** | **(141)** |
| From discontinued operations | | **-** | **-** | **-** | | **-** | **-** |
| Disposals | | **(4)** | **-** | **-** | **-** | **-** | **(4)** |
| Impairment | 8.1 | **(672)** | **(547)** | **-** | **-** | **-** | **(1 219)** |
| From continuing operations | 4.2.1 | **(672)** | **(547)** | **-** | **-** | **-** | **(1 219)** |
| From discontinued operations | | **-** | **-** | **-** | **-** | **-** | **-** |
| Transfer from property, plant and equipment | | **-** | **-** | **-** | **11** | **-** | **11** |
| **Balance at 30 September 2019** | | **41 865** | **17 655** | **-** | **313** | **11** | **59 844** |
| Cost | | **43 391** | **18 843** | **-** | **1 453** | **36** | **63 723** |
| Amortisation and impairment | | **(1 526)** | **(1 188)** | **-** | **(1 140)** | **(25)** | **(3 879)** |
| **Net book value at 30 September 2019** | | **41 865** | **17 655** | **-** | **313** | **11** | **59 844** |
| Cost | | 43 395 | 18 840 | - | 1 301 | 36 | 63 572 |
| Amortisation and impairment | | (854) | (641) | - | (1 003) | (21) | (2 519) |
| **Net book value at 30 September 2018** | | 42 541 | 18 199 | - | 298 | 15 | 61 053 |

## 8. INTANGIBLE ASSETS (continued)

### Summary of net carrying value:

| | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|
| Goodwill | **41 865** | 42 541 |
| Indefinite useful life trade and brand names | **17 655** | 18 199 |
| Finite useful life intangible assets | **324** | 313 |
| | **59 844** | 61 053 |

Management has identified the following CGUs to which goodwill and trade and brand names have been allocated. These CGUs do not represent a level higher than the operating segments identified in note 2.

| | Goodwill | | Trade and brand names | |
|---|---|---|---|---|
| | 30 September 2019 Rm | 30 September 2018 Rm | 30 September 2019 Rm | 30 September 2018 Rm |
| Goodwill and trade and brand names are considered a significant class of intangible assets to the Group. The carrying amount per segment is presented below: | | | | |
| Pepkor Holdings | **41 865** | 42 537 | **17 655** | 18 199 |
| Africa Group Services | **-** | 4 | **-** | - |
| | **41 865** | 42 541 | **17 655** | 18 199 |

### 8.1 Impairment tests

**Significant accounting estimates and judgements**

*Key assumptions used for the value-in-use calculations*

The Group tests whether goodwill and indefinite life trade and brand names have suffered any impairment at least on an annual basis. The recoverable amount of the CGU is determined based on value-in-use calculations which require the use of assumptions relating to the discount rates, growth rates, expected changes to the revenue growth during the forecast period and working capital requirements. Assumptions are based on past practices and expectations of future changes in the market. The calculations use discounted cash flow projections based on financial budgets approved by management. Models were built over a five year period with terminal growth thereafter.

WACC is a key factor in determining the pre-tax discount rate to be applied to the cash flow projections. The Group's liquidity constraints have resulted in a decline in the Group's investment rating during the Reporting Period. As such, the CGU specific WACC has been calculated by estimating the cost of borrowing for each business if the business borrowed at rates impacted by the lower investment rating of the Group. The cost of equity was adjusted to include additional risk factors, such as forecast risk, to incorporate the current uncertain trading conditions of the Group.

An impairment charge is required for both goodwill and other indefinite life intangibles assets when the carrying amount exceeds the recoverable amount. The recoverable amount of the CGU reflected the value in use which was higher than the fair value (Level 3 fair value measurement) less cost to sell.

## 8. INTANGIBLE ASSETS (continued)

### 8.1 Impairment tests (continued)

**Significant accounting estimates and judgements (continued)**

The following table sets out the key assumptions for those CGU's that have significant goodwill and/or trade and brand names allocated to them:

| | Pre-tax discount rate | Approved budget period | Medium term revenue (annual growth rate | Long term growth rate |
|---|---|---|---|---|
| **30 September 2019** | | | | |
| **Continuing operations** | | | | |
| Pepkor Holdings[1] | **16.2% to 19.8%** | **5 years** | **4.5% to 10.8%** | **5.0% to 6.0%** |
| **30 September 2018** | | | | |
| **Continuing operations** | | | | |
| Pepkor Holdings[1] | 16.4% to 16.9% | 5 years | 5.4% to 11.9% | 5.0% to 6.0% |

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

**Pre-tax discount rate** Discount rates reflect the risk-free interest rates and country specific risks applicable to the CGUs. Debt: equity splits and betas were calculated separately using peer group inputs. The WACC per CGU was calculated based on the revised investment grade of the Group and taking into account specific risks to each CGU.

**Approved budget** The forecasted cash flow periods take into account management's assumptions of the sales volume, sales price and cost increases expected over the next five years.

**Revenue** Average annual growth rate over the budgeted period; based on current industry trends and including long-term inflation forecasts for each group of CGU's.

**Long term growth rate** This is the weighted average growth rate used to extrapolate cash flows beyond the budget and forecast periods. The rates are consistent with the long term inflation outlook for the countries where the underlying businesses operate.

*[1] This represents a summary of the Pepkor Holdings group's various goodwill models disclosed as part of their published 2019 annual financial statements.*

#### Material impairment charges

| | Goodwill | | Indefinite useful life trade and brand names | |
|---|---|---|---|---|
| | 30 September 2019 Rm | 30 September 2018 Rm | 30 September 2019 Rm | 30 September 2018 Rm |
| **Continuing operations** | | | | |
| Pepkor Holdings[2] | **(672)** | - | **(547)** | - |
| **Discontinued operations** | | | | |
| Automotive[3] | | (332) | | (168) |
| | **(672)** | (332) | **(547)** | (168) |

*[2] The impairment recognised in Pepkor Holdings in the current year relates to the building materials segment. The general slowdown experienced in the sector at large continued during the current financial year. The building contractors' element of the Business Confidence Index recorded a 20-year low. The current performance, considered in line with the medium-term outlook of the business and the industry, has led to a significant decrease in expected future cash generation relating to the building materials segment.*

*[3] Goodwill and Intangible assets that were transferred to held-for-sale were valued on an IFRS 5 basis. There could therefore be additional impairments recognised subsequent to the transfer as these assets will be valued on the lower of carrying value or fair value less cost to sell. Refer to note 33 for additional information.*

## 8. INTANGIBLE ASSETS (continued)

### 8.1 Impairment tests (continued)

#### Material impairment charges

**Impact of COVID-19 on the valuation of Goodwill and Intangible Assets**

The pandemic is causing significant disruptions both on the supply and demand side for the Group. This will impact the forecasted sales in the coming year. The pandemic is a non-adjusting event for the Group in the 2019 Reporting Period and will therefore not have an impact on recognition and measurement of assets and liabilities in the 2019 Reporting Period. It is however a disclosure item and the directors and management have considered the impact of the pandemic and whether this will cause the carrying amount of the CGUs to exceed the recoverable amount.

The table below reflects the assumptions which would result in the recoverable amount equating to the carrying amount:

| | Goodwill | Trade and brand names | Pre-tax discount rate | | Long-term growth rate | |
|---|---|---|---|---|---|---|
| | 30 September 2019 Rm | 30 September 2019 Rm | From % | To % | From % | To % |
| Pepkor Holdings | | | | | | |
| Tekkie Town | **2 251** | **766** | **16.2%** | **16.9%** | **6.0%** | **5.2%** |
| Other[1] | **39 614** | **16 889** | | | | |
| | **41 865** | **17 655** | | | | |

*[1] The recoverable amount for Pepkor Holdings (excluding Tekkie Town) substantially exceeds the carrying amount of the CGU. No sensitivity analysis is therefore presented in relation to changes in assumptions underpinning the impairment test performed.*

## 9. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

### Significant accounting estimates

**Residual value and useful life of buildings**

Management has considered the most recent information regarding the estimated amount that an entity would currently obtain from disposal of the properties, after deducting the estimated costs of disposal, if these were already of the age and in the condition expected at the end of its useful life. The useful life and the residual values of the properties reflects the expected pattern of consumption of the future economic benefits embodied in these assets.

**Impairment testing**

The majority of the Group's properties are owner occupied. Management requested independent third party valuers to do their fair valuations in terms of IFRS. It should be noted that the properties were valued on an individual basis and did not assume any portfolio effect.

### ACCOUNTING POLICY

**Owned assets**

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

**Leased assets**

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the Group are classified as finance leases. All other leases are classified as operating leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease. The capital element of future obligations under the leases is included as a liability in the statement of financial position. Lease payments are allocated using the effective-interest method to determine the lease finance costs, which are charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

**Subsequent costs**

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

**Depreciation**

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over the estimated useful lives or in the case of leasehold improvements or other leased assets, the shorter lease term as follows:

| | |
|---|---|
| • Investment property | 15 - 40 years |
| • Buildings | 15 - 50 years |
| • Plant and machinery | 3 - 10 years |
| • Vehicles | 4 - 10 years |
| • Office equipment and furniture | 3 -16 years |
| • Computer equipment | 2 - 4 years |
| • Vehicle rental fleet | 5 years |

**Investment property**

Investment property is land and buildings that are held to earn rental income or for capital appreciation, or both.

The Group has elected to measure all investment properties using the cost model.

The fair value of investment property is classified as level 3, based on the fair value hierarchy.

No restrictions exist on the sale of investment property.

**Encumbered assets**

Assets with a book value of R22 million (2018: R38 million) are encumbered. The encumbered assets relate to the finance leases disclosed under note 16.

## 9. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY (continued)

| | Notes | Investment property Rm | Land and buildings Rm | Plant and machinery Rm | Leasehold improvements Rm | Furniture and fittings Rm | Other assets Rm | Total Rm |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 October 2017** | | 1 227 | 3 980 | 2 103 | 484 | 224 | 2 093 | 10 111 |
| Additions | | 41 | 383 | 836 | 194 | 100 | 1 870 | 3 424 |
| Depreciation | | - | (41) | (562) | (155) | (68) | (441) | (1 267) |
| From continuing operations | 4.3.1 | - | (25) | (552) | (141) | (58) | (280) | (1 056) |
| From discontinued operations | | - | (16) | (10) | (14) | (10) | (161) | (211) |
| Disposals | | (60) | (1) | (20) | (16) | - | (71) | (168) |
| Impairment | | - | (170) | (15) | (7) | (7) | (3) | (202) |
| From continuing operations | 4.2.1 | - | - | (12) | (3) | (3) | (2) | (20) |
| From discontinued operations | 1.1.1 | - | (170) | (3) | (4) | (4) | (1) | (182) |
| Acquired on acquisition of businesses | 24.4 | - | 30 | 11 | 8 | 20 | 39 | 108 |
| Reclassifications | | 226 | (239) | 6 | 40 | 4 | (37) | - |
| Transfer to intangible assets | | - | - | - | - | - | (61) | (61) |
| Transfer to inventories | | - | - | - | - | - | (971) | (971) |
| Transferred to discontinued operations and assets held-for-sale | 33 | (10) | (982) | (28) | (32) | (32) | (1 199) | (2 283) |
| Exchange differences on consolidation of foreign operations | | - | (33) | 42 | 1 | (1) | 4 | 13 |
| **Balance at 30 September 2018** | | 1 424 | 2 927 | 2 373 | 517 | 240 | 1 223 | 8 704 |

Transfers to inventories comprise the vehicle rental fleet that is sold by the Automotive dealerships.

## 9. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY (continued)

| | Notes | Investment property Rm | Land and buildings Rm | Plant and machinery Rm | Leasehold improvements Rm | Furniture and fittings Rm | Other assets Rm | Total Rm |
|---|---|---|---|---|---|---|---|---|
| **Balance at 30 September 2018** | | **1 424** | **2 927** | **2 373** | **517** | **240** | **1 223** | **8 704** |
| Additions | | **13** | **79** | **769** | **193** | **85** | **456** | **1 595** |
| Depreciation | | **(2)** | **(36)** | **(593)** | **(154)** | **(80)** | **(306)** | **(1 171)** |
| From continuing operations | 4.3.1 | **-** | **(31)** | **(593)** | **(154)** | **(80)** | **(306)** | **(1 164)** |
| From discontinued operations | | **(2)** | **(5)** | **-** | **-** | **-** | **-** | **(7)** |
| Disposals | | **(44)** | **(111)** | **(38)** | **(6)** | **(5)** | **(24)** | **(228)** |
| Impairment | | **(262)** | **(162)** | **(16)** | **(5)** | **(20)** | **(2)** | **(467)** |
| From continuing operations | 4.2.1 | **-** | **(26)** | **(16)** | **(5)** | **(20)** | **(2)** | **(69)** |
| From discontinued operations | | **(262)** | **(136)** | **-** | **-** | **-** | **-** | **(398)** |
| Disposal of businesses | | **-** | **(4)** | **-** | **-** | **-** | **-** | **(4)** |
| Reclassification | | **-** | **1** | **322** | **22** | **3** | **(348)** | **-** |
| Transfer to intangible assets | | **-** | **-** | **-** | **-** | **-** | **(11)** | **(11)** |
| Transferred to discontinued operations and assets held-for-sale | 33 | **(1 129)** | **(1 731)** | **-** | **-** | **(3)** | **-** | **(2 863)** |
| Exchange differences on consolidation of foreign operations | | **-** | **(22)** | **(43)** | **(4)** | **1** | **(3)** | **(71)** |
| **Balance at 30 September 2019** | | **-** | **941** | **2 774** | **563** | **221** | **985** | **5 484** |
| Cost | | **-** | **1 060** | **5 717** | **1 283** | **542** | **2 656** | **11 258** |
| Accumulated depreciation and impairment | | **-** | **(119)** | **(2 943)** | **(720)** | **(321)** | **(1 671)** | **(5 774)** |
| **Net book value at 30 September 2019** | | **-** | **941** | **2 774** | **563** | **221** | **985** | **5 484** |
| Cost | | 1 424 | 3 160 | 5 121 | 1 105 | 489 | 2 755 | 14 054 |
| Accumulated depreciation and impairment | | - | (233) | (2 748) | (588) | (249) | (1 532) | (5 350) |
| **Net book value at 30 September 2018** | | 1 424 | 2 927 | 2 373 | 517 | 240 | 1 223 | 8 704 |

Carrying values of the main components of the other assets per category are; Capital-work-in-progress (2019: R209 million; 2018: R483 million), vehicles (2019: R283 million; 2018: R275 million) and computer equipment (2019: R480 million; 2018: R444 million).

Leasehold improvements, land and buildings and plant and machinery are reclassified from capital-work-in-progress when the asset is finished and available for use.

## 10. INVESTMENTS IN EQUITY ACCOUNTED COMPANIES

### ACCOUNTING POLICY

#### Principles of equity accounting

**Associates**

Associates are entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

**Joint arrangements**

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group only has joint ventures.

**Joint ventures**

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost.

Goodwill arising on the acquisition of associates and joint ventures is included in the carrying amount of the associates and joint ventures.

**Equity method**

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group’s share of the post-acquisition profits or losses of the investee in profit or loss, and the Group’s share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group’s interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising on the deemed disposal of investments in equity accounted companies are recognised in profit or loss.

When there is a dilution in the Group's shareholding in an investment in an equity accounted company, the dilution ratio is applied to the Group's share of other reserves of the equity accounted company and are released through other comprehensive income or profit or loss depending on the allowable treatment per the IFRS applicable to the transactions that built up in that reserve.

Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

Where the financial year-end of the equity accounted entity differs by more than three months from the Group year-end, the Group will adjust the equity accounted carrying value by any known material transactions that took place between the Group year-end and that of the financial year-end of the equity accounted company.

**Impairment of investments in equity accounted companies**

Investments in equity accounted companies are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value-in-use.

Losses in an equity accounted investment are only recognised to the extent of the carrying amount. Excess losses are tracked and any subsequent share in profit of the equity accounted investment will first reduce the excess loss.

## 10. INVESTMENTS IN EQUITY ACCOUNTED COMPANIES (continued)

Set out below are the associates and joint ventures of the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held, except where indicated otherwise.

### 10.1 Detail of the equity accounted investments of the Group

| | | | % holding | | Quoted fair value[1] Rm | | Carrying value Rm | |
|---|---|---|---|---|---|---|---|---|
| Name of business | Place of business / country of incorporation | Nature of business | 30 September 2019 | 30 September 2018 | 30 September 2019 | 30 September 2018 | 30 September 2019 | 30 September 2018 |
| **Listed** | | | | | | | | |
| KAP Industrial Holdings Limited [2] | South Africa | Diverse industrial and logistics business | **-** | 25.9 | **-** | 5 170 | **-** | 3 630 |
| **Unlisted** | | | | | | | | |
| IEP Group Proprietary Limited ("**IEP**") | South Africa | Investment company | **26.0** | 25.4 | * | * | **3 176** | 3 175 |
| Various other immaterial equity accounted companies | South Africa | Property companies | **46.0** | 37.5 - 50.0 | * | * | **50** | 152 |
| | | | | | | | **3 226** | 6 957 |

[1] *The 30 September 30-day volume-weighted average share price was used to determine the quoted fair value of the listed investments.*

[2] *A portion of the investment in KAP was disposed of during the 2018 Reporting Period and the remaining investment was disposed of during the 2019 Reporting Period through an accelerated bookbuild for R4.7 billion proceeds.*

** Private equity - no quoted price available.*

## 10. INVESTMENTS IN EQUITY ACCOUNTED COMPANIES (continued)

### 10.2 Reconciliation of the aggregate carrying values of equity accounted companies

| | Notes | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|---|
| Balance at the beginning of the period | | **6 957** | 20 719 |
| Loans provided to equity accounted investments | 10.3 | **57** | 33 |
| Disposals | 10.5 | **(3 845)** | (14 424) |
| Deemed additions/(disposals) | | **16** | (27) |
| Transferred to assets held-for-sale | 33 | **(203)** | - |
| Share of: | | | |
| Profit or loss | | | |
| From continuing operations | | **793** | 916 |
| From discontinued operations | | **44** | (27) |
| Other comprehensive income | | **13** | (11) |
| Sundry reserves | | **(3)** | 15 |
| Dividends received | | | |
| KAP | | **-** | (77) |
| PSG | | **-** | (160) |
| IEP | | **(603)** | - |
| Carrying values of equity accounted companies at the end of the period | | **3 226** | 6 957 |

## 10. INVESTMENTS IN EQUITY ACCOUNTED COMPANIES (continued)

### 10.3. Loans provided to equity accounted investments during the period

During the 2019 Reporting Period, the Pepkor Holdings group acquired 46 shares at R1 each in S'Ya Phanda Proprietary Limited and advanced loan funding to the entity for black supplier development initiatives. The entity provides BEE consulting services and is intended to make strategic investments. The Pepkor Holdings group also provided a loan of R50 million which is secured, interest free and repayable on 396 day notice.

The remaining R7 million relates to additional loans granted to other immaterial equity accounted investments.

### 10.4. Significant accounting judgements relating to impairment of equity accounted investments

The Group considers whether any impairment indicators are present with regards to its investments in equity accounted companies by reference to the quoted fair value, if available, as well as the underlying investments profitability, access to operational funding and any other factors that could impact the investment's ability to deliver returns to the Group.

The Group did not identify any impairment indicators for the investments held.

### 10.5 Material disposals

During the 2018 Reporting Period the entire investment in PSG was disposed for R12.4 billion and a profit of R376 million was recognised on disposal.

The investment in KAP was reduced by 17% during the 2018 Reporting Period for cash proceeds of R3.64 billion. A profit of R1.3 billion was recognised on disposal.

The remaining investment in KAP was disposed of during the 2019 Reporting Period through an accelerated bookbuild for proceeds of R4.73 billion. A profit of R882 million was recognised on disposal.

### 10.6 Commitments

The Group's obligation in respect of losses and contingent liabilities from equity accounted companies is limited to the extent of the carrying values of the investments including loans and preference share investments.

### 10.7 Summarised information in respect of material equity accounted companies

The table below provides summarised financial information for those equity accounted investments that are material to the Group. The information disclosed reflects the amounts presented in the most recent financial statements of the relevant equity accounted companies and not the Group's share of those amounts.

Adjustments are made for material transactions occurring between equity accounted company's reporting date and Steinhoff Investments' Reporting Date (where necessary).

The Group has compared the accounting policies of these companies to those of the Group and have found no material differences that require adjustment.

## 10. INVESTMENTS IN EQUITY ACCOUNTED COMPANIES (continued)

### 10.7 Summarised information in respect of material equity accounted companies (continued)

| | KAP | IEP | |
|---|---|---|---|
| | Period ended 30 June 2018 Rm | Period ended 31 December 2019 Rm | Period ended 31 December 2018 Rm |
| Revenue | 22 985 | **13 768** | 13 069 |
| Investment income | 37 | **130** | 247 |
| Depreciation and amortisation | (1 045) | **(1 012)** | (829) |
| Interest expense | (743) | **(612)** | (627) |
| Income tax expense | (224) | **(585)** | (463) |
| **Profit for the period from continuing operations** | 1 610 | **2 090** | 1 542 |
| Loss for the period from discontinued operations | (19) | **(214)** | - |
| **Profit for the period** | 1 591 | **1 876** | 1 542 |
| Other comprehensive income/(loss) for the period | 39 | **(11)** | 32 |
| **Total comprehensive income for the period** | 1 630 | **1 865** | 1 574 |

| | As at 30 June 2018 Rm | **As at 31 December 2019 Rm** | As at 31 December 2018 Rm |
|---|---|---|---|
| Non-current assets | 19 980 | **20 064** | 19 836 |
| Current assets | | | |
| Cash and cash equivalents | 2 151 | **1 427** | 2 273 |
| Other current assets | 6 373 | **4 318** | 5 177 |
| Total current assets | 8 524 | **5 745** | 7 450 |
| Non-current liabilities | | | |
| Non-current financial liabilities (excl. trade payables) | (6 960) | **(5 766)** | (2 762) |
| Other non-current liabilities | (3 216) | **(2 980)** | (2 844) |
| Total non-current liabilities | (10 176) | **(8 746)** | (5 606) |
| Current liabilities | | | |
| Current financial liabilities (excl. trade payables) | (1 007) | **(355)** | (3 935) |
| Other current liabilities | (4 844) | **(2 441)** | (2 613) |
| Total current liabilities | (5 851) | **(2 796)** | (6 548) |
| Non-controlling interests | (322) | **(2 437)** | (2 504) |
| **Net assets** | 12 155 | **11 830** | 12 628 |
| % ownership by Group | 25.9% | **26.0%** | 25.4% |
| Group's share of net assets | 3 151 | **3 074** | 3 207 |
| Adjustment for material transactions and foreign currency differences | (161) | **102** | (32) |
| Goodwill | 640 | **-** | - |
| **Carrying amount of the Group's interest** | 3 630 | **3 176** | 3 175 |

** IEP is a private equity company.*

## 11. OTHER FINANCIAL ASSETS

| | Notes | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|---|
| **Non-current other financial assets** | | | |
| At amortised cost | 11.1 | **4 912** | 4 658 |
| At fair value through other comprehensive income | | **125** | 296 |
| | | **5 037** | 4 954 |
| **Current other financial assets** | | | |
| At amortised cost | | **1** | - |
| Total other financial assets | | **5 038** | 4 954 |

### 11.1 At amortised cost

The Group classifies its financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the Reporting Period.

| | Notes | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|---|
| Financial assets at amortised cost including the following debt instruments: | | | |
| Unlisted preference shares – Lancaster 102 | a | **4 667** | 4 308 |
| Unlisted bonds | b | **105** | 128 |
| Other unlisted investments | | **-** | 30 |
| Interest-bearing loans | c | **121** | 173 |
| Non-interest bearing loans | | **19** | 19 |
| | | **4 912** | 4 658 |

**a) Unlisted preference shares**

The increase in unlisted preference shares is as a result of additional accrued dividends on the investment in preference shares issued by Lancaster 102 Proprietary Limited ("Lancaster 102"). At the beginning of the 2018 Reporting Period, Steinhoff Africa subscribed for 1 000 preference shares to the value of R4 billion in Lancaster 102. The preference shares accrue dividends at 80% of the SA prime lending rate as quoted by Standard Bank Group Limited or its successor in title in South Africa. The preference shares are redeemable after 5 years from issue with the option to extend for a further 2 years. As part of the transaction, Steinhoff Africa also obtained a liability to the value of R4 billion from Lancaster 102. Refer to note 16.

On adoption of IFRS 9, the Group assessed the preference share investment for expected credit losses and concluded that there was no significant impact on adoption.

Subsequent to the adoption of IFRS 9 and at year-end, expected credit losses were assessed. The assessment included consideration of the net asset value of Lancaster 102, the fact that the investment is, in essence, supported by the liability owed to Lancaster (refer note 16) and no default on payment has occurred. Based on the assessment it was determined that any provision for expected credit losses on the investment is immaterial.

## 11. OTHER FINANCIAL ASSETS (continued)

**b) Unlisted bonds**
**Angola government bonds held by Pepkor Holdings**

| | Issue date | Coupon rate | Maturity date |
|---|---|---|---|
| Angola government bonds are issued by the ministry of finance in Angola. The bonds are denominated in Angola kwanza. The balance of the ministry of finance bond is R98 million at 30 September 2019. | 23/08/2018 | 12.25% | 23/08/2021 |
| Standard bank bonds are issued by the Standard Bank in Angola. The bonds are denominated in Angola kwanza. The balance of the Standard Bank bond is R7 million at 30 September 2019. | 11/12/2018 | 17.00% | 11/12/2021 |

On adoption of IFRS 9, the Group assessed the bonds for expected credit losses and concluded that there was no significant impact on adoption.

**c) Interest-bearing loans**
**Pepkor Holdings loans to current and previous members directors and employees**
Included in the balance of interest-bearing loans are loans advanced by Pepkor Holdings to current and previous employees in prior years to enable them to purchase shares in BVI. These loans are repayable by November 2021 and bear interest at market-related interest rates. The gross balance of the loans at 30 September 2019 was R167 million (2018: 152 million), but are disclosed net of a provision for expected credit losses of R100 million (provision for doubtful debts 2018: R60 million).

### 11.2 At fair value through other comprehensive income
### Investment in Steinhoff N.V.

The investment in Steinhoff N.V. comprises 114 016 032 (2018: 114 376 032) ordinary shares held by various entities in the Group. The investment has been designated to be classified as at fair value through other comprehensive income with the fair value being determined by using the 30-day VWAP of the Steinhoff N.V. share price.

The Steinhoff N.V. shares are not held for trading but rather as a strategic investment for the greater Steinhoff N.V. Group, therefore management deemed the classification at fair value through other comprehensive income as more appropriate.

**Amounts recognised in other comprehensive income and profit or loss**

| | Note | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|---|
| Losses recognised in other comprehensive income | | **(170)** | (6 376) |
| Loss recognised in profit or loss as other expense, being reclassified from other comprehensive income | 4.2.3 | | |
| On disposal of investment - Other investments | | - | (156) |
| Deemed permanent impairment - Investment in Steinhoff N.V. | | - | 4 016 |
| | | - | 3 860 |

### 11.3 Other financial assets classified as held-for-sale

During the 2018 and 2019 Reporting Period disposals groups were identified where the carrying value of these assets and liabilities will be recovered principally through a sale transaction rather than through continuing use.

Total other financial assets that forms part of disposal groups classified as held-for-sale as at 30 September 2019 amount to R426 million (2018: R266 million)

## 12. TRADE AND OTHER RECEIVABLES

| | Notes | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|---|
| **Financial assets** | | | |
| **Non-current trade and other receivables** | | | |
| Loans to customers | | **154** | - |
| **Current trade and other receivables** | | | |
| Trade receivables | | **1 606** | 1 914 |
| Instalment sale receivables | | **1 479** | 187 |
| Credit sales through store cards | | **2 822** | 2 350 |
| Loans to customers | | **2 001** | - |
| *Less: Provision for impairments - Trade receivables* | 19.3 | **(185)** | (113) |
| *Less: Provision for impairments - Instalment sale receivables* | 19.3 | **(490)** | (46) |
| *Less: Provision for impairments - Credit sales through store cards* | 19.3 | **(479)** | (329) |
| *Less: Provision for impairments - Loans to customers* | 19.3 | **(331)** | - |
| Net trade, instalment sale and loan receivables | | **6 423** | 3 963 |
| Other amounts due | | **1 813** | 1 509 |
| *Less: Provision for impairments - Other amounts due* | 19.3 | **(69)** | (43) |
| Receivables due from equity accounted companies | | **-** | 15 |
| Derivative financial assets | 19.1 | **186** | 318 |
| | | **8 353** | 5 762 |
| **Non-financial assets** | | | |
| **Non-current trade and other receivables** | | | |
| Prepayments | | **-** | 4 |
| Equalisation of operating lease payments | | **-** | 53 |
| | | **-** | 57 |
| **Current trade and other receivables** | | | |
| Prepayments | | **148** | 182 |
| Value added taxation receivable | | **203** | 132 |
| | | **351** | 314 |
| **Total** | | | |
| Non-current trade and other receivables | | **154** | 57 |
| Current trade and other receivables | | **8 704** | 6 076 |
| | | **8 858** | 6 133 |

### Classification of trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Instalment sale and loan receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. For normal trade receivables the credit period on the sale of goods is between 30 and 90 days and are therefore classified as current. The Group has adopted the IFRS15 expedient where no interest is recognised on trade receivables repayable within 12 months.

### Other amounts due

Included in other amounts due are creditors with debit balances and various other receivables.

## 12. TRADE AND OTHER RECEIVABLES (continued)

### Trade and other receivables classified as held-for-sale

During the 2018 and 2019 Reporting Period disposal groups were identified where the carrying value of these assets and liabilities will be recovered principally through a sale transaction rather than through continuing use.

Total trade and other receivables that form part of disposal groups classified as held-for-sale as at 30 September 2019 amount to R1.01 billion (2018: R1.01 billion)

### Instalment sale receivables, credit sales through store cards and loans to customers

The credit period for credit granted through store cards is between 30 and 360 days, instalment sales can be up to three to five years and loan receivables have repayment terms of between 3 and 24 months. Where relevant, interest is charged at market-related rates on the gross outstanding balances, unless the outstanding balance is credit impaired in which case interest is calculated on the net outstanding balance.

Instalment sale receivables are classified as current regardless of the maturity terms as they form part of the normal operating cycle.

Loans to customers have repayment terms of between 3 and 24 months. These loans consist of unsecured lending and attract interest based on rates determined by the National Credit Act.

The increase in instalment sale and loan receivables in the 2019 Reporting Period relate mainly to two new credit books in Pepkor Holdings. The two credit books are Connect Financial Solutions (Connect), which supports sales in the JD Group, and the Capfin credit book, which facilitates unsecured lending. The new Connect credit book amounted to R1.3billion (gross) and the new Capfin credit book amounted to R2.2 billion (gross) at 30 September 2019.

### Fair values of trade and other receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

### Derivatives

Refer to note 18 and 19 for details regarding the determination of their fair values and the types of derivatives, respectively.

### Impairment and risk exposure

Information about the impairment of trade and other receivables, the calculation of the loss allowance, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 19.

### Adoption of IFRS 9: Financial Instruments

Refer to note 35 for details of restatements relating to new accounting standards effective for the 2019 Reporting Period .

## 13. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group holds the following financial assets and financial liabilities:

### 13.1 Total financial assets and liabilities

| | Notes | At fair value through profit or loss Rm | At fair value through other comprehensive income (elected)[1] Rm | At amortised cost Rm | Total carrying values Rm |
|---|---|---|---|---|---|
| **30 September 2019** | | | | | |
| Investments and loans | 11 | **-** | **125** | **4 912** | **5 037** |
| Trade and other receivables | 12 | **-** | **-** | **154** | **154** |
| Non-current financial assets | | **-** | **125** | **5 066** | **5 191** |
| | | | | | |
| Trade and other receivables | 12 | **-** | **186** | **8 167** | **8 353** |
| Investments and loans | 11 | **-** | **-** | **1** | **1** |
| Cash and cash equivalents | 15 | **-** | **-** | **11 818** | **11 818** |
| Intragroup loans and receivables | 30 | **-** | **-** | **743** | **743** |
| Current financial assets | | **-** | **186** | **20 729** | **20 915** |
| | | | | | |
| Borrowings | 16 | **-** | **-** | **(37 711)** | **(37 711)** |
| Non-current financial liabilities | | **-** | **-** | **(37 711)** | **(37 711)** |
| | | | | | |
| Borrowings | 16 | **-** | **-** | **(11 069)** | **(11 069)** |
| Trade and other payables | 17 | **-** | **(16)** | **(11 679)** | **(11 695)** |
| Intragroup loans and payables | 30 | **-** | **-** | **(3 647)** | **(3 647)** |
| Current financial liabilities | | **-** | **(16)** | **(26 395)** | **(26 411)** |
| | | **-** | **295** | **(38 311)** | **(38 016)** |

[1] *Includes derivative financial instruments.*

| | Notes | At fair value through profit or loss[1] Rm | Available for sale Rm | At amortised cost Rm | Total carrying values Rm |
|---|---|---|---|---|---|
| **30 September 2018** | | | | | |
| Investments and loans | 11 | - | 296 | 4 658 | 4 954 |
| Non-current financial assets | | - | 296 | 4 658 | 4 954 |
| | | | | | |
| Trade and other receivables | 12 | 318 | - | 5 444 | 5 762 |
| Investments and loans | 11 | - | - | - | - |
| Cash and cash equivalents | 15 | - | - | 6 484 | 6 484 |
| Intragroup loans and receivables | 30 | - | - | 294 | 294 |
| Current financial assets | | 318 | - | 12 222 | 12 540 |
| | | | | | |
| Borrowings | 16 | - | - | (19 518) | (19 518) |
| Non-current financial liabilities | | - | - | (19 518) | (19 518) |
| | | | | | |
| Borrowings | 16 | - | - | (27 552) | (27 552) |
| Trade and other payables | 17 | (84) | - | (11 617) | (11 701) |
| Intragroup loans and payables | 30 | - | - | (4 350) | (4 350) |
| Current financial liabilities | | (84) | - | (43 519) | (43 603) |
| | | 234 | 296 | (46 157) | (45 627) |

[1] *Includes derivative financial instruments.*

The Group's exposure to various risks associated with the financial instruments is discussed in note 19. The maximum exposure to credit risk at the end of each Reporting Period is the carrying amount of each class of financial assets mentioned above.

## 14. INVENTORIES

| | | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|---|
| **14.1** | **Reconciliation of inventory** | | |
| | Merchandise and finished goods | **13 113** | 12 391 |
| | Goods in transit | **1 148** | 1 031 |
| | Raw materials and other inventories | **100** | 90 |
| | Inventory before provision | **14 361** | 13 512 |
| | *Less* : provision for inventory write downs* | **(536)** | (643) |
| | Net Inventories | **13 825** | 12 869 |
| | ** Comprises mainly provision against finished goods and merchandise* | | |
| **14.2** | **Amount of write-down of inventories to net realisable value recognised in cost of sales as an expense during the period** | **(449)** | (489) |

During the 2018 Reporting Period inventory comprising vehicle rental fleet to the value of R971 million was transferred from property, plant and equipment to inventory.

### Merchandise and finished goods

Merchandise and finished goods are stated at the lower of cost and net realisable value. Merchandise, raw materials and consumables are initially recognised using at cost, using the weighted average cost formula. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material and finished goods but excludes borrowing costs.

Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### Amounts recognised in profit or loss

Write-downs of inventories to net realisable value were recognised as an expense during the period and included in 'cost of sales' in profit or loss.

### Inventory classified as held-for-sale

During the 2018 and 2019 Reporting Period disposals groups were identified where the carrying value of these assets and liabilities will be recovered principally through a sale transaction rather than through continuing use.

Total inventory that formed part of disposal groups classified as held-for-sale as at 30 September 2019 amount to R 3.25 billion (2018: R3.35 billion)

## 15. CASH AND CASH EQUIVALENTS

| | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|
| **Current assets** | | |
| Cash at bank and in hand | **3 951** | 3 906 |
| Funds and deposits on call | **7 867** | 2 578 |
| | **11 818** | 6 484 |

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Term deposits are presented as cash equivalents if they have maturity of three months or less from the date of acquisition and are repayable within 24 hour notice with no loss of interest.

**Restricted cash**
The Group has restricted cash balances of R240 million held by various subsidiaries within the Group. These cash balances are reserved, amongst others, for payments to outside shareholders, litigation and repayment of deposits.

## 16. BORROWINGS

### 16.1 Analysis of closing balance

| | Notes | 30 September 2019 Current Rm | 30 September 2019 Non-current Rm | 30 September 2019 Total Rm | 30 September 2018 Current Rm | 30 September 2018 Non-current Rm | 30 September 2018 Total Rm |
|---|---|---|---|---|---|---|---|
| **Secured financing** | | | | | | | |
| **Pepkor Holdings** | | | | | | | |
| Term loans and facilities | 16.7 | **1 500** | **9 500** | **11 000** | - | 9 500 | 9 500 |
| Bank overdraft | | **347** | **-** | **347** | 521 | - | 521 |
| Preference shares | 27.2 | **-** | **6 000** | **6 000** | - | 6 000 | 6 000 |
| Instalment sale agreements | 16.2 | **10** | **8** | **18** | 19 | 18 | 37 |
| | | **1 857** | **15 508** | **17 365** | 540 | 15 518 | 16 058 |
| **Unsecured financing** | | | | | | | |
| **Corporate and treasury services** | | | | | | | |
| Financial guarantees | 16.6 | **-** | **-** | **-** | 25 987 | - | 25 987 |
| Contingent Payment Undertaking ("CPU") | 16.6 | **3 980** | **22 203** | **26 183** | - | - | - |
| Lancaster liability | 16.8 | **4 667** | **-** | **4 667** | 305 | 4 000 | 4 305 |
| Preference shares - BVI | 16.9 | **491** | **-** | **491** | 451 | - | 451 |
| Other | | **74** | **-** | **74** | 269 | - | 269 |
| | | **9 212** | **22 203** | **31 415** | 27 012 | 4 000 | 31 012 |
| **Total borrowings** | | **11 069** | **37 711** | **48 780** | 27 552 | 19 518 | 47 070 |

## 16. BORROWINGS (continued)

### 16.2 Reconciliation of borrowings balances

| | Notes | Corporate and treasury services Rm | Pepkor Holdings Rm | Automotive Rm | Africa Properties Rm | Total Rm |
|---|---|---|---|---|---|---|
| Opening balance - 1 October 2017 | | 46 365 | 116 | 427 | 7 | 46 915 |
| Repayment of debt | | (20 531) | - | (109) | (7) | (20 647) |
| Repayment of interest | | (1 119) | (628) | (32) | - | (1 779) |
| Additional financing/recognition of new debt | | 4 200 | 15 788 | - | - | 19 988 |
| Interest accrued | | 1 458 | 628 | 32 | - | 2 118 |
| Bank overdrafts | 5 | 15 | 130 | - | - | 145 |
| Loans and liabilities | 5 | 1 443 | 494 | - | - | 1 937 |
| Capitalised finance leases | 5 & 1.1 | - | - | 32 | - | 32 |
| Instalment sale agreements | 5 | - | 4 | - | - | 4 |
| Foreign exchange movement | | 639 | - | - | - | 639 |
| Acquisition of subsidiary | | - | 156 | - | - | 156 |
| Disposal of subsidiary | | - | (2) | - | - | (2) |
| Transferred to disposal group held-for-sale | 33 | - | - | (318) | - | (318) |
| Closing balance - 30 September 2018 | | **31 012** | **16 058** | **-** | **-** | **47 070** |
| Repayable within one year | | **27 012** | **540** | **-** | **-** | **27 552** |
| Repayable after one year | | **4 000** | **15 518** | **-** | **-** | **19 518** |
| Derecognition of financial guarantee | 16.6. | **(25 086)** | **-** | **-** | **-** | **(25 086)** |
| Repayment of debt | | **(200)** | **(194)** | **-** | **-** | **(394)** |
| Repayment of interest | | **-** | **(1 599)** | **-** | **-** | **(1 599)** |
| Additional financing | | **-** | **1 500** | **-** | **-** | **1 500** |
| Recognition of CPU liability | 16.6. | **25 086** | **-** | **-** | **-** | **25 086** |
| Interest accrued | | **407** | **1 624** | **-** | **-** | **2 031** |
| Bank overdrafts | 5 | **-** | **204** | **-** | **-** | **204** |
| Loans and liabilities | 5 | **407** | **1 417** | **-** | **-** | **1 824** |
| Instalment sale agreements | 5 | **-** | **3** | **-** | **-** | **3** |
| Debt raising fees released | | **-** | **(24)** | **-** | **-** | **(24)** |
| Foreign exchange movement | | **196** | **-** | **-** | **-** | **196** |
| Closing balance - 30 September 2019 | | **31 415** | **17 365** | **-** | **-** | **48 780** |
| Repayable within one year | | **9 212** | **1 857** | **-** | **-** | **11 069** |
| Repayable after one year | | **22 203** | **15 508** | **-** | **-** | **37 711** |

## 16. BORROWINGS

### 16.3 Contractual maturities of borrowings

The following are the remaining contractual maturities of borrowings at the Reporting Date. The amounts are gross and undiscounted, and include contractual interest payments.

| | Contractual cash flows | | | | | |
|---|---|---|---|---|---|---|
| | 1 - 12 months Rm | Between 1 and 2 years Rm | Between 2 and 5 years Rm | Over 5 years Rm | Total Rm | Carrying amount Rm |
| **At 30 September 2019** | | | | | | |
| **Pepkor Holdings** | | | | | | |
| All external borrowings | 3 353 | 6 191 | 11 310 | 1 | **20 855** | **17 365** |
| | **3 353** | **6 191** | **11 310** | **1** | **20 855** | **17 365** |
| **Corporate and treasury services** | | | | | | |
| SIHPL Contingent Payment Undertaking | 3 980 | - | 22 203 | - | **26 183** | **26 183** |
| Lancaster liability | 4 667 | - | - | - | **4 667** | **4 667** |
| Preference shares - BVI | 491 | - | - | - | **491** | **491** |
| Other | 74 | - | - | - | **74** | **74** |
| | **9 212** | **-** | **22 203** | **-** | **31 415** | **31 415** |
| **Total interest-bearing loans and borrowings** | **12 565** | **6 191** | **33 513** | **1** | **52 270** | **48 780** |
| **At 30 September 2018** | | | | | | |
| **Pepkor Holdings** | | | | | | |
| All external borrowings | 1 884 | 1 350 | 17 473 | - | **20 707** | **16 058** |
| | **1 884** | **1 350** | **17 473** | **-** | **20 707** | **16 058** |
| **Corporate and treasury services** | | | | | | |
| Financial guarantees | 25 987 | - | - | - | **25 987** | **25 987** |
| Lancaster liability | 305 | 4 000 | - | - | **4 305** | **4 305** |
| Preference shares - BVI | 451 | - | - | - | **451** | **451** |
| Other | 269 | - | - | - | **269** | **269** |
| | **27 012** | **4 000** | **-** | **-** | **31 012** | **31 012** |
| **Total interest-bearing loans and borrowings** | **28 896** | **5 350** | **17 473** | **-** | **51 719** | **47 070** |

## 16. BORROWINGS (continued)

**ACCOUNTING POLICY**

**Derecognition of financial liabilities**

The Group derecognises financial liabilities when, and only when the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### 16.4 Secured liabilities and assets pledged as security

Finance lease and instalment sale agreements are effectively secured as the rights to the leased assets recognised in the consolidated financial statements revert to the lessor in the event of default. Assets with a book value of R22 million are encumbered as at 30 September 2019

### 16.5 Compliance with loan covenants

The greater Steinhoff N.V. Group was in technical breach of a number of its covenants during the 2018 Reporting Period. The majority of the borrowings on a Steinhoff Investments group level were repaid during the 2018 Reporting Period and new facilities were entered into by Pepkor Holdings. For more detail on covenants in place, refer to note 19.5.

### 16.6 SIHPL financial guarantee and Contingent Payment Undertaking

SIHPL served as a co-guarantor with Steinhoff N.V. for the 2021 and 2022 convertible bonds issued by Steinhoff Finance Holdings GmbH ("SFHG"), a subsidiary of the Steinhoff N.V. Group.

In the 2018 Reporting Period the full amount of the guarantee (EUR 1.58 billion at the closing exchange rate of R16.43 per euro) was recognised as the borrower was in default with regards to the underlying obligations.

On implementation of the Company Voluntary Arrangement ("CVA"), the 2021 and 2022 convertible bonds were restructured into the 21/22 Facility and the SIHPL Contingent Payment Undertaking ("CPU") replaced the financial guarantee previously issued by SIHPL. Both the guarantee and the CPU liability are euro-denominated.

Under the SIHPL CPU, SIHPL undertook to take reasonable measures to pay an amount of up to 25% of the aggregate outstanding amount of Facility A1 loans to the bondholders within five business days after implementation of the CVA. The directors also recognised that the 2021 and 2022 convertible bonds guarantee claims at SIHPL ranked pari passu with other unsecured claims of SIHPL, including any contingent or non-notified claims that may be proved at a future date.

Whilst undertaking its obligations under the SIHPL CPU after the implementation of the CVA, SIHPL received letters of objection from three contingent creditors that sought to restrict the company from making any payments under the SIHPL CPU. SIHPL agreed to give five clear business days' notice to the objecting parties of any intention to make payment. Further discussions are ongoing with the relevant parties.

SIHPL believes it has fulfilled its obligations under the SIHPL CPU. No payment has been made under the SIHPL CPU to date.

The amount that SIHPL will have available to repay, is dependent on Steinhoff Investments and Steinhoff Africa repaying intercompany loans to SIHPL. In terms of a sum-of-the parts calculation performed on the Steinhoff Investments group the Steinhoff Africa and Steinhoff Investments loans are recoverable.

Based on the net asset value of SIHPL, the amount that SIHPL will be able to pay under the SIHPL CPU is R26 billion (EUR 1.58 billion at the closing exchange rate of R16.56 per euro) as at 30 September 2019.

## 16. BORROWINGS (continued)

### 16.7 Pepkor Holdings debt

| | Contractual maturity date | Interest rate % | 30 September 2019 Carrying value Rm | 30 September 2018 Carrying value Rm |
|---|---|---|---|---|
| Term loans | Various maturities ranging from May 2021 to May 2023 | JIBAR plus 200 to 225 bps | **7 000** | 7 000 |
| Revolving credit facility | 24 May 2021 | Three month JIBAR plus 200bps | **2 500** | 2 500 |
| Bridge facility | 31 August 2020 | Three month JIBAR plus 145 bps | **1 500** | - |
| | | | **11 000** | 9 500 |

Pepkor Holding entered into bridge facilities to the value of R2.5 billion on 19 March 2019 for a maximum period of 18 months. The bridge facilities were mainly introduced to fund the growth in the instalment sale receivables and loans to customers. As at 30 September 2019, only R1.5 billion of these facilities was drawn.

Interest on external borrowings other than the general banking facility are payable quarterly in arrears. The interest on the general banking facility is payable on a monthly basis.

### 16.8 Lancaster liability

The reconstituted board of Steinhoff Africa (appointed on 2 February 2018 and 8 July 2019, respectively) mandated an investigation into the process followed with regards to the issue of the preference shares.

On 28 October 2019, the Steinhoff Africa board concluded that the issue of the preference shares was neither authorised nor permitted in terms of its memorandum of incorporation and is therefore void.

Although the cancellation of the Steinhoff Africa preference shares occurred after the Reporting Period, management believes that the conditions causing them to be void already existed at the date of 'issue' and as a result, the issued preference share capital as well as any accrued dividends were retrospectively adjusted.

Notwithstanding management's view that the preference shares are void, Steinhoff Africa received R4 billion at the time, for which a liability has been raised equal to the preference share investments disclosed in notes 29.2 and 11.1 reflecting management's view that they are directly related.

### 16.9 BVI preference shares

BVI issued preference shares to RMB to fund the acquisition of Pepkor Holdings shares (later swapped for Steinhoff N.V. shares) which served as the underlying value of the BVI employee scheme. Refer to note 27 for the terms of the preference shares.

### 16.10 Fair value

The majority of the debt classified as non-current was renegotiated during the 2019 Reporting Period, taking into account current market conditions and are therefore expected to approximate fair value.

### 16.11 Risk exposures

Details of the Group's exposure to risks arising from borrowings are set out in note 19.

## 17. TRADE AND OTHER PAYABLES

| | Note | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|---|
| **Financial liabilities** | | | |
| **Current trade and other payables** | | | |
| Trade payables | | **8 457** | 7 664 |
| Payables due to equity accounted companies | 29.5 | **-** | 169 |
| Accruals | | **1 070** | 1 198 |
| Shareholders for dividends | | **63** | - |
| Other payables and amounts due | | **1 293** | 1 801 |
| Deferred revenue | | **796** | 785 |
| Contract liabilities (Lay-byes) | | **477** | 456 |
| Deposits received from customers | | **269** | 305 |
| Refund liability | | **24** | - |
| Other deferred revenue | | **26** | 24 |
| Derivative financial liabilities | 19.1 | **16** | 84 |
| | | **11 695** | 11 701 |
| **Non-financial liabilities** | | | |
| **Non-current trade and other payables** | | | |
| Equalisation of operating lease payments | | **461** | 545 |
| **Current trade and other payables** | | | |
| Equalisation of operating lease payments | | **115** | 86 |
| Income received in advance | | **-** | 19 |
| Value added taxation payable | | **115** | 124 |
| | | **230** | 229 |
| **Total** | | | |
| Non-current trade and other payables | | **461** | **545** |
| Current trade and other payables | | **11 925** | **11 930** |
| | | **12 386** | **12 475** |

Trade payables are unsecured and are usually paid within 30 to 90 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values due to their short term nature.

### Derivatives

Refer to note 18 and 19 for details regarding the determination of their fair values and the types of derivatives, respectively.

### Deferred revenue

Deferred revenue recognised will realise in the 2020 financial year, except for loan origination fees that are recognised over the lifetime of the loans granted to customers which vary from 6 to 24 months.

### Trade and other payables classified as held-for-sale

During the 2018 and 2019 Reporting Period disposals groups were identified where the carrying value of these assets and liabilities will be recovered principally through a sale transaction rather than through continuing use.

Total trade and other payables that form part of disposal groups classified as held-for-sale as at 30 September 2019 amount to R 3.72 billion (2018: R3.8 billion)

## 18. RECOGNISED FAIR VALUE MEASUREMENTS

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and listed equities and available-for-sale securities) is based on quoted market prices at the end of the Reporting Period. The quoted market price used for financial assets held by the Group is a 30-day volume weighted average price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

### 18.1 Fair value hierarchy

| | Notes | Level 1 Rm | Level 2 Rm | Total Rm |
|---|---|---|---|---|
| **30 September 2019** | | | | |
| **Financial assets** | | | | |
| **Other financial assets** | | | | |
| Investment in Steinhoff N.V. shares | | **125** | **-** | **125** |
| **Trade and other receivables** | | | | |
| Derivative - foreign currency forward contracts | 19.1 | **-** | **186** | **186** |
| **Total financial assets** | | **125** | **186** | **311** |
| | | | | |
| **Financial liabilities** | | | | |
| **Trade and other payables** | | | | |
| Derivative - foreign currency forward contracts | 19.1 | **-** | **(16)** | **(16)** |
| **Total financial liabilities** | | **-** | **(16)** | **(16)** |
| | | | | |
| **30 September 2018** | | | | |
| **Financial assets** | | | | |
| **Available-for-sale financial assets** | | | | |
| Investment in Steinhoff N.V. shares | | 296 | - | 296 |
| **Trade and other receivables** | | | | |
| Derivative - foreign currency forward contracts | 19.1 | - | 318 | 318 |
| **Total financial assets** | | 296 | 318 | 614 |
| | | | | |
| **Financial liabilities** | | | | |
| **Trade and other payables** | | | | |
| Derivative - foreign currency forward contracts | 19.1 | - | (84) | (84) |
| **Total financial liabilities** | | - | (84) | (84) |

## 19. FINANCIAL RISK MANAGEMENT

During both periods under review, the Group had various committees and departments that were tasked with the financial risk management of the Group. In most instances this was successfully managed at the various operating company levels.

However, the investigation revealed a number of shortcomings relating to the Group's overall financial risk management as a result of the override of the internal controls in place, by certain senior key management personnel of the Group. Management believes that these shortcomings were addressed during the Reporting Period with the appointment of a new Management Board at a Steinhoff N.V. level and the appointment of a new board of directors for the Steinhoff Investments Group.

The board of directors are cognisant of the fact that the risk management processes in place did not address the financial risks faced by the Group as a result of the material irregularities and the December 2017 Events and have focussed their attention on implementing more stringent internal controls and improved processes relating to the Group's financial risk management processes.

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance where this remains relevant as at the end of each Reporting Period. The processes outlined in this note are the risk management strategies that were in place during the period regardless of their effectiveness in addressing the risks faced by the Group. Current period profit and loss information has been included where relevant to add further context.

| Risk | Exposure arising from | Measurement | Management |
|---|---|---|---|
| Market risk – foreign exchange | • Future commercial<br>• Recognised financial assets and liabilities not denominated in Steinhoff's functional currency | Cash flow forecasting<br>Sensitivity analysis | Forward foreign exchange and foreign currency option contracts |
| Market risk – interest rate | • Borrowings at variable rates | Sensitivity analysis | Maintaining combination of fixed and variable rate loans |
| Market risk – security prices | • Investments in equity securities | Sensitivity analysis | Portfolio diversification |
| Credit risk | Cash and cash equivalents, trade receivables and instalment sales, derivative financial instruments, loans receivable at amortised cost | • Aging analysis<br>• Credit rating | • Diversification of bank deposits<br>• Credit score card implementation and monitoring |
| Liquidity risk | Borrowings and other liabilities | Rolling cash flow forecasts | Availability of committed credit lines and borrowing facilities |

The board of directors was responsible, during the Reporting Period, for implementing the risk management strategy to ensure that an appropriate risk management framework was operating effectively across the Group. The Board and the Audit and Risk Committee were provided with a consolidated view of the risk profile of the Group, and any major exposures and relevant mitigating actions identified.

During the periods under review, the Group's risk management was carried out by a central treasury department (group treasury). Group treasury identified, evaluated and hedged financial risks in close co-operation with the Group's operating units. The board and Group treasury had agreed policies covering specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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

## 19. FINANCIAL RISK MANAGEMENT (continued)

The ongoing management of both solvency and liquidity risk remains a primary concern and focus for the Group. Due to the uncertainties surrounding the extent of the irregularities, the lack of the consolidated financial statements, and the outcome of the forensic investigation, financial creditors withdrew all available banking facilities and/or removed credit facilities during the Reporting Period. The effects include, but are not limited to, limited ability to maintain or open banking facilities, limited and, in most instances, no hedging facilities, and cancellation of suppliers' credit insurance resulting in a dramatic increase in supplier credit facilities. Certain measures have been put into place since the Reporting Date and Management will continue to address these risks.

### 19.1 Derivatives

| | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|
| The Group used forward exchange contracts to hedge its foreign currency risk against the functional currency of its various global operations. Most of the forward exchange contracts have maturities of less than one year after Reporting Date. The Group did not enter into derivative contracts for speculative purposes. The fair values of such contracts at period-end were: | | |
| **Current assets** | | |
| **Trade and other receivables** | | |
| Foreign exchange forward contracts | **186** | 318 |
| Total current derivative financial instrument assets | **186** | 318 |
| **Current liabilities** | | |
| **Trade and other payables** | | |
| Foreign exchange forward contracts | **16** | 84 |
| Total current derivative financial instrument liabilities | **16** | 84 |

For information about the methods and assumptions used in determining the fair value of derivatives please refer to note 18.

Currency options are only purchased as a cost-effective alternative to forward currency contracts.

**Cash flow hedges**

The Group classifies certain of its foreign exchange contracts that hedge forecast transactions as cash flow hedges. The fair value of such contracts recognised as derivative assets and liabilities and adjusted against the hedging reserve at year-end was:

The gains/(losses) on financial instruments recognised within other comprehensive income comprises:

| | | |
|---|---|---|
| Forward exchange contracts | **(427)** | 22 |
| Transferred to inventory | **532** | (105) |
| Fair value adjustment on cash flow hedges | **105** | (83) |

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

**ACCOUNTING POLICY**

**Hedge accounting**

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

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

## 19. FINANCIAL RISK MANAGEMENT (continued)

### 19.2 Market Risk

#### 19.2.1 Foreign currency risk

The Group's manufacturing and sourcing operating costs and expenses are principally incurred in Chinese yuan and US dollars. Its revenue is principally in South African rand. The Group's business model is based on the strategy of locating production in, and sourcing materials from, emerging low-cost economies and supplying finished products into developed economies.

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

**ACCOUNTING POLICY**

**Exposure to currency risk**

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

Differences resulting from the translation of subsidiary financial statements into the Group's presentation currency are not considered a foreign currency risk.

The carrying amounts of the Group's material foreign currency denominated monetary assets and liabilities (excluding intragroup loan balances) that will have an impact on profit or loss when exchange rates change, at Reporting Date, are as follows:

| | Euro<br>Rm | Chinese yuan<br>Rm | US dollars<br>Rm |
|---|---|---|---|
| **30 September 2019** | | | |
| Trade and other receivables<br>(financial assets excluding financial derivatives) | **-** | **-** | **9** |
| Cash and cash equivalents | **1** | **76** | **182** |
| Trade and other payables<br>(financial liabilities excluding financial derivatives) | **(1)** | **-** | **-** |
| Pre-derivative position | **(3 980)** | **76** | **191** |
| Derivative effect | **-** | **1 863** | **197** |
| Open position | **(3 980)** | **1 939** | **388** |
| | | | |
| **30 September 2018** | | | |
| Trade and other receivables<br>(financial assets excluding financial derivatives) | - | - | 12 |
| Cash and cash equivalents | - | 286 | 403 |
| Current borrowings | (25 987) | - | - |
| Trade and other payables<br>(financial liabilities excluding financial derivatives) | (3) | (268) | (99) |
| Pre-derivative position | (25 990) | 18 | 316 |
| Derivative effect | - | 164 | 43 |
| Open position | (25 990) | 182 | 359 |

## 19. FINANCIAL RISK MANAGEMENT (continued)

### 19.2 Market Risk (continued)

#### 19.2.1 Foreign currency risk (continued)

The following significant exchange rates applied during the period and were used in calculating sensitivities:

| | Forecast rate [1] 30 September 2020 | Forecast rate [1] 30 September 2019 | Reporting date spot rate 30 September 2019 | Reporting date spot rate 30 September 2018 |
|---|---|---|---|---|
| *South African rand* | | | | |
| Euro | **16.7400** | 16.2370 | **16.5576** | 16.4337 |
| Chinese yuan | **2.2380** | 2.0327 | **2.1300** | 2.0600 |
| US dollar | **14.5565** | 12.8820 | **15.2100** | 14.2000 |

*[1] The forecast rates represent a weighting of foreign currency rates forecasted by the major banks that the Group transacts with regularly. These rates are not necessarily management's expectations of currency movements.*

***Sensitivity analysis***

The table below indicates the Group's sensitivity at year-end to the movements in the major currencies that the Group is exposed to on its financial instruments. The percentages given below represent a weighting of foreign currency rates forecasted by the major banks that the Group transacts with regularly. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2018.

The impact on the reported numbers, using the forecast rates as opposed to the Reporting Date spot rates, is set out below.

| | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|
| ***Through profit/(loss)*** | | |
| Euro weakening by 1.1% (2018: strengthening by 1.2%) to the rand | **44** | (311) |
| Chinese yuan strengthening by 5.1% (2018: weakening by 1.3%) to the rand | **(98)** | 2 |
| US dollar strengthening by 4.3% (2018: strengthening by 9.3%) to the rand | **17** | 33 |

If the foreign currencies were to weaken/strengthen against the Rand, by the same percentages as set out in the table above, it would have an equal, but opposite, effect on profit or loss.

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

During the year, the Angolan economy was reconsidered in accordance with the accounting principles set out in IAS 29: *Financial Reporting in Hyperinflationary Economies* , and has been considered to be out of hyperinflation. In the prior year, the Angolan economy was assessed as hyperinflationary and accordingly, the results, cash flows and financial position of the group's subsidiary in Angola was expressed in terms of the measuring unit current at the reporting date. The effects of this hyperinflation accounting on the 2018 Consolidated Financial Statements of the Group are immaterial. The results of the Angolan branch represent an insignificant part of the Group's total assets or results. The results and the financial position of the Angolan branch are translated from kwanza to Rand based on the closing exchange rate of 30 September 2019 and 30 September 2018.

## 19. FINANCIAL RISK MANAGEMENT (continued)

### 19.2 Market Risk (continued)

#### 19.2.2 Cash flow and fair value interest rate risk

Given the Group's global footprint and its strategy of low-cost manufacturing and sourcing in emerging markets and sales in developed countries, the Group follows a policy of maintaining a balance between fixed and variable rate loans to reflect, as accurately as possible, different interest rate environments, the stability of the relevant currencies, the effect which the relevant interest rates have on Group operations and consumer spending within these environments. These variables are taken into account in structuring the Group's borrowings to achieve a reasonable, competitive, market-related cost of funding.

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

The Group's borrowings and receivables are carried at amortised cost.

The Group continued to manage its interest rate exposure by maintaining a mix of fixed and floating interest rates. This was done by direct fixed or floating interest rate debt issues at the time of refinance or when obtaining new borrowings, based on the mix of floating and fixed interest rate of existing borrowings and managements expectations of future interest rate movements. All treasury transactions were undertaken to manage the risks arising from underlying activities and no speculative trading was undertaken.

The interest and related terms of the Group's borrowings are disclosed in note 16.

At the Reporting Date the interest rate profile of the Group's financial instruments were:

| | Subject to interest rate movement | | | | | |
|---|---|---|---|---|---|---|
| | Variable JIBAR and SA prime Rm | Variable LIBOR Rm | Variable other Rm | Fixed rate Rm | Non-interest-bearing Rm | Total Rm |
| **30 September 2019** | | | | | | |
| Non-current financial assets | **117** | **-** | **-** | **105** | **4 969** | **5 191** |
| Current financial assets | **11 186** | **2 572** | **669** | **2 663** | **3 825** | **20 915** |
| Non-current financial liabilities | **(19 508)** | **-** | **-** | **-** | **(18 203)** | **(37 711)** |
| Current financial liabilities | **(7 581)** | **-** | **-** | **(4 181)** | **(14 649)** | **(26 411)** |
| | **(15 786)** | **2 572** | **669** | **(1 413)** | **(24 058)** | **(38 016)** |
| **30 September 2018** | | | | | | |
| Non-current financial assets | 4 000 | - | 29 | - | 925 | 4 954 |
| Current financial assets | 6 877 | - | 1 014 | - | 4 649 | 12 540 |
| Non-current financial liabilities | (15 518) | - | - | - | (4 000) | (19 518) |
| Current financial liabilities | (37 699) | - | (71) | (95) | (5 738) | (43 603) |
| | (42 340) | - | 972 | (95) | (4 164) | (45 627) |

## 19. FINANCIAL RISK MANAGEMENT (continued)

### 19.2 Market Risk (continued)

#### 19.2.2 Cash flow and fair value interest rate risk (continued)

| | From continuing operations Interest income Rm | Interest expense Rm |
|---|---|---|
| **30 September 2019** | | |
| Financial assets at amortised cost | **742** | **-** |
| Financial liabilities at amortised cost | **-** | **2 196** |
| | **742** | **2 196** |
| **30 September 2018** | | |
| Financial assets at amortised cost | 493 | - |
| Financial liabilities at amortised cost | - | 2 134 |
| | 493 | 2 134 |

#### 19.2.2 Cash flow and fair value interest rate risk

***Sensitivity analysis***

The Group is sensitive to movements in the JIBAR, SA prime rates and LIBOR, which are the primary interest rates to which the Group is exposed.

The sensitivities calculated below are based on an increase of 100 basis points for each interest category.

| | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|
| ***Through profit/(loss)*** | | |
| JIBAR and SA prime - 100 basis point increase | **(158)** | (423) |
| LIBOR - 100 basis point increase | **26** | - |

A 100 basis point decrease in the above rates would have had an equal, but opposite, effect on profit or loss.

#### 19.2.3 Other price risks

The Group's exposure to other price risks related to:

**Steinhoff N.V. share price - impact shares held in Steinhoff N.V.**

A number of the subsidiaries in the Group hold shares in Steinhoff N.V. These investments are measured at fair value through other comprehensive income with the fair value being determined by the 30-day VWAP of the Steinhoff N.V. share price as at the Reporting date. The listed Steinhoff N.V. share price therefore impacts the value of the investment.

## 19. FINANCIAL RISK MANAGEMENT (continued)

### 19.3 Credit risk

Potential concentration of credit risk consists principally of short-term cash and cash equivalent investments, trade and other receivables, instalment sale receivables, credit sales through store cards and loans to customers. The Group deposits short-term cash surpluses with major banks of quality credit standing. Trade receivables comprise a large and widespread customer base and group companies perform ongoing credit evaluations on the financial condition of their customers, and appropriate use is made of credit guarantee insurance. At 30 September 2019, the Group did not consider there to be any significant concentration of credit risk which had not been adequately provided for. The amounts presented in the statement of financial position are net of provisions for bad debts, estimated by the Group companies' management based on prior experience and the current economic environment.

The carrying amounts of financial assets represent the maximum credit exposure.

The maximum exposure to credit risk at the 2019 Reporting Date without taking account of the value of any collateral obtained was:

| | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|
| Non-current financial assets | **5 066** | 4 658 |
| Current financial assets | **20 729** | 12 222 |
| | **25 795** | 16 880 |

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

The Group’s financial assets measured at amortised cost are subject to impairment under the Expected Credit Loss ("ECL") model. The inputs, assumptions and estimation techniques used in measuring ECL are explained below.

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

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

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

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

The Group considers the probability of default on initial recognition of its financial asset measured at amortised cost and whether there has been a significant increase in credit risk ("SICR") on an ongoing basis throughout each Reporting Period. To assess whether there is an SICR, the Group compares the risk of a default occurring on these asset as at the reporting date with the risk of default as at the date of initial recognition. The criteria used to identify an SICR are monitored and reviewed periodically for appropriateness by the credit risk team.

Receivables with a significant financing component are grouped into stage 1, 2 and 3 as described below:
*Stage 1: On recognition of financial assets, the Group recognises a loss allowance based on 12-month ECLs.*

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

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

## 19. FINANCIAL RISK MANAGEMENT (continued)

### 19.3 Credit risk (continued)

**Significant increases in credit risk**

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

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

Shifting of the SICR threshold by 5% (reflects the full stage 2 ECL if the deterioration or improvement in the factor used, as a behavioural or granting scores threshold is stressed by 5%) at 30 September 2019:

| Impact on SICR on ECL | Loans to customers | Instalment sale agreements | Credit sales through store cards |
|---|---|---|---|
| Positive | 329 | 488 | 469 |
| % change in ECL | -0.69% | -0.47% | -2.10% |
| Base | 331 | 490 | 479 |
| % change in ECL | 0.00% | 0.00% | 0.00% |
| Negative | 333 | 494 | 489 |
| % change in ECL | 0.69% | 0.80% | 2.10% |

## 19. FINANCIAL RISK MANAGEMENT (continued)

### 19.3 Credit risk (continued)

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

**Measurement of ECL in terms of the general model for impairment (continued)**

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

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

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

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

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

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

***Forward-looking factors***

The Group further considers available, reasonable and supportive forwarding-looking information without undue cost or effort and for which significant judgements and estimates are applied. The following forward-looking information was incorporated in the determination of ECLs:

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

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

## 19. FINANCIAL RISK MANAGEMENT (continued)

### 19.3 Credit risk (continued)

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

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

| Event trigger | Loans to customers | Instalment sale agreements | Credit sales through store cards |
|---|---|---|---|
| Macroeconomic variables | No significant variables identified | GDP Growth<br>Household debt service cost ratio | No significant variables identified |

Management has assigned a probability of 59% to the baseline scenario, 21% to the negative scenario and 20% to the positive scenario for the 12-month forecast. The impact of incorporating forward-looking information to ECL for instalment sale agreements granted by the group is as follows:

| Probability-weighted impact of all three scenarios | Instalment sale agreements |
|---|---|
| 100% negative scenario | 413 |
| % change in ECL | -7.64% |
| | |
| 100% baseline scenario | 447 |
| % change in ECL | 0.00% |
| | |
| 100% positive scenario | 532 |
| % change in ECL | 19.05% |

**Event-driven management credit estimates**

Certain events or risks arise from time to time that may not be incorporated into the statistical forward-looking model. In such instances, the additional inclusions into the ECL are reviewed and approved by management.

These events, for which an amount was included in ECL, include the introduction of DebiCheck from October 2019 and the draft new legislation relating to the Debt Relief Bill.

DebiCheck will have an impact on the collection of cash flows on loans and other receivables with customers, change debit order dates or where changes in the rescheduled contractual cash flows are greater than 1.5 times the original debit order. If the client fails to confirm electronically the updated debit order, the Group could fail to collect the agreed upon instalment from the client on the agreed upon loan date. The Group expects a minimal impact on ECL relating to DebiCheck due to positive results from the testing phase of the DebiCheck collections system.

The Debt Relief Bill is not expected to have a material effect on ECLs as it does not entail a blanket amnesty of debt, but rather a rigorous process to assess a customer's ability to service unsecured debt.

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

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

## 19. FINANCIAL RISK MANAGEMENT (continued)

### 19.3 Credit risk (continued)

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

**Write-off policy**

Financial assets are written off when there is no reasonable expectation of recovery of the receivable or part thereof. The write-off periods differ for each type of financing the Group offers to their respective clients and are detailed below. Where these financial assets have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Subsequent recoveries made are recognised in profit or loss.

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

**ECLs for the different financial assets at amortised cost within the Group**

***a) Investments and loans***

Investments and loans consist of unlisted bonds, unlisted preference shares and interest-bearing and non-interest-bearing loans receivable (refer note 11). The ECL is measured using the general model based on 12-month ECLs as there was no significant increase in credit risk from initial recognition of these investments and loans. There has been no default in payments based on historical information and no significant decrease in credit ratings since initial recognition.

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

Refer to note 11 for further considerations on the investment in unlisted preference shares.

***b) Loan to associate***

Loan to associate consist of a loan granted to S'Ya Phanda Proprietary Limited for funding the entity for black supplier development initiatives as detailed in note 10. The ECL on the loan is measured using the general model based on 12-month ECLs as there was no significant increase in credit risk from initial recognition of this loan. There has been no default in payments based on historical information and no significant decrease in credit ratings since initial recognition.

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

***c) Loans due by current and previous members of key management and employees***

Loans were advanced in the prior years to current and previous employees and members of key management to enable them to purchase shares in BVI. The loans were granted after reviewing each employee or member of key management's ability to repay the loan when it falls due, as well as with the underlying pledged shares in BVI. These loans were measured using the general model based on lifetime ECLs. The 2019 management was of the view that an additional impairment provision should be raised as the underlying security to the loans' value had decreased since the inception of these loans. Management used historical and current information to estimate the ECL and did not deem forward-looking information to be significant in the ECL calculation.

| | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|
| Balance at the beginning of the period | **(60)** | - |
| Provision raised | **(40)** | (60) |
| Balance at the end of the period | **(100)** | (60) |

## 19. FINANCIAL RISK MANAGEMENT (continued)

### 19.3 Credit risk (continued)

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

***d) Instalment sale agreements***

Instalment sale agreements relate to the credit purchases of goods by customers within the furniture, appliances and electronics operating segment (the majority of these borrowings are deemed to be secured) (refer to note 12 for more detail on the process of granting instalments to customers). The Group applies the general approach to calculating the ECL allowance for these balances as they are deemed to have a significant financing component.

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

| | Performing (stage 1) | Under-performing (stage 2) | Non-performing (stage 3) | Total |
|---|---|---|---|---|
| Expected credit loss rate | 15.43% | 52.76% | 78.60% | 33.13% |
| Estimated gross carrying amount of default (Rm) | 946 | 290 | 243 | 1 479 |
| | | | | |
| 12-month ECL (Rm) | (146) | - | - | (146) |
| Lifetime ECL (Rm) | - | (153) | (191) | (344) |
| Total ECL (Rm) | (146) | (153) | (191) | (490) |
| | | | | |
| Net carrying amount (Rm) | 800 | 137 | 52 | 989 |

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

| | Performing (stage 1) Rm | Under-performing (stage 2) Rm | Non-performing (stage 3) Rm | Total Rm |
|---|---|---|---|---|
| Balance at beginning of the period (calculated under IAS 39) | - | - | (46) | (46) |
| Amounts restated through opening retained earnings | (12) | (36) | 8 | (40) |
| Balance at beginning of the period (calculated under IFRS 9) | (12) | (36) | (38) | (86) |
| Allowance on credit granted during the year | (143) | (132) | (175) | (450) |
| Derecognition of allowance due to settlement of outstanding debt | 2 | 2 | 4 | 8 |
| Amounts written off | 1 | 3 | 24 | 28 |
| Amounts recovered | 5 | 10 | 3 | 18 |
| Net remeasurement of loss allowances | - | - | (8) | (8) |
| Balance at end of the period | (147) | (153) | (190) | (490) |

## 19. FINANCIAL RISK MANAGEMENT (continued)

### 19.3 Credit risk (continued)

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

***e) Credit sales through store cards***

Credit sales through store cards relates to the credit purchases of goods by customers within the clothing and general merchandise operating segment (these borrowing are deemed to be unsecured) (refer to note 12 for more detail on the process of granting credit to customers). The Group elected to apply the general approach to calculating the ECL allowance for these balances.

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

| | Performing (stage 1) | Under-performing (stage 2) | Non-performing (stage 3) | Total |
|---|---|---|---|---|
| Expected credit loss rate | 5.02% | 44.05% | 68.53% | 16.97% |
| Estimated gross carrying amount of default (Rm) | 2 171 | 311 | 340 | 2 822 |
| | | | | |
| 12-month ECL (Rm) | (109) | - | - | (109) |
| Lifetime ECL (Rm) | - | (137) | (233) | (370) |
| Total ECL (Rm) | (109) | (137) | (233) | (479) |
| | | | | |
| Net carrying amount (Rm) | 2 062 | 174 | 107 | 2 343 |

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

| | Performing (stage 1) Rm | Under-performing (stage 2) Rm | Non-performing (stage 3) Rm | Total Rm |
|---|---|---|---|---|
| Balance at beginning of the period (calculated under IAS 39) | (77) | (90) | (162) | (329) |
| Amounts restated through opening retained earnings | (15) | (18) | (31) | (64) |
| Balance at beginning of the period (calculated under IFRS 9) | (92) | (108) | (193) | (393) |
| Allowance on credit granted during the year | (208) | (56) | (63) | (327) |
| Derecognition of allowance due to settlement of outstanding debt | 139 | 269 | 101 | 509 |
| Amounts written off | - | - | 245 | 245 |
| Amounts recovered | - | - | - | - |
| Net remeasurement of loss allowances | 55 | (239) | (329) | (513) |
| Balance at end of the period | (106) | (134) | (239) | (479) |

## 19. FINANCIAL RISK MANAGEMENT (continued)

### 19.3 Credit risk (continued)

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

***f) Loans to customers***

Loans to customers relates to unsecured loans granted to customers in South Africa for a period of three to 24 months up to the value of R50 000 per loan granted. The Group applies the general approach to calculating the ECL allowance for these balances as they are deemed to have a significant financing component.

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

| | Performing (stage 1) | Under-performing (stage 2) | Non-performing (stage 3) | Total |
|---|---|---|---|---|
| Expected credit loss rate | 5.72% | 37.08% | 85.26% | 15.37% |
| Estimated gross carrying amount of default (Rm) | 1 731 | 267 | 156 | 2 154 |
| | | | | |
| 12-month ECL (Rm) | (99) | - | - | (99) |
| Lifetime ECL (Rm) | - | (99) | (133) | (232) |
| Total ECL (Rm) | (99) | (99) | (133) | (331) |
| | | | | |
| Net carrying amount (Rm) | 1 632 | 168 | 23 | 1 823 |

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

| | Performing (stage 1) Rm | Under-performing (stage 2) Rm | Non-performing (stage 3) Rm | Total Rm |
|---|---|---|---|---|
| Balance at beginning of the period (calculated under IAS 39) | - | - | - | - |
| Amounts restated through opening retained earnings | - | - | - | - |
| Balance at beginning of the period (calculated under IFRS 9) | - | - | - | - |
| Allowance on credit granted during the year | (99) | (99) | (149) | (347) |
| Derecognition of allowance due to settlement of outstanding debt | - | - | - | - |
| Amounts written off | - | - | 16 | 16 |
| Amounts recovered | - | - | - | - |
| Net remeasurement of loss allowances | - | - | - | - |
| Balance at end of the period | (99) | (99) | (133) | (331) |

## 19. FINANCIAL RISK MANAGEMENT (continued)

### 19.3 Credit risk (continued)

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

***g) Trade receivables and other amounts due***

The Group applies the simplified approach to calculating the ECL allowance for trade receivables that do not have a significant financing component. Balance of trade receivables with a significant financing component is immaterial. This approach permits the use of the lifetime ECL regardless of stage classification and is based on a provision matrix that incorporates historical credit losses as well as forward-looking information as detailed above (2018: Provision for bad debts was calculated using the incurred losses approach under IAS 39).

Trade receivables are written off when the customer's outstanding balance has been outstanding for more than 120 days or 30 days in the case of cash on delivery (COD) customers.

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

| | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|
| Balance at beginning of the year (calculated under IAS 39) | **(155)** | (237) |
| Amounts restated through opening retained earnings | **(11)** | - |
| Balance at beginning of the year (calculated under IFRS 9) | **(166)** | (237) |
| Movement in loss allowance during the year | **(87)** | 26 |
| Disposal groups classified as held-for-sale | **-** | 56 |
| Balance at end of the year | **(253)** | (155) |

| | Expected loss rate % | Gross carrying amount Rm | Loss allowance provision Rm |
|---|---|---|---|
| Provision matrix used in the calculation of ECL allowances: | | | |
| **2019** | | | |
| Current | 6.2 | 2 700 | (168) |
| More than 30 days past due | 1.9 | 155 | (3) |
| More than 60 days past due | 4.5 | 110 | (5) |
| More than 90 days past due | 32.1 | 240 | (77) |
| | 7.9 | 3 205 | (253) |

Ageing of trade and other receivables as required under IAS 39:

| | 30 September 2018 Rm |
|---|---|
| Not past due or impaired | 3 356 |
| Past due 1 to 30 days but not impaired | 303 |
| Past due 31 to 60 days but not impaired | 139 |
| Past due more than 60 days but not impaired | 40 |
| Past due but not impaired in full | 57 |
| | 3 895 |

## 19. FINANCIAL RISK MANAGEMENT (continued)

### 19.3 Credit risk (continued)

**ACCOUNTING POLICY**

**Impairment of assets carried at amortised cost**

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

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

**Impairment of assets carried at amortised cost under IAS 39 (until 30 September 2018)**

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment.

The Group considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or delinquency in payments.

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash. Impairment losses are recognised in profit or loss within other expenses.

## 19. FINANCIAL RISK MANAGEMENT (continued)

### 19.4 Liquidity risk

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

The Group, in the period under review, managed liquidity risk by monitoring forecast cash flows and by ensuring that adequate borrowing facilities were available. Cash surpluses and short-term financing needs of manufacturing and sales companies are mainly centralised in African and European central offices. These central treasury offices invested net cash reserves on the financial markets, mainly in short-term instruments linked to variable interest rates.

The following table details the Group's remaining contractual maturity for its financial liabilities (excluding borrowings presented in note 16). The table has been drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

| | Year 1 | Total |
|---|---|---|
| **30 September 2019** | | |
| Trade and other payables (financial liabilities) | (11 695) | (11 695) |
| Intergroup loans and receivables | (3 647) | (3 647) |
| | (15 342) | (15 342) |
| **30 September 2018** | | |
| Trade and other payables (financial liabilities) | (11 701) | (11 701) |
| Intergroup loans and receivables | (4 350) | (4 350) |
| | (16 051) | (16 051) |

### 19.5 Capital risk management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 16, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued ordinary share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The Group's major subsidiary has a risk management committee who reviews the capital structure of the Pepkor Holdings group on a semi-annual basis. As a part of this review, the committee considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the committee, the Pepkor Holdings group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The capital risk faced by the broader Steinhoff group and its operating entities during the 2019 Reporting Period remained substantial. The implementation of the CVA has enabled the Steinhoff group to start improving the management of capital risk.

The funding facilities of Pepkor Holdings is subject to the following covenants:

| | Covenant |
|---|---|
| Net debt: EBITDA cover | < 2.75 |
| Interest cover | > 4 |

All covenants were met for both Reporting Periods presented.

The carrying amount of the loans payable as well as the terms are disclosed in note 16.

The remaining borrowings of the Group are not subject to any covenants.

## 19. FINANCIAL RISK MANAGEMENT (continued)

### Distribution to shareholders

**Distribution to ordinary shareholder of Steinhoff Investments**

An ordinary dividend of R2 230 million (c. R40.55 per share) was declared and paid to Steinhoff N.V. in October 2017.

**Distribution to Steinhoff Investments preference shareholders**

| | 30 September 2019 Cents | 30 September 2018 Cents |
|---|---|---|
| A preference dividend of 418.09 South African rand cents per share (2018: 427.42 South African rand cents per share) in respect of the period 1 July 2018 to 31 December 2018 (2018: 1 July 2017 to 31 December 2017) was paid on 29 April 2019 (2018: 23 July 2018) to those preference shareholders recorded in the books of the company at the close of business on 26 April 2019 (2018: 20 July 2018). | **418.1** | 427.4 |
| A preference dividend of 419.34 South African rand cents per share (2018: 424.06 South African rand cents per share) in respect of the period 1 January 2019 to 30 June 2019 (2018: 1 January 2018 to 30 June 2018) was paid on 14 October 2019 (2018: 20 August 2018) to those preference shareholders recorded in the books of the company at the close of business on 11 October 2019 (2018: 17 August 2018). | **419.3** | 424.1 |

A liquidity and solvency test was performed by the board of directors prior to the declaration of all distributions based on information known and available at that time.

## 20. EMPLOYEE BENEFITS

| | | 30 September 2019 | | | 30 September 2018 | | |
|---|---|---|---|---|---|---|---|
| | | Current | Non-current | Total | Current | Non-current | Total |
| | Note | Rm | Rm | Rm | Rm | Rm | Rm |
| Leave obligations | 20.1 | **286** | **-** | **286** | 265 | 3 | 268 |
| Post-retirement medical benefits | | **92** | **-** | **92** | 57 | 22 | 79 |
| Performance-based bonus accrual | 20.2 | **460** | **89** | **549** | 434 | 66 | 500 |
| Other [1] | | **179** | **-** | **179** | 149 | - | 149 |
| Total liability | | **1 017** | **89** | **1 106** | 905 | 91 | 996 |

[1] *Included in other are provisions relating to 13th cheque or holiday pay and severance pay.*

### 20.1 Leave obligations

The leave obligations cover the Group's liability for annual leave.

The leave obligations relates to vesting leave pay to which employees may become entitled on leaving the employment of the Group. The accrual arises as employees render a service that increases their entitlement to future compensated leave and is calculated based on an employee's total cost of employment. The accrual is utilised when employees become entitled to and are paid for the accumulated leave or utilise compensated leave due to them. The majority of the provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

### 20.2 Performance-based bonus accrual

The performance bonus payable is calculated by applying a specific formula based on the employee's achievement of performance targets. The Group has a constructive obligation to pay the performance bonus once the performance bonuses have been approved by management. As the approval by management takes place after period-end, an amount is accrued based on a probability of the employee having achieved their performance targets and the amount is estimated based on the relative bonus structures in place. The payment of such performance bonus is conditional upon the continuing employment of the employee. Any amounts not approved by management or upon termination of employment are reversed in the subsequent periods.

| | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|
| **Balance at the beginning of the period** | **500** | 626 |
| Acquired at acquisition of a subsidiary | **-** | 7 |
| Accrual raised | **461** | 298 |
| Amounts unused reversed | **(53)** | (47) |
| Amounts utilised | **(492)** | (198) |
| Exchange differences on consolidation of foreign operations | **(1)** | - |
| Reclassification to assets held-for-sale | **(9)** | (186) |
| Reclassification from accruals | **143** | - |
| **Balance at the end of the period** | **549** | 500 |

## 21. PROVISIONS

**Movement in provisions**

| | Notes | Dilapidation, onerous lease and onerous contract provisions Rm | Severance provisions Rm | Contingent liability raised on business combinations Rm | Other Rm | Total Rm |
|---|---|---|---|---|---|---|
| **Balance at 1 October 2017** | | 160 | - | 713 | 751 | 1 624 |
| Provision raised | | 59 | 13 | - | 479 | 551 |
| Amounts unused reversed | | (6) | (26) | - | (389) | (421) |
| Amounts utilised | | (73) | (3) | (240) | (62) | (378) |
| Reclassifications | | 17 | 54 | - | (71) | - |
| Reclassification to liabilities held-for-sale | 33 | (22) | - | - | (513) | (535) |
| **Balance at 30 September 2018** | | **135** | **38** | **473** | **195** | **841** |
| Provision raised | | **7** | **-** | **-** | **15** | **22** |
| Amounts unused reversed | | **-** | **-** | **(100)** | **-** | **(100)** |
| Amounts utilised | | **(84)** | **(38)** | **-** | **(27)** | **(149)** |
| Reclassification between provisions and accruals | | **-** | **-** | **-** | **46** | **46** |
| Reclassification due to accounting standard changes | | **-** | **-** | **-** | **(23)** | **(23)** |
| **Balance at 30 September 2019** | | **58** | **-** | **373** | **206** | **637** |

| | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|
| Long-term provisions | **464** | 564 |
| Short-term provisions | **173** | 277 |
| | **637** | 841 |

**ACCOUNTING POLICY**

**Provisions**

Provisions (except for contingent liabilities recognised in terms of IFRS 3) are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

## 21. PROVISIONS (continued)

### 21.1 Dilapidation, onerous lease and onerous contract provisions

A contract is considered onerous when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Before a separate provision for an onerous contract is established, any impairment loss that has occurred on assets dedicated to that contract is recognised.

This includes provision for dilapidation of buildings occupied by the Group and provision for long-term leases containing onerous provisions or terms in comparison with average terms and conditions of leases.

### 21.2 Warranty provisions

The warranty provision represents management's best estimate, based on past experience, of the Group's liability under warranties granted on products sold. These claims are expected to be settled within the next 12 months.

### 21.3 Contingent liabilities raised on business combinations

IFRS 3 requires certain contingent liabilities of the acquiree to be recognised and measured in a business combination at acquisition date fair value. Therefore, contrary to IAS 37: *Provision, Contingent Liabilities and Contingent Assets,* the acquirer recognises a contingent liability assumed in a business combination at the acquisition date even if it is not probable that an outflow of economic benefits will be required to settle the obligation. This provision includes amounts for tax contingencies.

### 21.4 Other provisions

Other provisions include all amounts where there is a present obligation or a legal obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Included in other provisions are estimated costs related to product warranties and other transaction related, legal and regulatory matters.

## 22. COMMITMENTS AND CONTINGENCIES

| | | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|---|
| **22.1** | **Capital expenditure** | | |
| | Significant capital expenditure contracted for at the end of the 2019 Reporting Period but not recognised as liabilities is as follows: | | |
| | Contracts for capital expenditure authorised | **82** | 275 |
| | Capital expenditure authorised but not contracted for | **205** | 176 |

Capital expenditure will be financed from cash and existing loan facilities.

### 22.2 Non-cancellable operating leases

The Group leases various offices, warehouses and retail stores under non-cancellable operating leases mostly expiring within one to ten years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Excess warehouse space is sub-let to third parties also under non-cancellable operating leases.

Commitments for minimum lease payments in relation to non-cancellable operating leases of continuing operations are payable as follows:

| | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|
| Next year | **3 737** | 3 656 |
| Within two to five years | **6 537** | 6 788 |
| Thereafter | **1 005** | 1 102 |
| Total | **11 279** | 11 546 |

The majority of the property operating leases relate to retail stores from which the Group trades.

Rental expense from continuing operations recognised in profit or loss during the 2019 Reporting Period relating to operating leases amounted to R3.8 billion (2018: R3.2 billion). Refer to note 4.3.5.

### 22.3 Contingent assets and liabilities and other litigation

**Taxation**

There is uncertainty regarding future taxes as a result of the impact of the accounting irregularities as well as a number of ongoing tax audits and investigations. Details are provided in note 6.

## 22. COMMITMENTS AND CONTINGENCIES (continued)

### 22.3 Contingent assets and liabilities and other litigation (continued)

**Legal claims**

The contractual claims discussed below were received by the relevant parties during and after the 2018 and 2019 Reporting Period. They are all being defended. As these claims are based on the claimants' view that the financial reports provided to them were misleading, it is deemed that the claims received after the 2019 Reporting Period are, in terms of IAS 10, adjusting events. The base currency of the claims has been converted to the reporting currency by using the average exchange rates of the 2019 Reporting Period.

No provisions have been made for these claims as it is not yet possible to determine the timing and outflow, if any, relating to these claims.

***Tekkie Claimants v Steinhoff N.V. and Town Investments (indirect subsidiary of Steinhoff Investments)***

- AJVH Holdings Proprietary Limited, Full Team Sure Trande Proprietary Limited, Aquilam Holdings Proprietary Limited, Liber Decimus Proprietary Limited and Xando Trade and Invest 327 Proprietary Limited ("Tekkie Claimants") have instituted a claim against Steinhoff N.V. and Town Investments based on a written contract entered into between the parties on 29 August 2016 whereby Steinhoff N.V. purchased all the ordinary shares held in Tekkie Town for a purchase price of R3.3 billion discharged by the allotment and issuing of 43 million Steinhoff N.V. shares. The Tekkie Claimants allege that they entered into the contract based on false and misleading representations made by Steinhoff N.V. and Markus Jooste and claim a return of the Tekkie Town equity or a payment of approximately R1.85 billion. Pleadings have closed ("the first action").

- The Tekkie Claimants have also instituted a claim against Pepkor Holdings, in relation to contractual earn-out payments of up to R890 million. Pepkor Holdings denies liability and is defending the action that has been instituted by the sellers ("the second action").

- The Tekkie Claimants have recently sought to consolidate the first and second actions, join the Pepkor Holdings, Pepkor Speciality Proprietary Limited and Tekkie Town Proprietary Limited (the "Pepkor Parties") to the first action and effect certain amendments to the pleadings in the first action. The Pepkor parties have opposed such joinder.

***Thibault Claimants v Steinhoff N.V. and SIHPL***

- Thibault and Upington Investment Holdings B.V. ("Upington") (subsequently substituted by Titan Premier Investments Proprietary Limited ("Titan")) ("Thibault Claimants") have instituted a claim against Steinhoff N.V. and SIHPL on 26 April 2018 for the cancellation of subscription agreements based on misrepresentation and restitution as follows:
  i. contractual claim by Thibault Claimants against SIHPL for an amount of R34.7 billion based on the subscription agreement entered into between the parties on 25 November 2014, in terms of which Thibault subscribed for 609 million ordinary shares in SIHPL.
  ii. a claim by Thibault against Steinhoff N.V. for restitution of the assets distributed by SIHPL to Steinhoff N.V. in terms of the scheme of arrangement.
  iii. a claim of damages by Upington, in the amount of R24.69 billion based on subscription agreements whereby Upington subscribed for a combined total of 314 million Steinhoff N.V. shares for R24.69 billion. Upington was replaced by Titan as claimant after selling and ceding its claims to Titan. During July 2019, Conservatorium Holdings LLC, the legal successor in title to Upington's lenders ("Conservatorium") was granted leave, through Dutch legal proceedings, to levy a prejudgment attachment on Upington's claims against Steinhoff N.V. and SIHPL. As such, in March 2020 Conservatorium initiated intervention proceedings in the High Court of South Africa, for Conservatorium and Upington to be named as plaintiffs in the proceedings.

  Proceedings are ongoing.

***Wiesfam v Steinhoff N.V. and SIHPL***

- Wiesfam Trust Proprietary Limited ("Wiesfam") has instituted a claim against Steinhoff N.V. and SIHPL on 26 April 2018 for the cancellation of subscription agreements based on misrepresentation and restitution as follows:
  i. a contractual claim by Wiesfam against SIHPL for the return of 15.5 million PSG shares, alternatively payment of the amount of R3.4 billion as damages. The claim is based on an oral share issue agreement entered into between the parties on 15 December 2011, in terms of which Wiesfam subscribed for 29.7 million ordinary shares in SIHPL for a consideration of 15.5 million PSG shares. Wiesfam alleges that it was induced to enter into the share issue agreement based on certain fraudulent and/or negligent misrepresentations and non-disclosures made by SIHPL through Markus Jooste.
  ii. claim by Wiesfam against Steinhoff N.V. for restitution of the assets distributed by SIHPL to Steinhoff N.V. in terms of the scheme of arrangement.

  Proceedings are ongoing.

## 22. COMMITMENTS AND CONTINGENCIES (continued)

### 22.3 Contingent assets and liabilities and other litigation (continued)

**Legal claims (continued)**

***GT Ferreira Claimants v Steinhoff N.V. and SIHPL***

- GT Ferreira and the trustees of Tokara BEE Trust and the Tokara Employees Trust (“GT Ferreira Claimants”) have instituted a claim on 1 June 2018 against Steinhoff N.V. and SIHPL, to have certain share swap agreements, entered into between the parties on or about 25 June 2015, declared void ab initio, alternatively declaring that such swap agreements were lawfully cancelled by GT Ferreira Claimants on 10 May 2018 and ordering SIHPL to return to GT Ferreira Claimants the PSG shares that formed part of the swap agreement, alternatively ordering SIHPL to pay the applicants the value of such PSG shares being in total R1.17 billion. Proceedings are ongoing.

***Le Toit v Steinhoff N.V., SIHPL and Steinhoff Investments***

- The Trustees of Le Toit trust (“Le Toit”) have instituted a claim on 31 August 2018 against SIHPL, Steinhoff N.V., Steinhoff Investments, Markus Jooste and Ben la Grange, for the cancellation of share exchange agreements, based on misrepresentations, and claims for damages against all of the defendants for payment of the amount of R740 million.

- The claims are based on written share exchange agreements entered into between SIHPL and Le Toit on 24 June 2015, in terms of which SIHPL swapped 10.2 million ordinary shares in SIHPL for 3.8 million PSG shares. Proceedings are ongoing.

***Enrico De Villers Greyling v SIHPL***

- On 15 February 2019, Enrico De Villiers Greyling ("Greyling") instituted a claim against SIHPL for the return of 500 000 shares in PSG, valued at R196.18 per share, in exchange for 1.3 million Steinhoff N.V. shares issued to him in terms of an exchange agreement entered into on or about 24 June 2015 (initially for shares in SIHPL which were converted at listing of Steinhoff N.V.) which Greyling now seeks to cancel on the basis of alleged misrepresentation. There is no alternative claim for damages. Greyling seeks restitution of 500 000 PSG shares in exchange for 1.3 million Steinhoff N.V. shares. Proceedings are ongoing.

***Hamilton v Steinhoff N.V. and SIHPL***

- Hamilton is seeking declaratory relief and damages flowing from the assertion that Steinhoff N.V. and SIHPL, together with the other named parties, allegedly misrepresented their financial position causing the relevant shareholders damage. A submission with preliminary motions and on applicable law was filed in March 2020.

**Shareholder claims**

- On 20 March 2019, Trevo Capital Limited, a shareholder having acquired SIHPL shares on the secondary market (which were subsequently swapped for Steinhoff N.V. shares pursuant to the listing of Steinhoff N.V.), instituted a damages claim against SIHPL for loss emanating from the reduction in value of its Steinhoff N.V. shares in the amount of c.R2.16 billion. Proceedings are ongoing.

- On 25 March 2019, BVI, a shareholder, having acquired SIHPL shares from a company related to SIHPL and/or SIHPL itself (which were subsequently swapped for Steinhoff N.V. shares pursuant to the listing of Steinhoff N.V.), instituted a claim against SIHPL for loss emanating from the reduction in value of its Steinhoff N.V. shares in the amount of c.R2.16 billion. BVI has instituted a delictual claim based what is asserts was on false and misleading information, with an alternative statutory claim for breach of the South African Companies Act. Proceedings are ongoing.

- On 29 March 2019, previous members of management at Pepkor Holdings, who had each entered into a share swap agreement with SIHPL whereby their shares in Pepkor Holdings were swapped for shares in SIHPL (which were subsequently swapped for Steinhoff N.V. shares pursuant to the listing of Steinhoff N.V.) instituted proceedings against SIHPL for loss emanating from the reduction in value of their Steinhoff shares in the aggregate amount of R450 million. These parties have instituted a delictual claim based on what they asserts was false and misleading information, with an alternative statutory claim for breach of the South African Companies Act. Proceedings are ongoing.

- In August 2018, Ms Dorethea de Bruyn ("De Bruyn") applied for the certification of a class action against SIHPL, Steinhoff N.V. and Steinhoff Secretarial Services Proprietary Limited. De Bruyn seeks, inter alia, leave to act as the representative plaintiff of the members of three proposed classes. The proposed class action alleges that certain alleged accounting irregularities and other financial transactions related to the Steinhoff Group caused investors significant financial losses. If certified, De Bruyn seeks an order to claim damages. This judgement is currently pending.

## 22. COMMITMENTS AND CONTINGENCIES (continued)

### 22.3 Contingent assets and liabilities and other litigation (continued)

**Legal claims (continued)**

There are various other claims by Steinhoff Investments' shareholders the quantum of which are not material.

**Contingent assets**

The Group, through certain of its subsidiaries, has initiated outbound claims for the recovery of remuneration against certain previous management. The outcome of which remains uncertain.

## 23. CASH FLOW INFORMATION

### 23.1 Cash generated from operations

| | Notes | 2019 Rm | 2018 Rm |
|---|---|---|---|
| **Operating profit/(loss) from:** | | | |
| Continuing operations | | **6 508** | (632) |
| Discontinued operations | | **2** | 945 |
| **Adjusted for non-cash adjustments included in continuing and discontinued operations:** | | | |
| Debtors' cost | | **1 137** | 302 |
| Depreciation and amortisation | 8 & 9 | **1 312** | 1 352 |
| Net impairment of loans receivable and other related provisions | 4.2.2 | **(313)** | 2 272 |
| Fair value reserve released to profit/loss | 4.2.3 | **-** | 3 860 |
| Unrealised foreign exchange losses/(gains) | 4.3.4 | **388** | 576 |
| **Impairments - continuing operations** | | | |
| Goodwill | 8 | **672** | - |
| Intangible assets | 8 | **547** | - |
| Property, plant and equipment | 9 | **69** | 20 |
| Other | 4.2.1 | **15** | - |
| **Impairments - discontinued operations** | | | |
| Goodwill | 1.1.1 | **-** | 332 |
| Intangible assets | 1.1.1 | **283** | 168 |
| Investment property | 1.1.1 | **262** | - |
| Property, plant and equipment | 1.1.1 | **685** | 182 |
| Other | 1.1.1 | **31** | - |
| Inventories written down to net realisable value and movement in provision for inventories | 14 | **449** | 489 |
| Net (profit)/loss on disposal and scrapping of property, plant and equipment, vehicle rental fleet and intangible assets | 1.1.2 & 4.2.4 | **(12)** | 13 |
| Gain on disposal, part disposal and bargain purchase of investments | 1.1.3 & 4.2.5 | **(892)** | (1 668) |
| Share-based payment expense | 4.3.3 & 32.2 | **108** | 61 |
| Cumulative other comprehensive income reclassified to profit or loss on disposal or derecognition of investment | 4.2.3 | **-** | 54 |
| Other non-cash adjustments | | **(27)** | (59) |
| **Cash generated before working capital changes** | | **11 224** | 8 267 |
| | | | |
| **Working capital changes** | | | |
| Increase in inventories | | **(173)** | (1 452) |
| Increase in trade and other receivables | | **(4 176)** | (1 336) |
| Movement in net derivative financial liabilities/assets | | **(234)** | (64) |
| Decrease in non-current and current provisions | | **(180)** | (246) |
| Increase in non-current and current employee benefits | | **84** | 200 |
| Decrease in trade and other payables | | **(47)** | (645) |
| **Net changes in working capital** | | **(4 726)** | (3 543) |
| **Cash generated from operations** | | **6 498** | 4 724 |

## 23. CASH FLOW INFORMATION (continued)

### 23.2 Liabilities included in financing activities reconciliation

| | Notes | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|---|
| This section sets out an analysis of the movements in borrowings and short term facilities. | | | |
| **Gross debt** | | | |
| Borrowings – repayable within one year (including overdraft) | 16 | **(11 069)** | (27 552) |
| Borrowings – repayable after one year | 16 | **(37 711)** | (19 518) |
| Total Gross debt | | **(48 780)** | (47 070) |

| | Notes | Gross debt Rm |
|---|---|---|
| **Reconciliation of gross debt** | | |
| **As at 1 October 2017** | | (46 915) |
| Proceeds from borrowings | | (19 988) |
| Repayment of debt | | 20 647 |
| Repayment of interest | | 1 779 |
| Acquisitions of subsidiaries | 24.4 | (156) |
| Disposal of subsidiaries | | 2 |
| Classification as held-for-sale | 33 | 318 |
| Interest accrued | | (2 118) |
| Foreign exchange adjustments | | (639) |
| **As at 30 September 2018** | | **(47 070)** |
| Derecognition of debt | | **25 086** |
| Repayment of debt | | **394** |
| Repayment of interest | | **1 599** |
| Additional financing | | **(1 500)** |
| Recognition of CPU liability | | **(25 086)** |
| Interest accrued | | **(2 031)** |
| Debt raising fees released | | **24** |
| Foreign exchange adjustments | | **(196)** |
| **As at 30 September 2019** | | **(48 780)** |

## 24. BUSINESS COMBINATIONS

### ACCOUNTING POLICY

**Business combinations**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the acquired entity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are capitalised if it meets the requirements to be capitalised in terms of IFRS 3. Otherwise acquisition related costs are expensed as incurred in terms of IFRS 3.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recognised as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss. Contingent consideration classified as equity shall not be remeasured and its subsequent settlement shall be accounted for within equity.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

## 24. BUSINESS COMBINATIONS (continued)

### 24.1 The fair value of assets and liabilities assumed at date of acquisition
For the year ended 30 September 2019

| | Note | BSG Note 24.2 Rm | Other Rm | Total 30 September 2019 Rm |
|---|---|---|---|---|
| Assets | | | | |
| Cash on hand | | - | 8 | 8 |
| Working capital | | - | (1) | (1) |
| Group's share of total assets and liabilities acquired | | - | 7 | 7 |
| Purchase price clawback | | (78) | - | (78) |
| Total consideration | | (78) | - | (78) |
| Cash on hand at date of acquisition | | - | 8 | 8 |
| Purchase price clawback outstanding (included in debtors) | | 52 | - | 52 |
| Net cashflow on acquisition of subsidiaries | | (26) | 8 | (18) |

The goodwill arising on the acquisition of these companies is attributable to the strategic business advantages acquired, principal retail locations and leases, as well as knowledgeable employees and management strategies that did not meet the criteria for recognition as other intangible assets on the date of acquisition.

### 24.2 Purchase price clawback relating to prior year acquisition of BSG
Building Supply Group of companies ("BSG") was acquired by The Building Company, a wholly owned subsidiary of Pepkor Holdings, in the 2018 Reporting Period for an equity purchase price of R297 million in cash, in order to gain greater exposure to the floor covering segment of the hardware and building supply market, to supplement its current wholesale operations and to gain access to existing distribution capability into Africa.

During the 2018 Reporting Period, the Pepkor Holdings group raised a receivable of R50 million, relating to the BSG clawback, based on the BSG group companies not achieving the contractually agreed EBITDA during the earnout period ending 30 September 2018. During the 2019 Reporting Period, management and the sellers, Invicta South Africa Holdings Proprietary Limited ("Invicta") and NSM Holdings Proprietary Limited, agreed on a full and final settlement of R78 million. The settlement will be paid in three equal instalments, the first falling within the current financial year, on 1 July 2019, and the second and third falling after year-end on 1 October 2019 and 1 April 2020.

Subsequent to acquisition, BSG continued to purchase from Invicta. These transactions were in the ordinary course of business.

### 24.3 Acquisition of businesses where all conditions precedent have not yet been met
The Competition Commission approved acquisition of Abacus Holdco Proprietary Limited by Pepkor Holdings on 27 February 2019, and the due diligence investigation was concluded on 15 July 2019. The Pepkor Holdings group has applied to the Prudential Authority for certain approvals, which process is still in progress.

## 24. BUSINESS COMBINATIONS (continued)

### 24.4 The fair value of assets and liabilities assumed at date of acquisition
For the year ended 30 September 2018

| | Notes | BSG Note 24.5 Rm | Other Note 24.6 Rm | Total 30 September 2018 Rm |
|---|---|---|---|---|
| Assets | | | | |
| Intangible assets | 8 | 96 | - | 96 |
| Property, plant and equipment | 9 | 89 | 19 | 108 |
| Investments and loans | | - | 10 | 10 |
| Deferred taxation assets | 6.3 | 23 | 4 | 27 |
| Cash on hand | | - | 13 | 13 |
| Liabilities | | | | - |
| Non-current interest-bearing loans and borrowings | | (73) | - | (73) |
| Bank overdraft and short-term facilities | | (83) | - | (83) |
| Working capital | | 165 | (20) | 145 |
| Existing non-controlling interests | | 1 | - | 1 |
| Group's share of total assets and liabilities | | 218 | 26 | 244 |
| Goodwill attributable to acquisition | 8 | 79 | 102 | 181 |
| Total consideration | | 297 | 128 | 425 |
| Cash on hand at date of acquisition | | - | (13) | (13) |
| Net cash outflow on acquisition of subsidiaries | | 297 | 115 | 412 |

The goodwill arising on the acquisition of these companies is attributable to the strategic business advantages acquired, principal retail locations and leases, as well as knowledgeable employees and management strategies that did not meet the criteria for recognition as other intangible assets on the date of acquisition.

### 24.5 Acquisition of BSG
As per note 24.2, from 1 October 2017, 100% of BSG was acquired by a subsidiary of the Pepkor Holdings group, for an equity purchase price of R297 million, settled in cash.

Revenue of R1.554 billion and net loss after taxation of R96 million have been included in the consolidated income statement as at 30 September 2018.

### 24.6 Other
During November 2017 and January 2018, the Automotive group acquired additional motor dealerships for R128 million.

These businesses are included in discontinued operations from their effective acquisition dates and shown as assets held-for-sale with the rest of the Automotive segment.

## 25. NATURE AND PURPOSE OF RESERVES

***Ordinary share capital and share premium***

The share capital and share premium reserve records the movements in the issued share capital of the Company.

***Accumulated losses***

Retained earnings/accumulated losses comprise distributable reserves accumulated through the consolidation of the profit or loss of consolidated companies and the share of profit or loss of equity accounted companies. Reclassifications and transfers to and from other reserves are also accumulated in this reserve. Ordinary dividends declared reduce this reserve. Preference dividends are offset against accumulated profit/loss due to preference shareholders.

**Accumulated profit/loss due to preference shareholders**

Accumulated profit/loss due to preference shareholders comprise distributable reserves accumulated in terms of the preference share agreement. Preference dividends accrued but not yet declared or paid increase this reserve and dividends paid reduce this reserve.

***Foreign currency translation reserve***

Foreign exchange differences arising on translation are recognised in other comprehensive income and aggregated in the foreign currency translation reserve. However, if the operation is not a wholly owned subsidiary, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the foreign currency translation reserve. They are released to profit or loss upon disposal of that foreign operation.

***Share-based payment reserve relating to equity-settled share based payment scheme***

The fair value of the deferred delivery shares and the share rights granted to employees is recognised as an employee expense with a corresponding increase in equity. Refer to note 32. Once a share scheme vests or becomes highly unlikely to vest, the relevant portion of the share-based payment reserve is transferred to accumulated losses.

***Excess of consideration (paid to)/received from non-controlling interest***

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

***Sundry reserves***

Sundry reserves comprise fair valuations of financial assets at fair value through other comprehensive income and cash flow hedge reserves. These reserves are not considered material by the Group.

## 26. ORDINARY SHARE CAPITAL

| | 30 September 2019 Number of shares | 30 September 2018 Number of shares |
|---|---|---|
| **26.1 Authorised** | | |
| Ordinary shares of R0.005 each | **101 000 000** | 101 000 000 |
| **26.2 Issued** | | |
| Balance at beginning of the period | **55 000 106** | 55 000 106 |
| Balance at the end of the period | **55 000 106** | 55 000 106 |

| | 30 September 2019 Share capital Rm | 30 September 2018 Share capital Rm | 30 September 2019 Share premium Rm | 30 September 2018 Share premium Rm |
|---|---|---|---|---|
| **26.3 Issued** | | | | |
| Balance at beginning and end of the period | * | * | **119 020** | 119 020 |
| **Total issued ordinary share capital and share premium** | * | * | **119 020** | 119 020 |

* Less than R500 000

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

| | 30 September 2019 Number of shares | 30 September 2018 Number of shares |
|---|---|---|
| **26.4 Unissued shares** | | |
| Total unissued shares | **45 999 894** | 45 999 894 |

## 27. PREFERENCE SHARE CAPITAL

### 27.1 Authorised

| | Classification of preference shares | | | 30 September 2019 | 30 September 2018 | 30 September 2019 | 30 September 2018 |
|---|---|---|---|---|---|---|---|
| | Redemption | Payment of dividends | Classification of instrument | Number of shares | Number of shares | Rm | Rm |
| **Steinhoff Investment Holdings Limited** | | | | | | | |
| Variable rate, cumulative, non-participating preference shares of R0.001 each | Non-redeemable | Discretionary | Equity | **495 000 000** | 495 000 000 | * | * |
| **Steinhoff International Holdings Proprietary Limited** | | | | | | | |
| Cumulative, non-participating preference shares of no par value | Non-redeemable | Discretionary | Equity | **1 000 000 000** | 1 000 000 000 | * | * |
| **Steinhoff Africa Holdings Proprietary Limited** | | | | | | | |
| Class A perpetual preference shares (par value R0.01) | Non-redeemable | Discretionary | Equity | **2 000** | 2 000 | * | * |
| Class B perpetual preference shares of no par value | Non-redeemable | Discretionary | Equity | **2 000** | 2 000 | * | * |
| Cumulative redeemable preference shares (par value R0.01) | Redeemable | Determined upon issue | Financial liability/compound instrument | **2 000** | 2 000 | * | * |
| **Ainsley Holdings Proprietary Limited** | | | | | | | |
| Cumulative redeemable preference shares of no par value | Redeemable | Determined upon issue | Financial liability/compound instrument | **60 000** | 60 000 | * | * |

** Amount less than R500 000.*

## 27. PREFERENCE STATED SHARE CAPITAL

### 27.1 Authorised (continued)

| | Classification of preference shares | | | 30 September 2019 | 30 September 2018 | 30 September 2019 | 30 September 2018 |
|---|---|---|---|---|---|---|---|
| | Redemption | Payment of dividends | Classification of instrument | Number of shares | Number of shares | Rm | Rm |
| **Pepkor Holdings** | | | | | | | |
| Non-redeemable, non-cumulative, non-participating preference shares of no par value | Non-redeemable | Discretionary | Equity | **5 000 000** | 5 000 000 | * | * |
| Non-redeemable, cumulative, non-participating preference shares of no par value | Non-redeemable | Discretionary | Equity | **2 500 000** | 2 500 000 | * | * |
| Redeemable, non-cumulative, non-participating preference shares of no par value | Redeemable | Determined upon issue | Financial liability/compound instrument | **2 500 000** | 2 500 000 | * | * |
| Class A1 redeemable, cumulative, non-participating preference shares of no par value | Redeemable | Determined upon issue | Financial liability/compound instrument | **10 000 000** | 10 000 000 | * | * |
| Class A2 redeemable, cumulative, non-participating preference shares of no par value | Redeemable | Determined upon issue | Financial liability/compound instrument | **10 000 000** | 10 000 000 | * | * |
| Class A3 redeemable, cumulative, non-participating preference shares of no par value | Redeemable | Determined upon issue | Financial liability/compound instrument | **10 000 000** | 10 000 000 | * | * |
| Class A4 redeemable, cumulative, non-participating preference shares of no par value | Redeemable | Determined upon issue | Financial liability/compound instrument | **10 000 000** | 10 000 000 | * | * |
| Class A5 redeemable, cumulative, non-participating preference shares of no par value | Redeemable | Determined upon issue | Financial liability/compound instrument | **10 000 000** | 10 000 000 | * | * |
| **Business Venture Investments 1499 Proprietary Limited (RF)** | | | | | | | |
| Cumulative, redeemable, no par value preference shares | Redeemable | Non-discretionary | Financial liability | **7 850** | 7 850 | * | * |

## 27. PREFERENCE SHARE CAPITAL (continued)

### 27.2 Issued

| | 30 September 2019 Number of shares | 30 September 2018 Number of shares | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|---|---|
| **Classified as equity** | | | | |
| **Steinhoff Investment Holdings Limited**[1] | | | | |
| In issue at the beginning and end of the year | **15 000 000** | 15 000 000 | **1 414** | 1 414 |
| **Steinhoff Africa Holdings Proprietary Limited (class A perpetual preference shares)**[2,6] | | | | |
| In issue at the beginning of the year | **-** | 1 000 | **-** | 1 592 |
| Shares redeemed during the year | **-** | (1 000) | **-** | (1 592) |
| In issue at the end of the year | **-** | - | **-** | - |
| **Steinhoff Africa Holdings Proprietary Limited (class B perpetual preference shares)**[2,6] | | | | |
| In issue at the beginning of the year | **-** | 2 000 | **-** | 2 125 |
| Shares redeemed during the year | **-** | (2 000) | **-** | (2 125) |
| In issue at the end of the year | **-** | - | **-** | - |
| **Total issued preference stated share capital classified as equity** | **15 000 000** | 15 000 000 | **1 414** | 1 414 |
| **Classified as liabilities** | | | | |
| **Ainsley Holdings Proprietary Limited**[3,7] | | | | |
| In issue at the beginning of the year | **-** | 60 000 | **-** | 6 000 |
| Shares redeemed during the year | **-** | (60 000) | **-** | (6 000) |
| In issue at the end of the year | **-** | - | **-** | - |
| **Pepkor Holdings (class A cumulative redeemable preference shares)**[4] | | | | |
| In issue at the beginning of the year | **6 000** | - | **6 000** | - |
| Shares issued during the year | **-** | 6 000 | **-** | 6 000 |
| In issue at the end of the year | **6 000** | 6 000 | **6 000** | 6 000 |
| **Business Venture Investments 1499 Proprietary Limited (RF)**[8] | | | | |
| In issue at the beginning and end of the year | **3 550** | 3 550 | **491** | 451 |
| **Summary of preference shares in issue** | | | | |
| Owned by preference shareholders of Steinhoff Investments | | | **1 414** | 1 414 |
| Liability | | 16 | **6 491** | 6 451 |
| | | | **7 905** | 7 865 |

## 27. PREFERENCE SHARE CAPITAL (continued)

### 27.2 Issued (continued)

**[1]Terms of issued Steinhoff Investment Holdings Limited preference shares**

The preference shares earn dividends on the issue price at the rate of 82.5% of the SA prime lending rate quoted by Absa Bank Limited or its successor in title in South Africa. Although the rights to receive dividends are cumulative, declaration of such dividends is at the discretion of the Board of directors of Steinhoff Investments.

**[2]Terms of issued Steinhoff Africa Holdings Proprietary Limited preference shares**

The Class A preference shares earn dividends on the issue price at the rate of 70.5% of the SA prime lending rate and the Class B preference shares earn dividends on the issue price at the rate of 72% of the SA prime lending rate as quoted by Standard Bank Group Limited or its successor in title in South Africa. Although the rights to receive dividends are cumulative, declaration of such dividends is at the discretion of the Board of directors of Steinhoff Africa.

The directors are authorised, by resolution of the shareholders and until the forthcoming annual general meeting, to dispose of the unissued preference shares, subject to the Listings Requirements of the JSE relating to a general authority of directors to issue shares for cash.

The Class A and Class B preference shares were redeemed during the 2018 Reporting Period.

**[3] Terms of issued Ainsley Holdings Proprietary Limited preference shares**

The preference shares earn dividends on the issue price at the rate of 69% of the SA prime lending rate. The preference shares were redeemed during the 2018 Reporting Period.

**[4]Term of issued Pepkor Holdings Limited preference shares**

During the 2018 Reporting Period, Pepkor Holdings issued 6 000 cumulative redeemable preference shares. The preference shares earn dividends on the issue price at the rate of 74% of the SA prime lending rate. The preference shares are redeemable in May 2022.

**[5]Terms of issued Business Venture Investments 1499 Proprietary Limited (RF) preference shares**

The preference shares were issued during the 2012 financial year and earn dividends on the aggregate of the issue price and accumulated dividends which remain unpaid at the rate of 83.5% of the SA prime lending rate. The preference shares has a redemption date of 1 July 2020.

[6]Guaranteed by SIHPL until 13 February 2017 and by Steinhoff N.V. from 13 February 2017. All guarantees were cancelled at the redemption of the shares.

[7]Guaranteed by Steinhoff N.V., SIHPL and Pepkor Holdings. All guarantees were cancelled at the redemption of the shares.

[8] Guaranteed by Pepkor Holdings.

Accrued dividends relating to preference shares of subsidiaries classified as equity are presented as part of the profit or loss attributable to non-controlling interest in the period to which the accrual relates, regardless of whether these dividends have been declared. Any preference dividends actually paid have been presented as dividends paid to non-controlling interests.

Accrued dividends relating to preference shares classified owned by preference shareholders of Steinhoff Investments are presented as part of the profit or loss attributable to preference shareholders in the period to which the accrual relates, regardless if these dividends have been declared. Any preference dividends actually paid have been presented as a reduction of accumulated profits attributable to preference shareholders.

## 28. NON-CONTROLLING INTERESTS

***Non-controlling interest: Preference shares***

Preference shares classified as equity are attributable to shareholders other than the Company shareholders. These preference shares are therefore attributable to non-controlling interests of the Group and are classified as a component of equity attributable to non-controlling interests.

The voting and participation rights of preference shareholders differ to those of non-controlling ordinary equity shareholders. Preference shareholders do not share in the underlying net asset value of the various businesses and have no voting rights except in certain instances.

Preference shares are therefore presented as a separate component of non-controlling interests within equity.

### 28.1 Details of material non-controlling interests:

| | Proportion of ownership interests and voting rights held by non-controlling interests | | Profit/(loss) allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|
| | 30 September 2019 % | 30 September 2018 % | 30 September 2019 Rm | 30 September 2018 Rm | 30 September 2019 Rm | 30 September 2018 Rm |
| Pepkor Holdings (note 28.2) | **28.99** | 28.99 | **627** | 768 | **16 488** | 16 137 |
| Individually immaterial subsidiaries with non-controlling interests | | | **23** | (383) | **94** | 159 |
| | | | **650** | 385 | **16 582** | 16 296 |
| Preference shares classified as equity (note 27.2) | | | **-** | 176 | **-** | - |
| Total non-controlling interests | | | **650** | 561 | **16 582** | 16 296 |

Any non-controlling interests recognised by the subsidiaries are included in the balances above.

**ACCOUNTING POLICY**

**Non controlling interest**

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

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

**Initial measurement of non-controlling interests**

The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

## 28. NON-CONTROLLING INTERESTS (continued)

### 28.1. Details of material non-controlling interests (continued)

**ACCOUNTING POLICY**

**Non-controlling interest (continued)**

When the Group ceases to consolidate an investment because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the Group retains no interest, the carrying value of the non-controlling interest is disposed and forms part of the net asset value of the investment upon disposal. The difference between the proceeds received and the net asset value disposed is recognised in profit or loss.

**Changes in ownership interests**

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

### 28.2 Material transactions with non-controlling interests

***Pepkor Holdings***

On 19 April 2018, the Group disposed of additional shares in Pepkor Holdings resulting in the non-controlling interest share increasing from 23.2% to 28.99%. The Group did not lose control of Pepkor Holdings as a result of this transaction.

The carrying amount of the portion of the investment sold to non-controlling interest amounted to R3 billion and proceeds of R3.7 billion were recovered from the non-controlling interests. The excess of the proceeds received was recognised in equity.

## 28. NON-CONTROLLING INTERESTS (continued)

### 28.3 Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests:

| | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|
| | Pepkor Holdings | Pepkor Holdings |
| The summarised financial information below represents amounts before intragroup eliminations and consolidation entries. | | |
| Non-current assets | **66 930** | 67 918 |
| Current assets | **26 591** | 23 060 |
| Non-current liabilities | **(20 559)** | (20 860) |
| Current liabilities | **(16 362)** | (14 407) |
| Revenue | **69 634** | 63 912 |
| **Profit for the period** | **2 161** | 2 895 |
| Profit attributable to owners of the parent | **2 160** | 2 885 |
| Profit attributable to the non-controlling interests | **1** | 10 |
| **Profit for the period** | **2 161** | 2 895 |
| Total comprehensive income attributable to owners of the parent | **1 813** | 2 676 |
| Total comprehensive income attributable to the non-controlling interests | **1** | 10 |
| **Total comprehensive income for the period** | **1 814** | 2 686 |
| Net inflow from operating activities | **556** | 2 517 |
| Net outflow from investing activities | **(1 576)** | (2 194) |
| Net inflow/(outflow) from financing activities | **1 306** | (220) |
| **Net cash inflow** | **286** | 103 |
| Dividends paid to the non-controlling interests | **3** | 15 |

The 2018 Pepkor Holdings financials statements have been restated for new accounting standards effective for the current Reporting Period.

## 29. RELATED-PARTY TRANSACTIONS AND CONTROL CONSIDERATIONS

In prior years certain transactions were identified which were not entered into on an arms' length basis. The Group expanded its identification of related parties and any non-arms' length transactions identified were scrutinised to assess recoverability of related assets or disclosure deficiencies. In instances where there is no security on the loans in the entity with the liability, or where the Group does not have sufficient information to perform a recoverability test, management has deemed it appropriate to impair these assets.

### Critical judgements

**Key Management Personnel: Entities related and affiliated**

The Group considered the various entities related and affiliated with certain key management personnel during the periods presented, to determine whether any material transactions were concluded between the Group and these entities.

The Group's considerations are explained in this note.

***Blake and Associates Holdings Proprietary Limited ("Blake")***

Heather Sonn is the major equity shareholder in an investment company called Gamiro Ventures Proprietary Limited ("Gamiro") which owns shares in a company called Blake. In September 2018 the equity of Blake was restructured by means of Blake buying back its shares held by an entity called Geros Gmbh ("Geros") for a consideration of R10 million. Recently acquired information suggests that Geros may have been controlled by Steinhoff N.V., which would then make the Blake/Geros transaction a related party transaction. Gamiro contributed to the funding of the transaction and gained control of Blake as a result of the transaction, which assisted in Blake acquiring B-BBEE credentials.

Blake is a debt collecting company, which includes amongst its clients the JD Group, which is controlled by Steinhoff Investments via Pepkor Holdings. Blake is one of a panel of external debt collectors contracted at arm's length by the JD Group and is subject to the same terms and conditions as other service providers. The Blake relationship with the JD Group is a longstanding one that preceded the JD Group becoming part of the Pepkor Holdings Group.

***Jayendra Naidoo related and affiliated entities***

Jayendra Naidoo was a Supervisory Board member of Steinhoff N.V. from March 2017 until January 2018. Jayendra Naidoo is also the chairman of the Pepkor Holdings group, a material subsidiary. As a result of his involvement in both the Group's ultimate holding company and one of the Group's major subsidiaries, he is considered a related party to the Group.

The following were identified by the Group as being material related parties to the Group as a result of the transactions between the Group and these entities related or affiliated to Jayendra Naidoo during the periods presented:

- Lancaster 101 (RF) Proprietary Limited and Lancaster 102 Proprietary Limited
- Lancaster Electricity Solutions Proprietary Limited

***Christo Wiese and Jacob Wiese related and affiliated entities***

Christo Wiese was previously a non-independent non-executive Supervisory Board director and chairman of the Steinhoff N.V. group. Jacob Wiese was a member of the Supervisory Board of Steinhoff N.V., and is also a non-executive director of the Pepkor Holdings group. As a result of their involvement in the management of the Group's ultimate holding company and one of its major subsidiaries, they are considered to be related parties of the Group (Christo Wiese up until December 2017). Due to the extent of historical transactions entered into with entities under Christo Wiese's influence, management considered whether any of these entities should have been consolidated by the Group. Management has, however, concluded that the Group at no point controlled any of these entities because of its relationship with Christo or Jacob Wiese.

Based on information available and management's understanding of the various transactions entered into by the Group and its fellow subsidiaries, management assessed the following entities, and their subsidiaries, to be material related entities to the Group by virtue of Christo Wiese or his close family member's involvement with or affiliation to the following entities:

- Brait S.E.
- Shoprite Holdings Limited and its subsidiaries
- Upington Investments Holdings B.V.
- Titan Premier Investments Proprietary Limited
- Titan Asset Management Proprietary Limited
- Thibault Square Financial Services Proprietary Limited
- Toerama Proprietary Limited
- Invicta Holdings Limited

## 29. RELATED-PARTY TRANSACTIONS AND CONTROL CONSIDERATIONS (continued)
### Critical judgements (continued)

***Markus Jooste related and affiliated entities***

Markus Jooste was the CEO of the Steinhoff N.V. Group and, as a result of his involvement in the management of the Group's ultimate holding company, he is considered to be a related party of the Group until December 2017.

Markus Jooste and his close family members have a large number of entities to which they are related or affiliated. The following were identified by the Group as being material related parties to the Group as a result of the transactions between the Group and these entities related or affiliated to Markus Jooste during the periods presented:
- Mayfair Holdings Proprietary Limited
- Mayfair Speculators Proprietary Limited
- Lodestone Brands Proprietary Limited (believed to be an indirect subsidiary of Mayfair Holdings Proprietary Limited)

Other entities were identified by management where Markus Jooste or his close family members are believed to have a direct or indirect special relationship. Such entities are:
- Upington Investments Holdings B.V.

***Upington***

Upington Investments Holdings B.V.'s ownership at a point in time:
- Approximately 90% by Christo Wiese (indirectly through other wholly owned Christo Wiese companies) and
- The majority of the remaining 10% held indirectly by the following former Management Board members of Steinhoff N.V.: Markus Jooste, Danie van der Merwe, Ben la Grange and the following former directors of Steinhoff Investments: Stéhan Grobler and Mariza Nel.

Upington was part of the voting pool during the 2018 Reporting Period. The voting pool comprised a number of the Group's shareholders who voted together for a unified purpose. The voting pool was disbanded during the 2018 Reporting Period.

***Other***

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

Except where specifically stated otherwise, the transactions are concluded at arm's length in the normal course of business and include transactions as a result of the group-wide treasury management of foreign currency movements. All material intergroup transactions are eliminated on consolidation.

### 29.1 Directorate

The below reflects the Board of Directors as at the date this report was approved.

| **Active directors at the date of this report** | |
|---|---|
| Theodore de Klerk | Appointed: 30 August 2019 |
| Louis du Preez | Appointed: 2 February 2018 |
| Johan Geldenhuys | Appointed: 2 February 2018 |
| Moira Moses | Appointed: 29 October 2018 |
| Hugo Nelson | Appointed: 30 August 2019 |
| Alex Watson | Appointed: 29 October 2018 |

| **Directors who resigned prior to the date of this report** | |
|---|---|
| Heather Sonn | Resigned: 18 May 2020 |
| Steve Booysen | Resigned: 30 August 2019 |
| Stéhan Grobler | Resigned: 2 February 2018 |
| Len Konar | Resigned: 6 March 2018 |
| Theunie Lategan | Resigned: 28 February 2018 |
| Mariza Nel | Resigned: 31 January 2018 |

The current and resigned directors of the Company held no direct or indirect interest in the Company's issued ordinary or preference shares in either Reporting Periods.

## 29. RELATED-PARTY TRANSACTIONS AND CONTROL CONSIDERATIONS (continued)

### Compensation of key management personnel

| | 2019 Rm | 2018 Rm |
|---|---|---|
| Short-term employee benefits | **89** | 78 |
| **Total compensation for the period** | **89** | 78 |

Details relating to directors' emoluments are disclosed in note 31.

### 29.2 Interest of key management personnel in contracts

During the periods presented, the following contracts related to key management personnel of the Group were concluded with the Group:

**2019 Reporting Period**

- Transactions with Shoprite entails the rental of stores from Shoprite, and sale of products to Shoprite by Flash and the Building Materials segment.

- EastWest is a 70% subsidiary of the Group holding real estate assets. The original developer held the remaining 30% of the shares. Each real estate unit is represented by a specific class of shares. In August 2017, Mayfair acquired a 15% interest in EastWest, from the original developer for R33.5 million. EastWest repurchased the shares held by Mayfair in January 2019 for a consideration of R26.7 million. This was funded by the sale of the unit linked to the specific class of shares held by Mayfair.

- Campion group settlement agreement:
  In January 2019 Steinhoff N.V. concluded various settlement agreements with the Campion group, the main terms of which included the settlement of a number of outstanding loans owing to Steinhoff Investments in exchange for the receipt by Steinhoff Investments of a number of investments previously held by Campion including, amongst others:
  - Approximately 18 million Steinhoff N.V. shares (held by Town Investments); and
  - Legal ownership of Town Investments

**2018 Reporting Period**

- Christo Wiese and Jacob Wiese through Titan and Thibault and Jayendra Naidoo through Lancaster 101 had an interest in the Shoprite transaction.

  Pepkor Holdings entered into call option agreements whereby it obtained the right to acquire 128.2 million Shoprite ordinary shares from various parties. Pepkor Holdings' board exercised the call options prior to 30 November 2017 as part of the planned expansion of the Pepkor Holdings group, subject to the fulfilment of the Shoprite conditions precedent. This transaction was subsequently not implemented.

  As part of the proposed Shoprite transaction, Lancaster 102, an entity affiliated with Jayendra Naidoo, issued 1 000 cumulative redeemable preference shares to Steinhoff Africa. Steinhoff Africa initially issued 1 000 cumulative redeemable preference shares to Thibault Square Financial Services Proprietary Limited, an entity controlled by Christo Wiese, however, upon cancellation of the Shoprite transactions these preference shares were transferred to Lancaster 102 resulting in Steinhoff Africa having an investment in preference shares to the value of R4 billion in Lancaster 102 as well as issued preference shares to the value of R4 billion. The preference shares issued were later deemed not to be valid by the board of Steinhoff Africa. Refer to note 11 and note 16.

- Christo Wiese and Jacob Wiese had an interest in the contract relating to the acquisition of BSG as both are directors of the seller, Invicta Holdings Limited, and Jacob Wiese was a director of the purchaser, Pepkor Holdings. Both Christo Wiese and Jacob Wiese are also shareholders of Invicta Holdings Limited. Refer to note 24.2 for detail on the acquisition.

- Hoffman Inc. (of which Stéhan Grobler, former director, is a partner) provided legal services to Group companies. Hoffman Inc received fees and reimbursement of expenses amounting to approximately R11 million as at 30 September 2018.

## 29. RELATED-PARTY TRANSACTIONS AND CONTROL CONSIDERATIONS (continued)

### 29.3 Interest of key management personnel in contracts (continued)

**2018 Reporting Period (continued)**

- Hoffman Inc. rented office space from the Group for an annual amount of approximately R195 000 in the 2018 Reporting Period. Mayfair Speculators Proprietary Ltd ("Mayfair"), of which Markus Jooste is/was a director, took over the lease from Hoffman Inc. in February 2018 and vacated the premises in June 2018. The property has since been sold to an independent third party. Total rent of R244 000 was received from Mayfair.

- Steinhoff at Work, a wholly-owned subsidiary of Steinhoff Africa, entered into an informal agreement (key terms contained in an email between parties) with Toerama, an entity controlled by Christo Wiese, to acquire a Company aircraft, Falcon 900C, for $5 million (R65.3 million) on 1 October 2017. On 25 May 2018, Steinhoff at Work and Toerama, with Steinhoff Africa being a party, entered into a second agreement replacing the original agreement and agreed that Toerama will be seeking an alternative purchaser. The Falcon 900C aircraft was sold to a third party during the 2018 Reporting Period. The Group incurred costs in excess of the recovery still due from Toerama of $1.2 million (R15.7 million).

- An aircraft retainer agreement was entered into between Toerama, an entity controlled by Christo Wiese, and the Group on 1 October 2016 whereby Toerama was paid a fee of R2.65 million (excluding VAT) for the year ended 30 September 2018 for the use of its Boeing Business Jet B737-72U. The agreement was cancelled in December 2017.

- An office services and office space agreement was entered into between Titan Financial Services Proprietary Limited, an entity controlled by Christo Wiese, and the Group on 1 October 2016. An amount of R496 000 was paid as fees for the year ended 30 September 2018. The agreement was cancelled in December 2017.

- The Group received rental income to the amount of R4 million for the year ended 30 September 2018 from Titan Asset Management Proprietary Limited for the use of office space.

- During the 2018 Reporting Period Pepkor Holdings purchased products from Lodestone Brands Proprietary Limited, a company believed to be indirectly controlled by Markus Jooste, for sale in the Pepkor Clothing and General Merchandise segment. The purchases amounted to approximately R39 million.

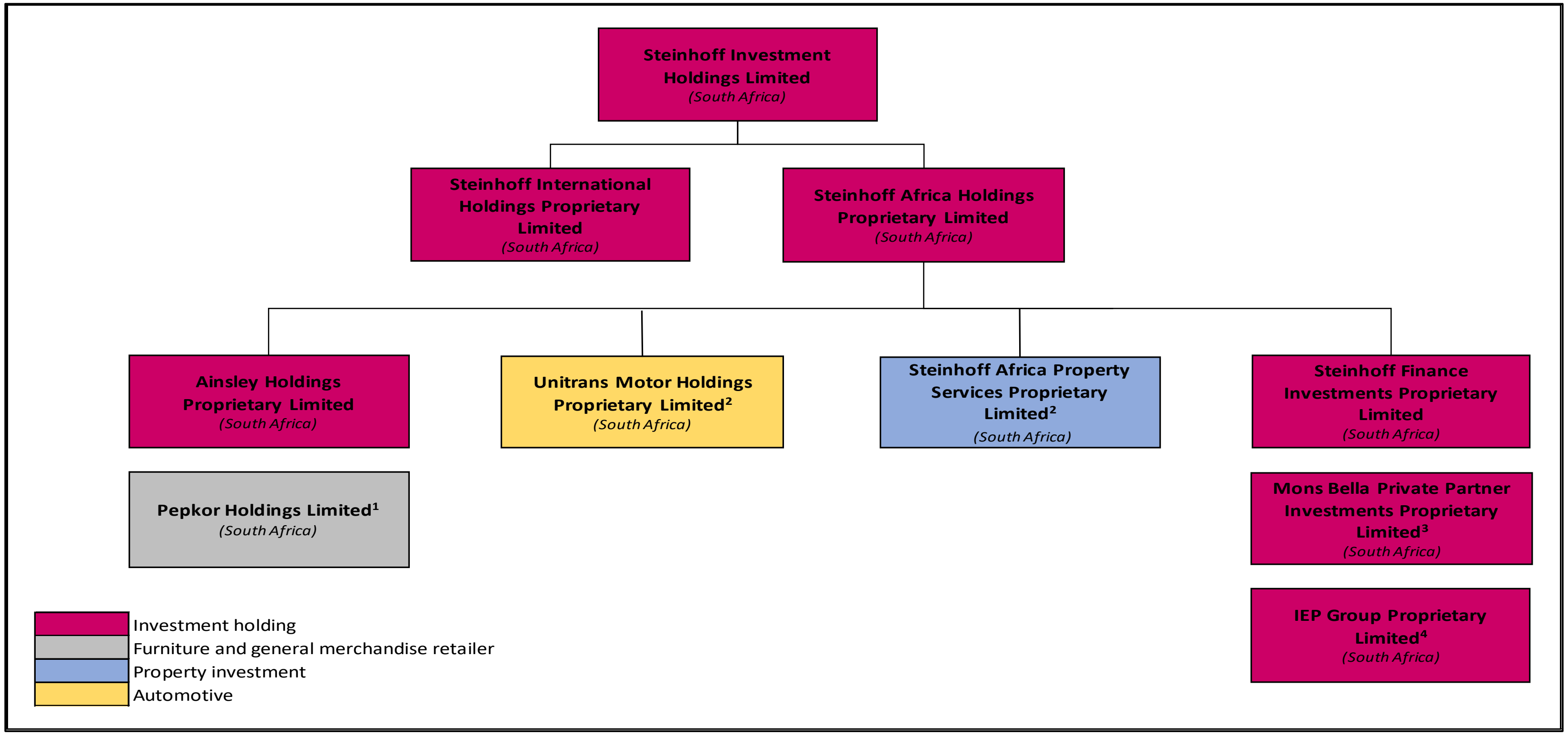
## 29. RELATED-PARTY TRANSACTIONS (continued)

### 29.4 Material subsidiaries

The Group's principal subsidiaries at 30 September 2019 are set out below in a simplified group structure. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, as at 30 September 2019, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business. The structure does not indicate direct interest in subsidiaries and unless otherwise indicated, subsidiaries are wholly owned.

Principal subsidiaries are those identified by management as contributing materially to the consolidated results or financial position of the Group.

The statutory list of all subsidiaries and affiliated companies, prepared in accordance with the relevant legal requirements is available at the Company's registered address.




*[1] Non-controlling interest of 28.99% (2018: 28.99%)*

*[2] Classified as held-for-sale on 30 September 2019*

*[3] Non-controlling interest of 8% (2018: 8%)*

*[4] Associate investment with shareholding of 26% (2018: 25.4%)*

## 29. RELATED-PARTY TRANSACTIONS (continued)

### 29.5 Trading transactions

The following is a summary of material transactions and balances outstanding at year-end in relation to transactions with related parties:

| 2019 | Notes | Sales by Group Rm | Purchases from Group Rm | Net admin or management fees received/(paid) by Group Rm | Rent received by Group Rm | Rebates received by Group Rm | Settlement discounts received by Group Rm | Dividends received by Group Rm | Interest received by Group Rm | Loan and receivables due to Group Rm | Loans and payables due by Group Rm |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Equity Accounted Companies** | | | | | | | | | | | |
| KAP Industrial Holdings Limited and its subsidiaries | a | **104** | **(385)** | **-** | **14** | **25** | **3** | **-** | **-** | **-** | **-** |
| IEP | | **-** | **(6)** | **-** | **-** | **-** | **-** | **603** | **-** | **-** | **-** |
| Other equity accounted companies | b | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **23** | **213** | **-** |
| | | **104** | **(391)** | **-** | **14** | **25** | **3** | **603** | **23** | **213** | **-** |

| 2018 | Notes | Sales by Group Rm | Purchases from Group Rm | Net admin or management fees received/(paid) by Group Rm | Rent received by Group Rm | Rebates received by Group Rm | Rebates paid by Group Rm | Dividends received by Group Rm | Interest received/ (Finance cost paid) by Group Rm | Loan and receivables due to Group Rm | Loans and payables due by Group Rm |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Equity Accounted Companies** | | | | | | | | | | | |
| KAP Industrial Holdings Limited and its subsidiaries | a | 279 | (689) | 21 | 2 | 47 | (6) | 160 | (1) | 31 | (169) |
| PSG Group Limited | | - | (2) | - | - | - | 5 | 77 | - | - | - |
| Other equity accounted companies | b | - | - | - | - | - | - | - | 22 | 187 | - |
| | | 279 | (691) | 21 | 2 | 47 | (1) | 237 | 21 | 218 | (169) |

**Notes**

a Transactions mainly relates to purchases from PG Bison, a subsidiary of KAP, by the Pepkor Holdings building materials segment and purchases from Restonic, a subsidiary of KAP, by the Pepkor Holdings furniture, appliances and electronics segment. These transactions occurred in the ordinary course of business.

b Majority of these transactions and balances related to funding provided to various equity accounted companies of Africa property group.

Other transactions have occurred which are individually and globally immaterial.

### 29.6. Elimination of transactions with equity accounted companies

Management assessed the upstream and downstream transactions between Group companies and equity accounted companies. Inventory turnover of stock items purchased is relatively fast and therefore no material inventory is on hand at period-end that should be eliminated. The remaining transactions are related to services which are recognised as they are delivered and therefore no further eliminations are required.

## 30. TRANSACTIONS AND BALANCES WITH THE STEINHOFF N.V. GROUP

| | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|
| **30.1. Trading transactions** | | |
| **Dividends paid** | | |
| Steinhoff N.V. | - | (2 230) |
| **Net operating fees (including admin and management fees)** | | |
| Pepkor Group Sourcing (Fully Sun China Limited (HK)) | (91) | (79) |
| Steinhoff Europe, AG | - | 84 |
| | (91) | 5 |
| **Rent paid** | | |
| Rainford Isle of Man | - | (7) |
| **30.2. Loans and receivables from the Steinhoff N.V. group** | | |
| **Current** | | |
| **Loans** | | |
| Retail Holdings S.à.r.l. | - | 224 |
| Steinhoff Finance Holdings GmbH | - | 28 556 |
| Conforama Holdings S.A. | - | 69 |
| Steinhoff N.V. | 4 783 | 5 041 |
| Steinhoff Retail GmbH | 3 445 | 3 445 |
| Steinhoff Europe, AG | - | 3 445 |
| Steenbok Newco 3 | 589 | - |
| Less: Provision for impairment | (8 228) | (40 556) |
| Total loans receivable | 589 | 224 |
| **Receivables** | | |
| Steinhoff UK Group Services | 1 | 1 |
| Pepkor Group Sourcing (Fully Sun China Limited (HK)) | 1 | - |
| Steinhoff N.V. | 3 | 69 |
| Steinhoff Europe, AG | - | 474 |
| Steenbok Newco 6A | 149 | - |
| Less: Provision for impairment | - | (474) |
| Total receivables | 154 | 70 |
| Total loans and receivables | 743 | 294 |
| **Reconciliation of impairment provision on credit-impaired loans and receivables** | | |
| Opening balance - 1 October | (41 030) | (38 057) |
| Movement in provision for expected credit losses | 329 | (2 271) |
| Derecognition of loans | 32 473 | - |
| Foreign currency translation differences | - | (702) |
| | (8 228) | (41 030) |

As part of the Europe restructuring, the Steinhoff Europe, AG ("SEAG") and SFHG CVA was filed with the English court and was implemented on 13 August 2019. The loans with SFHG and SEAG was therefore ceded to other entities within the European Group. The loans with SFHG and SEAG were derecognised and on initial recognition of the loans with the new counterparties, the loans were deemed to be credit-impaired. As a result the loans were recognised at its fair value of nil.

## 30. INTRAGROUP TRANSACTIONS AND BALANCES (continued)

| | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|
| **30.3. Loans and payables owed to the Steinhoff N.V. group** | | |
| **Current** | | |
| **Loans** | | |
| Retail Holdings S.à.r.l. | **-** | (173) |
| Steinhoff N.V. | **(3 140)** | (3 659) |
| Total loans payables | **(3 140)** | (3 832) |

The loans payable to Steinhoff N.V. are non-interest-bearing and majority of the loans are repayable on demand.

| | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|
| **Payables** | | |
| Steinhoff N.V. | **(498)** | (505) |
| Steinhoff UK Group Services | **(1)** | - |
| Pepkor Group Sourcing (Fully Sun China Limited (HK)) | **(8)** | (13) |
| Total payables | **(507)** | (518) |
| Total loans and payables | **(3 647)** | (4 350) |

## 31. REMUNERATION REPORT (continued)

### 31.1. Remuneration of the board of directors

| | Basic remuneration[2] R'000 | Pension and other contributions R'000 | Annual bonus paid R'000 | Deferred bonus paid R'000 | Accrued short-term and long-term bonus R'000 | Total remuneration and fees R'000 |
|---|---|---|---|---|---|---|
| **2019** | | | | | | |
| Steve Booysen[3,4] | 3 188 | - | - | - | - | 3 188 |
| - Paid by Steinhoff N.V. | 2 511 | - | - | - | - | 2 511 |
| - Paid by Steinhoff Investments | 677 | - | - | - | - | 677 |
| Louis du Preez[2] | 19 321 | 974 | - | - | 23 657 | 43 952 |
| Theodore de Klerk[2,5] | 1 226 | 74 | - | - | 18 204 | 19 504 |
| Johan Geldenhuys[2] | 3 565 | 638 | - | - | 5 888 | 10 091 |
| Moira Moses[3,6] | 2 883 | - | - | - | - | 2 883 |
| - Paid by Steinhoff N.V. | 2 405 | - | - | - | - | 2 405 |
| - Paid by Steinhoff Investments | 478 | - | - | - | - | 478 |
| Hugo Nelson[5] | 236 | - | - | - | - | 236 |
| - Paid by Steinhoff N.V. | 236 | - | - | - | - | 236 |
| - Paid by Steinhoff Investments | - | - | - | - | - | - |
| Heather Sonn[3] | 6 447 | - | - | - | - | 6 447 |
| - Paid by Steinhoff N.V. | 5 454 | - | - | - | - | 5 454 |
| - Paid by Steinhoff Investments | 993 | - | - | - | - | 993 |
| Alex Watson[3,6] | 2 883 | - | - | - | - | 2 883 |
| - Paid by Steinhoff N.V. | 2 322 | - | - | - | - | 2 322 |
| - Paid by Steinhoff Investments | 561 | - | - | - | - | 561 |
| **Total remuneration** | 39 749 | 1 686 | - | - | 47 749 | 89 184 |

[1] *Other contributions mainly includes company contributions to the medical aid, expense allowances and social taxes.*

[2] *Directors' fees were paid with basic remuneration by Steinhoff Africa in terms of the individuals' employment contract.*

[3] *These board members serve on the Supervisory Board of Steinhoff N.V. as well as the Steinhoff Investment Board and therefore receive both their Supervisory Board fees as well as director's fees for Steinhoff Investments.*

[4] *Resigned on 30 August 2019.*

[5] *Appointed on 30 August 2019.*

[6] *Appointed on 29 October 2018.*

## 31. REMUNERATION REPORT

### 31.1. Remuneration of the board of directors

| | Basic remuneration R'000 | Pension and other contributions R'000 | Annual bonus paid R'000 | Deferred bonus paid[12] R'000 | Accrued short-term and long-term bonus R'000 | Total remuneration and fees R'000 |
|---|---|---|---|---|---|---|
| **2018** | | | | | | |
| Steve Booysen[3] | 3 167 | - | - | - | - | 3 167 |
| - Paid by Steinhoff N.V. | 2 717 | - | - | - | - | 2 717 |
| - Paid by Steinhoff Investments | 450 | - | - | - | - | 450 |
| Louis du Preez[2,7] | 9 786 | 580 | - | - | 9 331 | 19 697 |
| Johan Geldenhuys[2,7] | 1 930 | 403 | 1 555 | - | 3 333 | 7 221 |
| Stehan Grobler[2,8] | 11 441 | 118 | - | 13 333 | - | 24 892 |
| Len Konar[9] | 1 296 | - | - | - | - | 1 296 |
| Theunie Lategan[10] | 1 004 | - | - | - | - | 1 004 |
| Mariza Nel[11] | 2 390 | 122 | - | 13 333 | - | 15 845 |
| Heather Sonn[3] | 4 889 | - | - | - | - | 4 889 |
| - Paid by Steinhoff N.V. | 4 439 | - | - | - | - | 4 439 |
| - Paid by Steinhoff Investments | 450 | - | - | - | - | 450 |
| **Total remuneration** | 35 903 | 1 223 | 1 555 | 26 666 | 12 664 | 78 011 |

*[1] Other contributions mainly includes company contributions to the medical aid, expense allowances and social taxes.*

*[2] Directors' fees were paid with basic remuneration by Steinhoff Africa in terms of the individuals' employment contract.*

*[3] These board members serve on the Supervisory Board of Steinhoff N.V. as well as the Steinhoff Investment Board and therefore receive both their Supervisory Board fees as well as director's fees for Steinhoff Investments.*

*[7] Appointed on 2 February 2018.*

*[8] Resigned on 2 February 2018.*

*[9] Resigned on 6 March 2018.*

*[10] Resigned on 28 February 2018. Fees reflected only relate to Supervisory Board fees paid by Steinhoff N.V., no other director's fees were paid.*

*[11] Resigned on 31 January 2018. Fees reflected only relate to Supervisory Board fees paid by Steinhoff N.V., no other director's fees were paid.*

*[12] Annual and strategic bonus payments may be deferred at the discretion of the RemCom as approved by the Supervisory Board of Steinhoff N.V. The terms of deferral are agreed upon on an annual basis. The 2018 deferred bonusses were paid in October 2017. No further deferred bonusses were paid in the 2018 or 2019 Reporting Period.*

## 31. REMUNERATION REPORT (continued)

### 31.2 Steinhoff N.V. share rights

| | Offer date | Conditional vesting date | Number of rights as at 30 September 2018 | Number of rights forfeited during the 2019 Reporting Period[1] | Number of rights as at 30 September 2019 |
|---|---|---|---|---|---|
| **Board of directors** | | | | | |
| **Theodore de Klerk** | | | | | |
| | March 2016 | March 2019 | 67 301 | (67 301) | - |
| | March 2017 | March 2020 | 83 438 | - | 83 438 |
| | | | **150 739** | **(67 301)** | **83 438** |
| **Johan Geldenhuys** | | | | | |
| | March 2016 | March 2019 | 52 208 | (52 208) | - |
| | March 2017 | March 2020 | 62 907 | - | 62 907 |
| | | | **115 115** | **(52 208)** | **62 907** |
| **Total Board of directors** | | | **265 854** | **(119 509)** | **146 345** |

*[1] The 2016 grant was assessed during June 2019 and the share rights were forfeited in the 2019 Reporting Period. The 2017 grant was assessed as highly unlikely to vest at the Reporting Date, therefore no values were attributed to any of the shares in the statement of profit or loss. Subsequent to the 2019 Reporting Period, the Steinhoff N.V. remuneration committee concluded that the vesting criteria were not met. The share rights in terms of the 2017 grant will be forfeited in the 2020 Reporting Period.*

No new Steinhoff N.V. shares were granted during the 2018 or 2019 Reporting Periods.

Refer to note 32 for more details regarding the conditions to exercise the rights.

## 32. SHARE-BASED PAYMENTS

### 32.1. Employee share scheme

#### 32.1.1 Steinhoff N.V. Share Right Scheme

SIHPL implemented a long term employee share incentive scheme ("Steinhoff N.V. Share Right Scheme"). Following the scheme of arrangement, Steinhoff N.V. assumed the obligations to grant future share rights to share scheme participants relating to grants since 1 December 2014.

At grant date the employee receives a right to the shares ("share rights") on the vesting date. The amount of Steinhoff N.V. shares that will vest depends on whether the performance criteria as determined by the Steinhoff N.V. remuneration committee were met. Vesting is also at the discretion of the Steinhoff N.V. remuneration committee.

The employee share plan is equity-settled.

The Steinhoff N.V. Share Right Scheme is subject to the following conditions:
a) Rights are granted to qualifying senior executives on an annual basis.
b) Vesting of rights occur on the third anniversary of grant date, provided performance criteria, as set by the Steinhoff N.V. remuneration committee at or about the time of the grant date, have been achieved.
c) In the event of performance criteria not being satisfied by the third anniversary of the relevant annual grant, all rights attaching to the particular grant will lapse.

The following performance criteria were set by the Steinhoff N.V. remuneration committee:
a) The employee's participation in the share scheme will be subject to the financial performance of the Steinhoff N.V. Group and the employer, cumulatively over the 3 year period (the "measurement period");
b) It is required that the employee qualify for participation, on a cumulative basis, in the annual incentive bonus scheme as administered by its employer in respect of the measurement period; and
c) The employee having met its key performance indicators over the measurement period.

Considering the Steinhoff N.V. Group's restated results in the 2017 Reporting Period, management revised previous estimates of the number of shares that will ultimately vest for each open grant. Management's revised estimate is that it is highly unlikely that any further shares will vest under any open grants.

No expenses arising from the Steinhoff N.V. Share Right Scheme equity settled share-based payments were recognised in profit or loss as part of employee benefit expense in the 2018 or 2019 Reporting Periods.

The 2016 grant was assessed during June 2019 and the share rights were forfeited in the 2019 Reporting Period. The remaining 2017 grant was assessed as highly unlikely to vest at the Reporting Date, therefore no values were attributed to any of the shares in the statement of profit or loss. Subsequent to the 2019 Reporting Period, the Steinhoff N.V. remuneration committee concluded that the vesting criteria were not met. The share rights in terms of the 2017 grant will be forfeited in the 2020 Reporting Period.

Set out below are summaries of share rights granted under the plan. Legally these rights are still outstanding, but management's assessment is that no further shares will be issued under open grants.

| | 30 September 2019 Number of rights | 30 September 2018 Number of rights |
|---|---|---|
| The number of share rights outstanding is: | | |
| Outstanding at the beginning of the period | **7 995 436** | 16 974 831 |
| Forfeited during the period [1] | **(4 572 732)** | (8 979 395) |
| Outstanding at the end of the period | **3 422 704** | 7 995 436 |

[1] *Certain divisions and individuals did not meet performance targets for the share vesting and forfeited their share rights. The forfeitures in the 2019 Reporting Period included all remaining shares under the 2016 grant.*

## 32. SHARE-BASED PAYMENTS (continued)

### 32.1. Employee share scheme (continued)

#### 32.1.1 Steinhoff N.V. Share Right Scheme (continued0

**Assumptions**

The fair value of services received in return for share rights granted is measured by reference to the fair value of the share rights granted. The estimated fair value of the services received is measured based on the assumption that all vesting conditions are met and all employees remain in service. The pricing model used was the Monte Carlo simulation. The volatility was estimated using the Steinhoff N.V.'s daily closing share price over a rolling three-year period.

| | 2017 grant | 2016 grant |
|---|---|---|
| Fair value of share rights and assumptions: | | |
| Fair value at grant date | €4.70 | €4.55 |
| Share price at grant date | €4.98 | €4.92 |
| Expected volatility | 34.78% | 26.05% |
| Dividend yield | 2.05% | 2.57% |
| Risk-free interest rate | 7.36% | 8.16% |
| Date of grant | 1 March 2017 | 1 March 2016 |
| Conditional date of vesting | 1 March 2020 | 1 March 2019 |
| Exercise price | - | - |

Refer to note 31.2 for the board of directors' interests in the Steinhoff N.V. Share Right Scheme.

#### 32.1.2. Pepkor Holdings Executive Share Rights Scheme

During the 2018 Reporting Period, Pepkor Holdings granted future share rights to share scheme participants under the Pepkor Holdings Executive Share Rights Scheme. The grant remains subject to meeting certain performance conditions over the three-year vesting period:

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

Refer to note 4.3.3 for the share-based payment expense.

| | 30 September 2019 Number of rights | 30 September 2018 Number of rights |
|---|---|---|
| The number of Pepkor share rights outstanding is: | | |
| Outstanding at the beginning of the period | **9 726 354** | - |
| Granted during the year | **13 167 723** | 11 262 942 |
| Forfeited during the period [1] | **(421 039)** | (1 536 588) |
| Outstanding at the end of the period | **22 473 038** | 9 726 354 |

*[1] Certain individuals left the Pepkor Holdings group and therefore forfeited their share rights relating to the initial grants made.*

**Assumptions**

The fair value of services received in return for share rights granted is measured by reference to the fair value of the share rights granted. The estimated fair value of the services received is measured based on the assumption that all vesting conditions are met and all employees remain in service. The pricing model used was the Monte Carlo simulation. As the Pepkor Holdings group was only listed in September 2017, the equity volatility was determined using the volatility of surrogate listed daily closing share price over a rolling three-year period.

| | 2019 grant | 2018 grant |
|---|---|---|
| Fair value of share rights and assumptions: | | |
| Fair value at grant date | R19.51 | R18.86 |
| Share price at grant date | R20.50 | R20.41 |
| Strike price | nil | nil |
| Expected volatility | 35.90% | 37.00% |
| Dividend yield | 1.70% | 2.70% |
| Risk-free interest rate | 7.20% | 6.90% |
| Option life | 3 years | 3 years |

## 32.2. Reconciliation of the share-based payment reserve

| | 30 September 2019 Rm | 30 September 2018 Rm |
|---|---|---|
| Balance at the beginning of the year | **122** | 29 |
| Transfer to accumulated losses due to share scheme reserve reversals | **-** | 65 |
| Adjustments to share based payment reserve: | | |
| Through profit or loss: Employee benefit expense (Pepkor Holdings Executive Share Right Scheme) | **108** | 61 |
| Other movements through equity | **1** | (40) |
| Deferred tax charged to equity | **-** | 7 |
| Balance at the end of the year | **231** | 122 |

## 33. ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE

The following table presents detail of the assets and liabilities that have been classified as held-for-sale as at 30 September 2019. The balances disclosed include impairments recognised on the date of classification as held-for-sale.

### Balance at 30 September 2019

| | Notes | Automotive Rm | Africa Properties Rm | Other[1] Rm | Total Rm |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Goodwill | 8 | - | - | - | - |
| Intangible assets | 8 | 1 120 | - | - | 1 120 |
| Property, plant and equipment | 9 | 1 923 | 1 651 | - | 3 574 |
| Investment properties | 9 | - | 1 129 | - | 1 129 |
| Investment in equity accounted companies | 10 | - | 203 | | 203 |
| Investments and loans | 11 | 422 | 4 | - | 426 |
| Deferred tax assets | 6.3 | 363 | 80 | - | 443 |
| Inventories | | 3 234 | 19 | - | 3 253 |
| Trade receivables | | 867 | 24 | - | 891 |
| Other receivables | | 43 | 77 | - | 120 |
| Cash and cash equivalents | | 1 377 | 7 | - | 1 384 |
| **Total assets** | | 9 349 | 3 194 | - | 12 543 |
| **Liabilities** | | | | | |
| Interest bearing loans and borrowings | 16 | (299) | - | - | (299) |
| Provisions | 21 | (582) | - | - | (582) |
| Deferred taxation liabilities | 6.3 | (251) | (7) | - | (258) |
| Trade payables | | (3 204) | (45) | (1) | (3 250) |
| Other payables | | (440) | (24) | (1) | (465) |
| **Total liabilities** | | (4 776) | (76) | (2) | (4 854) |
| **Net assets** | | 4 573 | 3 118 | (2) | 7 689 |
| **Impairments recognised through profit or loss** | 1.1.1 | (761) | (500) | (18) | (1 279) |

*[1] Pepkor Holdings' management made the decision to sell the group's operations in Zimbabwe. The decision was mainly driven by the increasing difficulty of trading in Zimbabwe as result of adverse macroeconomic conditions. The associated assets and liabilities were consequently presented as held-for-sale. The Zimbabwe operation were not classified as a discontinued operation for the Steinhoff Investment Group, the impairments recognised are therefore included in impairments of continuing operation in note 4.2.1.*

## 33. ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE

The following table presents detail of the assets and liabilities that have been classified as held-for-sale as at 30 September 2018. The balances disclosed include impairments recognised on the date of classification as held-for-sale.

### Balance at 30 September 2018

| | Notes | Automotive Rm | Africa Properties Rm | Total Rm |
|---|---|---|---|---|
| **Assets** | | | | |
| Goodwill | 8 | - | - | - |
| Intangible assets | 8 | 1 403 | - | 1 403 |
| Property, plant and equipment | 9 | 2 113 | 160 | 2 273 |
| Investment properties | 9 | - | 10 | 10 |
| Investments and loans | 11 | 266 | - | 266 |
| Deferred tax assets | 6.3 | 280 | - | 280 |
| Inventories | | 3 352 | - | 3 352 |
| Trade receivables | | 834 | - | 834 |
| Other receivables | | 172 | - | 172 |
| Cash and cash equivalents | | 1 257 | - | 1 257 |
| **Total assets** | | 9 677 | 170 | 9 847 |
| **Liabilities** | | | | |
| Interest bearing loans and borrowings | 16 | (318) | - | (318) |
| Provisions | 21 | (535) | - | (535) |
| Deferred taxation liabilities | 6.3 | (315) | - | (315) |
| Trade payables | | (3 321) | - | (3 321) |
| Other payables | | (478) | - | (478) |
| **Total liabilities** | | (4 967) | - | (4 967) |
| **Net assets** | | 4 710 | 170 | 4 880 |
| Impairments recognised through profit or loss | 1.1.1 | (451) | (231) | (682) |

## 33. ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE (continued)

The following table present a rollforward of certain non-current assets transferred to held-for-sale during the 2019 Reporting Period

| | Notes | Intangible assets Rm | Property, Plant and Equipment Rm | Investment Property Rm |
|---|---|---|---|---|
| **Balance at 30 September 2018** | | **1 403** | **2 273** | **10** |
| Transfer to assets held-for-sale | 8 & 9 | **-** | **1 734** | **1 129** |
| Impairments in accordance with IFRS 5 | | **(283)** | **(550)** | **-** |
| Additions | | **-** | **1 429** | **-** |
| Disposals | | **-** | **(183)** | **(10)** |
| Transferred to inventory | | **-** | **(1 129)** | **-** |
| **Balance at 30 September 2019** | | **1 120** | **3 574** | **1 129** |

## 34. EVENTS OCCURRING AFTER THE REPORTING PERIOD

**Disposals of non core assets to raise funds to repay debt**

- On 25 November 2019 the Group sold 74.9% of the issued ordinary shares of Unitrans Motors Holdings Proprietary Limited to CFAO Holdings South Africa Proprietary Limited for proceeds of R3.9 billion which includes repayment of shareholder loan of R689 million and a pre-acquisition dividend of R125 million.

  On 19 December 2019 the Group sold the remaining 25.1.% of the issued ordinary shares of Unitrans Motors Holdings Proprietary Limited to Kapela Holdings Proprietary Limited, a black owned investment holding company for proceeds of R886.1 million.

- With effect from March 2019, the Group has commenced a process to dispose of its remaining property portfolios in Africa. Process remains ongoing.

**Buyout of minority interest**

- During May 2020, Steinhoff Finance Investments Proprietary Limited, the registered beneficial holder of 92% of the issued share capital in Mons Bella Private Partner Investment Proprietary Limited, holder of IEP interest, has acquired the remaining 8% of Mons Bella's issued shares from Chestnut Hill Investments 288 Proprietary Limited (an entity otherwise unrelated to the Group) ("Chestnut Hill") for R72 million. The purchase also concludes all legal disputes between the parties. Deal closed on 15 May 2020.

**Corporate activity after the reporting date**

- Subsequent to the approval of the Pepkor Holdings group's R10 billion domestic medium-term note programme by the JSE Limited on 2 March 2020, senior unsecured floating rate notes amounting to R1 billion were issued on 10 March 2020.

  The bonds issued consist of R800 million three-year floating rate notes with a coupon rate of three-month Jibar plus 159 bps and R206 million five-year floating rate notes with a coupon rate of three-month Jibar plus 174 bps.

- The following preference dividends were declared and paid by Steinhoff Investments after the 2019 Reporting Period to shareholders of the 15 000 000 cumulative, non-redeemable, non-participating, variable rate preference shares issued by Steinhoff Investments.

| Period applicable | Date paid | Gross dividend per share R cents |
|---|---|---|
| 1 July 2019 to 31 December 2019 | Monday, 30 March 2020 | 416.9075 |

**Changes to board of directors**

- Ms. Heather Sonn, Chairperson of the board of directors, has tendered her resignation from all functions at the Steinhoff Group, and specifically as the Chairperson of both the Steinhoff Investments' board and the Supervisory Board of Steinhoff N.V., as of 18 May 2020.

- On 22 May 2020, the board of directors appointed Ms Moira Moses as Chairperson and Ms Alexandra Watson as the Deputy Chairperson of the board, effective immediately.

**Legal proceedings**

Various legal proceedings have been instituted against the Group during the 2019 Reporting Period. The Group has carefully considered the legal proceedings and those deemed to be material adjusting events after the Reporting Period have been disclosed as contingent liabilities in note 22. Legal proceedings not considered adjusting subsequent events are included in this note.

***Michael John Morris vs SIHPL***

- Morris instituted action proceedings in December 2019 against SIHPL for R69.4 million claiming damages allegedly sustained flowing from alleged misrepresentations in published financial statements, which allegedly led to Morris' loss.

***Paul Ronald Potter vs SIHPL***

- Potter instituted action proceedings in December 2019 against SIHPL for R69.4 million claiming damages allegedly sustained flowing from alleged misrepresentations in published financial statements, which allegedly led to Potters' loss.

## 34. EVENTS OCCURRING AFTER THE REPORTING PERIOD (continued)

**Legal proceedings (continued)**

***Consolidation ruling***

- Steinhoff Investments is engaged in a host of legal proceedings in South Africa and, while the individual litigants differ, Steinhoff Investments considers that there are sufficient overlapping issues and witnesses that renders it more efficient for these proceedings to be consolidated. On 30 April 2020 the Cape High Court dismissed an application for the consolidation of all the litigation based in South Africa. The consolidation application was a procedural request and did not deal with the merits of the underlying matters. The suitability of a consolidation application may be reconsidered by the Court at a later date once matters have been set down and dates for trial applied for, providing an opportunity for Steinhoff Investments to re-assess this option at that point.

***Conservatorium Holdings LLC vs SIHPL, Steinhoff N.V. and 5 Others***

- On 15 May 2020, Conservatorium Holdings LLC ("Conservatorium") initiated action proceedings in South Africa against SIHPL, Steinhoff NV, Thibault Square Financial Services Proprietary Limited ("Thibault"), Titan Premier Investments Proprietary Limited ("Titan"), Titan Group Investments Proprietary Limited, Christoffel Hendrik Wiese and Jacob Daniel Wiese. Conservatorium sues in its capacity as assignee and successor in title of rights and claims under certain Loan Facilities and Security Agreements (collectively, the "Financing Agreements") concluded in 2016 and 2017 between a consortium of banks (as lenders and cessionaries) and Upington Investment Holdings B.V. ("Upington", an erstwhile subsidiary of Titan), Thibault and Titan (as borrowers and cedants). Conservatorium alleges that on 25 November 2014, Thibault acquired 609 145 624 SIHPL shares for an aggregate consideration of R34.72 billion which were subsequently exchanged for shares in Steinhoff N.V. by virtue of the 2015 scheme of arrangement. Conservatorium alleges that in terms of the Financing Agreements, certain loan facilities were extended to Upington, collateralised by the pledge of 750 million Steinhoff N.V. shares via Upington and Titan. Conservatorium further alleges that it has subsequently acquired:
  (i) 94% of the claims, rights and benefits of the lenders against any party under or in connection with the Financing Agreements,
  (ii) any and all future claims (including claims against third parties) accruing to the lenders under contract, delict, law, statute or otherwise in connection with the Financing Agreements, and
  (iii) certain ancillary rights and claims. Accordingly, Conservatorium claims that but for alleged misrepresentations made by SIHPL, the lenders would not have extended the loan facilities and by doing so have incurred losses of €993,500,000 for which Conservatorium has acquired the right to claim €933,900,000, being 94% thereof, from SIHPL.

  Furthermore, Conservatorium alleges that it is entitled to claim the subscription price that Thibault paid to SIHPL in the amount of R34.72 billion. This matter is ongoing.

- Conservatorium initiated separate proceedings in the Netherlands on 15 May 2020 (the "Dutch Conservatorium Claim"). The Dutch Conservatorium Claim is founded on the same facts as the claim in South Africa and seeks the same relief against SIHPL.

***Competition Commission vs SIHPL and Others***

- This matter involves two referrals issued by the Competition Commission during November 2019. Under the first referral, the Competition Commission has charged a previous subsidiary of SIHPL, namely KAP Diversified Industrial Proprietary Limited ("KAP") of having colluded during the period 2009 to 2014 with its sole local competitor, namely Sonae Arauco South Africa Proprietary Limited ("Sonae") in that they allegedly fixed prices of certain timber products which they both manufactured and sold to merchants. In the second (related) referral, the Competition Commission has charged SIHPL itself with having committed the same offence during that period. The Competition Commission contends that the actual perpetration of the transgressions occurred between representatives of the sale staff of a subsidiary of KAP and their colleagues employed by Sonae. It is not alleged that any SIHPL employee participated in the alleged price fixing or that SIHPL knew or ought to have known that the transgressions were being perpetrated. The Competition Commission seeks a finding against SIHPL exclusively on a contention that by virtue of its shareholding in the KAP group it controlled the business and affairs of KAP and its subsidiaries. Proceedings are ongoing.

**COVID-19**

The ongoing COVID-19 pandemic is causing significant disruptions both on the supplier and demand side for the Group since its outbreak in February 2020.

- The scale and scope of the global effort to bring the pandemic under control has broadened, resulting in various restrictions on trade, with the United Kingdom, South Africa, the USA and Australia all adopting increased social distancing and other lockdown measures.

- It is expected that the lockdown measures will severely impact the South African economy and the retail sector as consumers face increased unemployment and hardship.

- COVID-19 is a non-adjusting event for the Group in the 2019 Reporting Period and will therefore not have an impact on recognition and measurement of assets and liabilities in the 2019 Reporting Period.

## 34. EVENTS OCCURRING AFTER THE REPORTING PERIOD (continued)

**COVID-19 (continued)**

- The vast majority of Pepkor Holdings' stores were not permitted to trade during the national lockdown period. Preservation of group liquidity and cash flow became key focus areas. Various scenario planning and stress tests were conducted to forecast potential outcomes. Operating cost reductions were achieved in all areas of the business. Strategic focus areas were reprioritised and capital expenditure for FY20 was reduced. New store openings were postponed and credit extension across the group was significantly curtailed. Pepkor Holdings proactively engaged with its funders and successfully secured additional seasonal facilities as a contingency. The Pepkor Holdings group is in constructive discussions with funders in relation to existing covenant waiver and amendments for the periods ending September 2020 and March 2021, respectively.

- Subsidiary Pepkor Holdings has reported strong trade since the gradual reopening of stores, and attributed this to pent-up demand and social grant payments. They regard these measure as to be temporary in nature. Due to these inherent uncertainties it is currently not possible to estimate the impact that the pandemic will have on the group's future trading results. Future stock inflows have been reduced based on this uncertainty.

- With regards to the Pepkor Holdings' credit books, the focus has shifted to consolidation and collections. While reported collections have thus far been ahead of expectations, it is expected that collections will be impacted for the remainder of the 2020 year. Early indications from Pepkor Holdings are that provision levels are expected to increase during the remainder of 2020 Reporting Period. They also expect that impairment indications may emerge and potential impairment of goodwill and intangible assets recognised as a result of COVID-19 and as a result of the downgrade of the South African sovereign credit rating. This is, however, dependent on the recovery and momentum of trade.

- For further details with regard to the actions being taken in Pepkor Holdings, refer to the latest results on *https://www.pepkor.co.za/investor-relations/latest-results/*

- The Africa property disposal process was affected by the outbreak of the COVID-19 pandemic to varying extents. Delays in transfer of certain properties within the portfolio are expected. Irrespective of these delays, the Company remains committed to a sale of the Africa properties and management continues to believe that the held-for-sale classification remains appropriate for these assets.

- Overall management across the Steinhoff Investments' subsidiaries and associates are continuing to take an active approach, implementing a range of mitigating strategies to protect profitability and cashflow. Immediate and significant actions are being implemented to reduce costs and optimise liquidity. These include reducing operating expenditures, reducing stock of goods impacted by the trading restrictions, actions to optimise working capital and stopping all but essential capital expenditure.

- While the Group is confident that the actions it is taking to address the impacts of COVID-19 are appropriate and timely, the situation remains fast moving and uncertain and these are being kept under constant review.

**Other**

- Subsequent to year-end there was significant depreciation of the Rand against the Euro, resulting in a material increase in the Rand value of the CPU liability (refer note 16) as the liability is Euro-denominated and a corresponding foreign exchange loss.

## 35. CHANGES IN ACCOUNTING POLICIES

On 1 October 2018, the Group adopted the following accounting standards, effective for financial years ending on or after 1 January 2018, which had an effect on the prior year's disclosures. The restatement did not have any material impact on the statement of financial position and statement of cash flows, nor basic earnings per share, diluted earnings per share, headline earnings per share or diluted headline earnings per share.

### 35.1 IFRS 9: Financial Instruments

IFRS 9: Financial Instruments (replacing IAS 39: Financial Instruments: Recognition and Measurement) addresses the classification, measurement and derecognition of financial assets and liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The key impact of IFRS 9 for the Group is due to the new impairment model for financial assets as set out below:

#### 35.1.1 Classification and measurement of financial instruments

The Group has reviewed and assessed existing financial assets as at 1 October 2018, based on the facts and circumstances that existed at that date, and concluded that the initial application of IFRS 9 has had the following impact on the Group's financial assets with regard to their classification:

| Instrument | Classification: IAS 39 | Classification: IFRS 9 |
|---|---|---|
| Trade and other receivables | Loans and receivables | Amortised cost |
| Loans to customers | Loans and receivables | Amortised cost |
| Intergroup loans | Loans and receivables | Amortised cost |
| Government bonds | Held to maturity | Amortised cost |
| Listed investments | Available for sale | Fair value through other comprehensive income |
| Unlisted investments | Available for sale | Fair value through other comprehensive income |
| Derivative financial instruments | Derivatives accounted for as hedges | Derivatives accounted for as hedges |
| Financial guarantees | Other financial liabilities | Financial liability at amortised cost |

The initial application of IFRS 9 did not have an impact on the classification of financial liabilities.

#### 35.1.2 Impairment of financial assets under the new impairment model

The new impairment model applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15: Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for ECL resulting from default events that are possible within the next 12 months. In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument.

The key impact of IFRS 9 is the new impairment model for financial assets, impacting the Group's debtors and loan books. The new impairment model reflects expected credit losses based on forward-looking information as opposed to incurred credit losses under IAS 39. The following approaches have been adopted across the Group:

| Financial asset | Approach |
|---|---|
| Retail debtors | Simplified approach |
| Loans to customers | General impairment model |
| Instalment sale receivables | General impairment model |
| Credit sales through store cards | General impairment model |
| Government bonds | General impairment model |
| Intergroup loans | General impairment model |
| Loans to employees and key management | General impairment model |
| Loan to associate | General impairment model |

## 35. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### 35.1 IFRS 9: Financial Instruments (continued)

#### 35.1.2 Impairment of financial assets under the new impairment model (continued)

Financial assets where a 12-month ECL is recognised are considered to be 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit impaired are in 'stage 3'. The assessment of credit risk and the estimation of ECL is unbiased and probability-weighted, and incorporates all available information that is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL takes into account the time value of money.

As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39 and the resulting impairment charge will tend to be more volatile. It will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39.

For financial assets where objective evidence of impairment exists (stage 3), the standard requires interest income to be calculated on the carrying value of the debtors, after allowance for expected credit losses based on the original effective interest rate.

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

#### 35.1.3 Effect of adopting IFRS 9: Financial Instruments

The Group has elected to apply the impact of IFRS 9 retrospectively with an adjustment to opening retained earnings on 1 October 2018, therefore comparative information for the prior year has not been restated.

| | Rm |
|---|---|
| Closing retained earnings on 30 September 2018 as reported | (91 733) |
| Net adjustment to retained earnings | (82) |
| Increase in impairment allowance for trade and other receivables | (114) |
| Increase in deferred tax relating to impairment allowances | 32 |
| Opening retained earnings on 1 October 2018 | (91 815) |

#### 35.1.4 Derivatives and hedging activities

On adoption of IFRS 9, the Group elected to apply the hedge accounting requirements under IFRS 9 (2018: the Group applied hedge accounting under the requirements of IAS 39). The most significant change between the two standards is the 'assessment of effectiveness' test that allows greater flexibility for the types of transactions eligible for hedge accounting. Further the effectiveness test has been replaced with the principle of an 'economic relationship'. The Group has assessed its current hedging relationships as well as other possible types of transactions that might be eligible for hedge accounting under the requirement of IFRS 9. The outcome was not material.

### 35.2 Effect of adopting IFRS 15: Revenue from Contracts with Customers

IFRS 15: Revenue from Contracts with Customers (replacing IAS 18: Revenue) is based on the principle that revenue is recognised as the Group satisfies performance obligations and when control of a good or service transfers to a customer, rather than the use of the risks and rewards criteria under IAS 18.

The Group has elected to adopt IFRS 15 using the modified retrospective approach, therefore comparative information for the prior year has not been restated. The key impact of IFRS 15 for the Group is set out below:

**Agent vs principal assessment**

IFRS 15 provides new guidance that impacted the Group's assessment of whether it acts as principal or agent when recognising revenue from certain value-added services. In certain instances, contracts have been reassessed and revenue previously recognised on a gross basis and included in revenue and cost of sales, is now recognised on a net basis in other income where the Group acts as the agent.

### 35.2 Effect of adopting IFRS 15: Revenue from Contracts with Customers (continued)

**Accounting for refunds**

It is policy to sell goods with the right of return in terms of current consumer legislation. Such sales are cancelled where the right of return is exercised. Under IFRS 15, a refund liability for the expected refunds to customers is recognised as an adjustment to revenue and is included in trade and other payables. The accumulated experience of the Group's returns has been utilised to estimate such refund liability at the time of sale. Based on past experience, it is estimated that goods returned in a saleable condition will be insignificant. Therefore the Group does not recognise an asset and a corresponding adjustment to cost of sales for its right to recover the product from the customer where the customer exercises the right of return.

**Rebates from suppliers**

The Group assessed its different rebates received from suppliers. In certain instances, rebates relating to the purchase of inventory were recognised either as revenue, operating income or net of operating expenses. Rebates relating to the purchase of inventory should be accounted for net of the cost of inventory, unwinding to cost of sales as the goods are sold.

The application of IFRS 15 did not have a material impact on the reported earnings or financial position for the period presented.

## 36. OTHER INFORMATION

### New and amended standards adopted by the Group

In addition to IFRS 9 and IFRS 15 discussed in note 35, the Group has applied the following relevant standards and amendments for the first time for their annual reporting period commencing 1 October 2018.

- Amendments to IFRS 2: Clarifying how to account for certain types of share-based payment transactions
- Amendments to IFRS 4: Insurance contracts
- Amendments to IAS 40: Transfers of Investment Property
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods.

### New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 2019 Reporting Periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

| | Date required to be adopted by the Group |
|---|---|
| ▪ Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform | 1 October 2023* |
| ▪ Amendments to IAS 1 and IAS 8: Definition of Material | 1 October 2020* |
| ▪ Amendments to References to the Conceptual Framework in IFRS Standards | 1 October 2020* |
| ▪ Annual Improvements to IFRS Standards 2015-2017 Cycle | 1 October 2019* |
| ▪ Amendments to IAS 19: Plan Amendment, Curtailment or Settlement | 1 October 2019* |
| ▪ Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures | 1 October 2019* |
| ▪ Amendments to IFRS 9: Prepayment Features with Negative Compensation | 1 October 2019* |
| ▪ IFRS 16: Leases | 1 October 2019 - refer below |
| ▪ IFRIC 23: Uncertainty over Income Tax Treatments (IFRIC 23) | 1 October 2019 - refer below |

*These amendments are not expected to have a significant impact on the Group upon adoption.

| **Title of standard** | **IFRS 16 - Leases** |
|---|---|
| **Nature of change** | IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. The Group's lease expense, depreciation/amortization and finance cost will be effected by the new standard.<br><br>The accounting for lessors will not significantly change. |
| **Estimated impact on the financial statements** | The Group has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS16. The standard will affect primarily the accounting for the Group's operating leases.<br><br>Based on the information currently available, the Group's estimated impact will be an increase of c.R14 billion for the right-of-use asset accompanied with an increase of c. R18 billion in the lease liability. The application of IFRS 16 will have a material impact on the Group's statement of financial position, statement of comprehensive income and classification in the statement of cash flows.<br><br>**Transition**<br>The Group plans to apply IFRS 16 initially on 1 October 2019, using the modified retrospective approach. The method chosen will result in the Group not being required to restate comparative numbers.<br><br>The Group will account for the right-of-use asset from the commencement date of the lease contract with the accompanied lease liability on date of initial application of IFRS 16. |

## 36. OTHER INFORMATION (continued)
### New standards and interpretations not yet adopted (continued)

| Title of standard | IFRS 16 - Leases |
|---|---|
| Actual Impact | It is expected that the actual impact on the financial statements in 2020 Reporting Period will be different as a result of:<br>- The finalisation of the validation of completeness and accuracy of the identified contracts<br>- New lease contracts to be entered into in 2020 Reporting Period |
| Date of adoption by the Group | IFRS 16 was issued in January 2016 and is effective for financial periods commencing on or after 1 January 2019. The Group will implement IFRS 16 from the 2020 Reporting Period commencing on 1 October 2019. |

| Title of standard | IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments |
|---|---|
| Nature of change | IFRIC 23 clarifies the accounting for income tax when it is unclear whether a taxing authority accepts the tax treatment.<br><br>The Interpretation provides guidance on how to account for uncertainty over income tax treatments under IAS 12. The new Interpretation may impact the existing positions with respect to uncertain tax treatments, the accounting policy, financial statements disclosure and data gathering processes. |
| Impact | Tax remains a material uncertainty for the Group as the tax impact of the accounting irregularities identified and the consequential effects thereof remains uncertain.<br><br>The Group is in the process of assessing the impact of IFRIC 23 as it is expected to have a significant impact on the tax treatment specifically relating to the effects of accounting irregularities identified.<br><br>In assessing the impact of IFRIC 23, the Group will take into consideration the following key elements with regards to the tax treatment in place prior to implementation of IFRIC 23:<br>• Determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.<br>• Whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, while assuming that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.<br>• Consider the probability that a taxation authority will accept an uncertain tax treatment. |
| Date of adoption by the Group | IFRIC 23 is effective for reporting periods commencing on or after 1 January 2019. The Group will implement IFRIC 23 from the 2020 Reporting Period commencing on 1 October 2019. |

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 37. REPORTABLE IRREGULARITY

As a result of the delay in publishing prior period financial statements, non-compliance of laws and regulations has been noted:

- Non-compliance of Companies Act requirements as annual financial statements for various individual entities have not been signed off within six months after year-end;
- Non-compliance of JSE Listing Requirements as Steinhoff Investments has not published interim and final results for several years, and
- Non-compliance of the Income Tax Act as the Group has not filled annual income tax returns for several entities as a result of the annual financial statements not being finalised for past years.

In accordance with the South African Auditing Profession Act 26 of 2005, these findings constitute reportable irregularities on the basis that persons responsible for the management of an entity may not have acted with the necessary care, skill and diligence required, which failure has caused, or is likely to cause material financial loss to the entity or stakeholders in its dealings with the entity, or, alternatively, this activity may have constituted a material breach of fiduciary duties by such persons.

As a result of the non-compliance of laws and regulations, these consolidated and separate annual financial statements for the year ended 30 September 2019 are being released ahead of the release of the delayed consolidated and separate annual financial statements for the years ended 30 September 2017 and 2018 in order to give the market the most recent information as soon as possible.

Mazars reported these reportable irregularities to the Independent Regulatory Board for Auditors in South Africa and concluded that these matters are ongoing. Management believe that the release of the 2019 results is the starting process to effectively remediate the activities that gave rise to the reportable irregularities.

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**STEINHOFF INVESTMENT HOLDINGS LIMITED**
**SEPARATE STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 30 SEPTEMBER 2019**

| | Notes | 2019 Rm | 2018 Rm |
|---|---|---|---|
| Interest income | | **2** | 28 |
| Dividend income | | **1** | 28 |
| Other income/(expenses) | 2 | **(8)** | (5 591) |
| Administrative expenses | | **(13)** | (42) |
| **Operating loss** | | **(18)** | (5 577) |
| Finance cost | | **-** | (2) |
| **Loss before taxation** | | **(18)** | (5 579) |
| Taxation | 3 | **-** | (6) |
| **Net loss for the year** | | **(18)** | (5 585) |
| | | | |
| **Other comprehensive loss** | | | |
| ***Items that may be reclassified subsequently to profit or loss*** | | | |
| Fair value reserves reclassified to profit or loss | | **-** | (143) |
| Deferred taxation on fair value reserve released | | **-** | 32 |
| **Total other comprehensive loss for the year** | | **-** | (111) |
| **Total comprehensive loss for the year** | | **(18)** | (5 696) |

**STEINHOFF INVESTMENT HOLDINGS LIMITED**
**SEPARATE STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 30 SEPTEMBER 2019**

| | Ordinary share capital and share premium | Preference share capital and share premium | Total share capital | Fair value reserves | Accumulated loss | Total equity |
|---|---|---|---|---|---|---|
| | Rm | Rm | Rm | Rm | Rm | Rm |
| **Balance at 01 October 2017** | 119 013 | 1 550 | 120 563 | 111 | (81 801) | 38 873 |
| Loss for the year | - | - | - | - | (5 585) | (5 585) |
| Other comprehensive income | - | - | - | (111) | - | (111) |
| **Total comprehensive loss for the year** | - | - | - | (111) | (5 585) | (5 696) |
| Ordinary dividends paid | - | - | - | - | (2 230) | (2 230) |
| Preference dividends paid | - | - | - | - | (128) | (128) |
| **Balance at 30 September 2018** | **119 013** | **1 550** | **120 563** | **-** | **(89 744)** | **30 819** |
| Loss for the year | **-** | **-** | **-** | **-** | **(18)** | **(18)** |
| **Total comprehensive loss for the year** | **-** | **-** | **-** | **-** | **(18)** | **(18)** |
| Preference dividends paid | **-** | **-** | **-** | **-** | **(126)** | **(126)** |
| **Balance at 30 September 2019** | **119 013** | **1 550** | **120 563** | **-** | **(89 888)** | **30 675** |
| **Notes** | **7** | **7** | **7** | | | |

**STEINHOFF INVESTMENT HOLDINGS LIMITED**
**SEPARATE STATEMENT OF FINANCIAL POSITION**
**AS AT 30 SEPTEMBER 2019**

| | Notes | 2019 Rm | 2018 Rm |
|---|---|---|---|
| **Assets** | | | |
| **Non-Current Assets** | | | |
| Investments in subsidiaries | 4 | **46 113** | 46 113 |
| | | **46 113** | 46 113 |
| **Current Assets** | | | |
| Loans to related parties | 5 | **5 129** | 11 224 |
| Trade and other receivables | | **1** | 8 |
| Current tax receivable | | **322** | 277 |
| Cash and cash equivalents | 6 | ***** | * |
| | | **5 452** | 11 509 |
| **Total Assets** | | **51 565** | 57 622 |
| **Equity and Liabilities** | | | |
| **Equity** | | | |
| Ordinary share capital and premium | 7 | **119 013** | 119 013 |
| Preference share capital and premium | 7 | **1 550** | 1 550 |
| Accumulated loss | | **(89 888)** | (89 744) |
| | | **30 675** | 30 819 |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | | **1** | 8 |
| Loans from related parties | 8 | **20 826** | 26 795 |
| Dividend payable | | **63** | - |
| | | **20 890** | 26 803 |
| **Total Liabilities** | | **20 890** | 26 803 |
| **Total Equity and Liabilities** | | **51 565** | 57 622 |

** Amount below R500 000*

**STEINHOFF INVESTMENT HOLDINGS LIMITED**
**SEPARATE STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 30 SEPTEMBER 2019**

| | Notes | 2019 Rm | 2018 Rm |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash utilised in operations | 9 | **(20)** | (38) |
| Dividends paid | 11 | **(63)** | (2 422) |
| Tax paid | 10 | **(45)** | (134) |
| Net cash outflow from operating activities | | **(128)** | (2 594) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Loans to related parties repaid | | **132** | 4 424 |
| Loans advanced to related parties | | **(4)** | (235) |
| Proceeds on disposal of investments and loans | | **-** | 220 |
| Net cash inflow from investing activities | | **128** | 4 409 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Repayment of loans from related parties | | **-** | (1 614) |
| Repayment of borrowings | | **-** | (202) |
| Net cash outflow from financing activities | | **-** | (1 816) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **-** | (1) |
| Cash at the beginning of the period | | **-** | 1 |
| **CASH AND CASH EQUIVALENTS AT END OF THE PERIOD** | 6 | **-** | - |

## REPORTING ENTITY

The separate financial statements of the Company is included as part of the consolidated financial statements of Steinhoff Investment Holdings Limited ("Steinhoff Investments").

Steinhoff Investments is a public company incorporated and domiciled in South Africa.

## 1. BASIS OF PREPARATION

**Statement of compliance**

The separate annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the interpretations adopted by the International Accounting Standards Board ("IASB"), the IFRS Interpretations Committee of the IASB ("IFRIC"), the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listing Requirements, the requirements of the South African Companies Act, 71 of 2008, as amended ("the Act") and have been audited in compliance with all the requirements of section 29(1) of the Act, as required.

**Historical cost convention**

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below.

**Going concern assessment**

The separate financial statements have been prepared on a going concern basis.

In the 2019 Reporting Period, the Company's current liabilities exceed the current assets.

Refer to the Basis of Preparation section of the consolidated annual financial statements for a detailed going concern assessment of the Group, including the Company.

### 1.1 SIGNIFICANT ACCOUNTING POLICIES

If not stated otherwise, the accounting policies applied are the same as those in the consolidated annual financial statements.

**Investments in subsidiary companies**

Investments in subsidiaries are carried at cost less any accumulated impairment losses.

The Company recognises impairment losses to the extent that the carrying value of the investment exceeds the net asset value of the subsidiary company. The net asset value of the subsidiary company is based, as far as possible, on the fair value of the underlying assets.

**Impairment of related party receivables**

For loans receivable with no fixed terms of repayment, expected credit losses are based on the assumption that repayment of the loan is demanded at the Reporting Date. If the borrower has sufficient accessible highly liquid assets in order to repay the loan if demanded at the Reporting Date, the probability of default is usually small and the expected credit loss is immaterial as a result.

On adoption of IFRS 9, the Company assessed the related party receivables for expected credit losses and concluded that there was no significant impact on adoption as the probability of default was low and the borrower had sufficient highly liquid assets.

If the borrower could not repay the loan if demanded at the Reporting Date, the Croup considers the expected manner of recovery to measure expected credit losses. This includes a ‘repay over time’ strategy. If the recovery strategies indicate that the lender would fully recover the outstanding balance of the loan, the expected credit loss is limited to the effect of discounting the amount due on the loan (at the loan’s effective interest rate, which is regarded as 0% if the loan is interest free) over the period until cash is realised. If the effective interest rate is 0%, and all strategies indicate that the lender would fully recover the outstanding balance of the loan, no impairment loss is recognised.

The Group considers that an event of default has occurred if the borrower does not repay the loan when demanded. The Group writes off a loan when there is information indicating that the borrower is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the borrower has been placed under liquidation or has entered into bankruptcy proceedings.

## 1. BASIS OF PREPARATION (continued)

### 1.1 SIGNIFICANT ACCOUNTING POLICIES

**Impairment of related party receivables (continued)**

At initial recognition, an impairment allowance is required for ECL resulting from default events that are possible within the next 12 months. In the event of a significant increase in credit risk, an allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument.

Financial assets where a 12-month ECL is recognised are considered to be 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit impaired are in 'stage 3'. The assessment of credit risk and the estimation of ECL is unbiased and probability-weighted, and incorporates all available information that is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL takes into account the time value of money.

**Derecognition of financial liabilities**

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**Statement of cash flows**

The statement of cash flows is prepared using the indirect method. Assets and liabilities acquired as part of a business combination are included in investing activities (net of cash acquired). Dividends paid to shareholders are included in operating activities. Dividends received are classified as operating activities, as well as interest received and paid.

### 1.2 CHANGES IN ACCOUNTING POLICIES

Refer to note 36 of the consolidated annual financial statements for disclosure regarding new accounting standards adopted by the Company and the Group.

### 1.3 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

**Critical judgements in applying accounting policies**

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

**Recoverability of financial and other assets (including investment in subsidiaries)**

The determination of the amount and timing of the impairment losses necessitate a number of judgements and estimates. These include determination of the recoverable amount based, as far as possible, on the fair value of the underlying net assets.

The recoverability of loans and assets with related parties have been assessed and where the related party does not have sufficient assets to perform on the obligation, management has deemed it appropriate to impair these assets.

The recoverable amount of investments in subsidiaries is based, as far as possible, on the fair value of the underlying assets. Where the carrying value exceeds the recoverable amount, the investments have been impaired.

The determination of the amount and timing of the impairment losses necessitate a number of judgements and estimates. These include determination of the recoverable amount based, as far as possible, on the fair value of the underlying net assets.

## 1.3 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (continued)

**Key sources of estimation uncertainty**

The financial statements do not include assets or liabilities whose carrying amounts were determined based on estimations for which there is a significant risk of material adjustments in the following financial year as a result of the key estimation assumptions.

| | 2019 Rm | 2018 Rm |
|---|---|---|
| **2. OTHER INCOME/(EXPENSES)** | | |
| **2.1 Gain on disposal of investment** | **-** | 33 |
| The Company disposed of their investment in Sikhulasonke during the period for total proceeds of R220 million. | | |
| **2.2 Fair value released on disposal of investment** | **-** | 143 |
| Fair value reserve released on disposal of the investment in Sikhulasonke. | | |
| **2.3 Foreign exchange losses** | | |
| Realised foreign exchange loss | **-** | (2) |
| | **-** | (2) |
| **2.4 Impairment of investment in subsidiaries** | **-** | (5 581) |
| An impairment has been recognised as the total investment in Steinhoff Africa as at 30 September 2018 exceeded its recoverable amount. No additional impairments were recognised in the 2019 Reporting Period. | | |
| **2.5 Movement in impairment loss allowances** | **(8)** | (184) |
| Additional impairment losses recognised on trade and other receivables | | |
| **TOTAL OTHER INCOME/(EXPENSES)** | **(8)** | (5 591) |

## 3. TAXATION

| | 2019 Rm | 2018 Rm |
|---|---|---|
| **Major components of the tax expense** | | |
| **Current** | | |
| Local income tax - current period | **-** | 6 |
| **Reconciliation of the tax expense** | | |
| Reconciliation between accounting loss and tax expense: | | |
| Accounting loss | **(18)** | (5 579) |
| Tax at the applicable tax rate of 28% | **(5)** | (1 562) |
| **Tax effect of adjustments on taxable income** | | |
| Non-taxable income[1] | **-** | (57) |
| Non-deductible expenses[2] | **5** | 1 625 |
| | **-** | 6 |

[1] *Non-taxable income in the 2018 Reporting Period mostly consist of fair value reserves reclassified to profit or loss and dividends received.*
[2] *Non-deductible expenses relate to impairment losses on receivables, as well as property taxes and legal fees paid.*

## 4. INVESTMENT IN SUBSIDIARIES

| Name of company | % holding 2019 | % holding 2018 | Carrying amount 2019 Rm | Carrying amount 2018 Rm |
|---|---|---|---|---|
| Steinhoff Africa | 100% | 100% | **67 957** | 67 957 |
| SIHPL | 100% | 100% | **37 109** | 37 109 |
| Taycol Investments Proprietary Limited ("Taycol") | 100% | 100% | * | * |
| | | | **105 066** | 105 066 |
| Impairment of investment in subsidiaries | | | **(58 953)** | (58 953) |
| | | | **46 113** | 46 113 |

* Amount less than R500 000

The investment in SIHPL was impaired in full in prior years, the remaining impairment relates to a partial impairment of the investment in Steinhoff Africa.

### 4.1 Reconciliation of cost of investment and related impairment provisions per subsidiary

| | Taycol Rm | SIHPL Rm | Steinhoff Africa Rm | Total Rm |
|---|---|---|---|---|
| **Carrying value at 1 October 2017** | - | - | 51 694 | 51 694 |
| Impairment through profit or loss | - | - | (5 581) | (5 581) |
| **Carrying value at 30 September 2018** | **-** | **-** | **46 113** | **46 113** |
| Impairment through profit or loss | **-** | **-** | **-** | **-** |
| **Carrying value at 30 September 2019** | **-** | **-** | **46 113** | **46 113** |

## 5. LOANS TO RELATED PARTIES

| | 2019 Rm | 2018 Rm |
|---|---|---|
| **Subsidiaries** | | |
| Taycol | **-** | - |
| Steinhoff Africa[1] | **5 129** | 9 031 |
| SIHPL[2] | **-** | 2 193 |
| | **5 129** | 11 224 |

*[1] On 12 August 2019, the Company entered into an agreement with Steinhoff Africa whereby the loan receivable and loan payable between the entities were set off against each other resulting in a net loan receivable being recognised in the Company's records. From this date it was also agreed that a portion of the loan, the interest-bearing portion, will accrue interest at prime rate less 2%. The loan and cumulative interest is repayable on demand. Refer to note 14 for the gross loan balances that were set off.*

*[2] On 12 August 2019, the Company entered into an agreement with SIHPL whereby the loan receivable and loan payable between the entities were set off against each other resulting in a net loan payable being recognised in the Company's records. Refer to note 14 for the gross loan balances that were set off.*

| | 2019 Rm | 2018 Rm |
|---|---|---|
| **Fellow subsidiaries** | | |
| SFHG | - | 11 761 |
| SFHG - impairment | - | (11 761) |
| | **-** | **-** |

As part of the Europe restructuring, the SFHG CVA was filed with the English court and was implemented on 13 August 2019. The loan with SFHG was therefore ceded to Newco 2A. The loan with SFHG was derecognised and on initial recognition of the loan with Newco 2A, the loan was deemed to be credit-impaired. As a result the loan was recognised at its fair value of nil.

| | 2019 Rm | 2018 Rm |
|---|---|---|
| **Split between non-current and current portions** | | |
| Current assets | 5 129 | 11 224 |
| | **5 129** | **11 224** |

**Fair value of related party loans receivable**

The fair value of related party loans receivable approximates their carrying amounts.

| | 2019<br>Rm | 2018<br>Rm |
|---|---|---|
| **6. CASH AND CASH EQUIVALENTS** | | |
| Cash and cash equivalents consist of: | | |
| Bank balances | * | * |

* Amount less than R500 000

**Credit quality of cash at bank and short term deposits, excluding cash on hand**

The credit quality of cash at bank and short term deposits, excluding cash on hand can be assessed by reference to external credit ratings or historical information about counterparty default rates:

| | 2019<br>Rm | 2018<br>Rm |
|---|---|---|
| **Credit rating (Moody's Short term bank deposits (domestic))** | | |
| P-3 | * | * |

## 7. SHARE CAPITAL

| | 2019 Rm | 2018 Rm |
|---|---|---|
| **Authorised** | | |
| 101 000 000 (2018: 101 000 000) Ordinary shares of R0.005 each | **1** | 1 |
| 495 000 000 (2018: 495 000 000) Preference shares of R0.001 each | ***** | * |
| | **1** | 1 |

* Less than R500 000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the Company. The authorised unissued ordinary shares will be under the control of the directors until the Company's next annual general meeting, subject to the provisions of the Companies Act, 71 of 2008 of South Africa.

| | 2019 Rm | 2018 Rm |
|---|---|---|
| **Issued** | | |
| **Ordinary shares** | | |
| 55 000 106 (2018: 55 000 106) Ordinary shares of R0.005 each | **-** | - |
| Ordinary share premium | **119 013** | 119 013 |
| | **119 013** | 119 013 |
| **Preference shares** | | |
| 15 000 000 (2018: 15 000 000) Preference shares of R0.001 each and preference share premium | **1 561** | 1 561 |
| Preference share issue costs written off against share premium | **(11)** | (11) |
| | **1 550** | 1 550 |
| | **120 563** | 120 563 |

The preference shares earn dividends on the issue price at the rate of 82.5% of the SA prime lending rate quoted by Absa Bank Limited or its successor in title in South Africa. Although the rights to receive dividends are cumulative, declaration of such dividends is at the discretion of the board of directors.

The directors are authorised, by resolution of the shareholders and until the forthcoming annual general meeting, to dispose of the unissued preference shares, subject to the Listings Requirements of the JSE relating to a general authority of directors to issue shares for cash.

## 8. LOANS FROM RELATED PARTIES

| | 2019 Rm | 2018 Rm |
|---|---|---|
| **Subsidiaries** | | |
| Steinhoff Africa[1] | **-** | 3 776 |
| SIHPL[2] | **17 749** | 19 942 |
| | **17 749** | 23 718 |

*[1] On 12 August 2019, the Company entered into an agreement with Steinhoff Africa whereby the loan receivable and loan payable between the entities were set off against each other resulting in a net loan receivable being recognised in the Company's records.*

*[2] On 12 August 2019, the Company entered into an agreement with SIHPL whereby the loan receivable and loan payable between the entities were set off against each other resulting in a net loan payable being recognised in the Company's records. The loan does not carry interest and is repayable on demand.*

| | 2019 Rm | 2018 Rm |
|---|---|---|
| **Holding company** | | |
| Steinhoff N.V. | **3 077** | 3 077 |

The loan payable to Steinhoff N.V. is non-interest-bearing and is repayable on demand.

**Split between non-current and current portions**

| | 2019 Rm | 2018 Rm |
|---|---|---|
| Current liabilities | **20 826** | 26 795 |
| | **20 826** | 26 795 |

**Fair value of related party loans payable**
The fair value of related party loans payable approximates their carrying amounts.

| | 2019 Rm | 2018 Rm |
|---|---|---|
| **9. CASH USED IN OPERATIONS** | | |
| Loss before taxation | **(18)** | (5 579) |
| **Adjustments for:** | | |
| Profit on sale of investment | **-** | (33) |
| Fair value release to profit or loss | **-** | (143) |
| Dividends earned not received | **(1)** | (28) |
| Interest accrued not received | **(2)** | (28) |
| Movements in impairment loss allowances | **8** | 5 765 |
| **Changes in working capital:** | | |
| Trade and other payables | **(7)** | 8 |
| **Cash generated from operations** | **(20)** | (38) |
| | | |
| **Net debt** | | |
| Cash and cash equivalents | * | * |
| Related party loans payable - within one year | **(20 826)** | (26 795) |
| Related party loans payable - after one year | **-** | - |
| | **(20 826)** | (26 795) |
| * Amount less than R500 000 | | |
| | | |
| **Reconciliation of net debt** | | |
| Opening balance - 1 October | **(26 795)** | (28 638) |
| External borrowings repaid | **-** | 202 |
| Repayment of related party loans | **-** | 1 614 |
| Offsetting of related party loans | **5 969** | - |
| Interest accrued on loan receivable set off against loan payable | **-** | 27 |
| | **(20 826)** | (26 795) |
| **10. TAX PAID** | | |
| Balance at beginning of the year | **278** | 150 |
| Current tax for the year recognised in profit or loss | **-** | (6) |
| Balance at end of the year | **(323)** | (278) |
| | **(45)** | (134) |
| **11. DIVIDENDS PAID** | | |
| Balance at beginning of the year | **-** | (64) |
| Ordinary dividends | **-** | (2 230) |
| Preference dividends | **(126)** | (128) |
| Balance at end of the year | **63** | - |
| | **(63)** | (2 422) |

## 12. CONTINGENCIES

**Borrowing facilities**
In terms of the memorandum of incorporation, the borrowing powers of the Company are unlimited.

**Contingent liabilities**
The Company and its subsidiaries have received several shareholder and vendor claims and notices of regulatory investigations. A key assumption in the Company's consolidated cash flows is that no material claims or fines are awarded against the Company and/or its subsidiaries and will become payable during the next twelve months. As stated previously, these legal proceedings and regulatory investigations have been initiated against the Company and its subsidiaries since the December 2017 Events. The board, assisted by the Litigation Working Group, and in consultation with the Company's attorneys, continue to assess the merits of, and responses to, these claims, and provide feedback to the regulatory bodies. Several initial defences have already been filed by the Company and/or its subsidiaries in these legal proceedings. However, litigation remains a material uncertainty as to its ultimate impact on the liquidity of the Company and its subsidiaries.

Refer to the consolidated annual financial statements for detail on claims brought against the Company and its subsidiaries.

The Company was a guarantor for a number of facilities of other Group companies. All guarantees were cancelled during the 2018 Reporting Period.

## 13. RELATED PARTIES

`

**Relationships**

| | |
|---|---|
| Holding company | Steinhoff N.V. |
| Subsidiaries | Refer to note 4 |

**Related party balances**
Refer to note 5 for related party loans receivable and note 8 for related party loans payable.

| | 2019 Rm | 2018 Rm |
|---|---|---|
| **Amounts included in Trade receivable regarding related parties** | | |
| Micawber 455 Proprietary Limited ("Micawber")* | - | 8 |
| Steinhoff Africa | 1 | - |
| **Related party transactions** | | |
| **Dividends paid to related parties** | | |
| Steinhoff N.V. | - | 2 230 |
| **Dividends received from related parties** | | |
| Micawber | - | 28 |
| Taycol | 1 | - |
| **Interest received from related parties** | | |
| Steinhoff Africa | 2 | 28 |
| **Compensation to directors and other key management** | | |
| Short-term employee benefits | 3 | 1 |

** The Company is a 100% preference shareholder of Micawber. Although the ordinary shares are held by an outside party, the ordinary shareholder exercises no control over Micawber due to certain terms and conditions described in the preference share agreements.*

**Directors' remuneration and interest of directors and officers in contracts**
For details of the directors' remuneration and interest in contracts, please refer to note 29 and 31 of the consolidated annual financial statements.

## 14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

**Categories of financial instruments**

| | Notes | Amortised cost Rm | Total Rm |
|---|---|---|---|
| **Categories of financial assets** | | | |
| **2019** | | | |
| Loans to related parties | 5 | **5 129** | **5 129** |
| Trade and other receivables | | **1** | **1** |
| | | **5 130** | **5 130** |
| **2018** | | | |
| Loans to related parties | 5 | 11 224 | 11 224 |
| Trade and other receivables | | 8 | 8 |
| | | 11 232 | 11 232 |
| **Categories of financial liabilities** | | | |
| **2019** | | | |
| Trade and other payables | | **1** | **1** |
| Loans from related parties | 8 | **20 826** | **20 826** |
| Dividend payable | | **63** | **63** |
| | | **20 890** | **20 890** |
| **2018** | | | |
| Trade and other payables | | 8 | 8 |
| Loans from related parties | 8 | 26 795 | 26 795 |
| | | 26 803 | 26 803 |

**Pre-tax gains and losses on financial instruments**

| | Notes | Amortised cost Rm | Total Rm |
|---|---|---|---|
| **Gains and losses on financial assets and liabilities** | | | |
| **2019** | | | |
| **Recognised in profit or loss:** | | | |
| Impairment loss recognised on trade and other receivables | | (8) | (8) |
| Interest income | | 2 | 2 |
| **2018** | | | |
| **Recognised in profit or loss:** | | | |
| Impairment loss recognised on trade and other receivables | | (184) | (184) |
| Interest income | | 28 | 28 |
| Finance costs | | (2) | (2) |

## 14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

**Capital risk management**

The Company's objective when managing capital (which includes share capital, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the Company's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The Company manages capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the company may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, repurchase shares currently issued, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

**Financial risk management**

**Overview**

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk and interest rate risk).

**Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company is exposed to credit risk on loans receivable, trade and other receivables and cash and cash equivalents.

Credit risk exposure arising on cash and cash equivalents is managed by the Group through dealing with well-established financial institutions with high credit ratings.

The carrying amounts of financial assets represent the maximum credit exposure.

The maximum exposure to credit risk is presented in the table below:

| | | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|---|
| | Note | Gross carrying amount Rm | Impairment loss allowance Rm | Amortised cost / fair value Rm | Gross carrying amount Rm | Impairment loss allowance Rm | Amortised cost / fair value Rm |
| Loans to related parties | 5 | **5 129** | **-** | **5 129** | 22 985 | (11 761) | 11 224 |
| Trade and other receivables | | **360** | **(359)** | **1** | 328 | (320) | 8 |
| | | **5 489** | **(359)** | **5 130** | 23 313 | (12 081) | 11 232 |

The ECL on the receivables loans to related parties is measured using the general model based on 12-month ECLs as there was no significant increase in credit risk from initial recognition of these loans. Credit losses on the outstanding capital and interest are not expected as the value of the entity's underlying assets are liquid and can easily be disposed of to raise cash. the underlying assets are also significantly more than the loan balance including other liabilities within the entity. There has been no default in payments based on historical information and no significant decrease in credit ratings since initial recognition.

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

On adoption of IFRS 9, the Company assessed the related party loan receivable for expected credit losses and concluded that there was no significant impact on adoption based on the same considerations discussed above.

## 14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

**Liquidity risk**

The Company is exposed to liquidity risk, which is the risk that the company will encounter difficulties in meeting its obligations as they become due.

The Company manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

There have been no significant changes in the liquidity risk management policies and processes since the 2018 Reporting Period.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

| | Notes | Less than 1 year Rm | Total Rm | Carrying amount Rm |
|---|---|---|---|---|
| **2019** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | | **1** | **1** | **1** |
| Loans from related parties | 8 | **20 826** | **20 826** | **20 826** |
| Dividend payable | | **63** | **63** | **63** |
| | | **20 890** | **20 890** | **20 890** |
| | | | | |
| **2018** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | | 8 | 8 | 8 |
| Loans from related parties | 8 | 26 795 | 26 795 | 26 795 |
| | | 26 803 | 26 803 | 26 803 |

Management have assessed the ability to repay the loans due within the next 12 months and have concluded that the Company's underlying investments are liquid and can easily be disposed of to raise cash in order to fund the repayment of the liabilities as they come due.

**Foreign currency risk**

The financial assets and financial liabilities of the Company are all denominated in South African rand and therefore the company does not have any exposure to foreign currency risk.

## 14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

**Interest rate risk**

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

The debt of the Company is comprised of different instruments, which bear interest at either fixed or floating interest rates. The ratio of fixed and floating rate instruments in the loan portfolio is monitored and managed, by incurring either variable rate bank loans or fixed rate bonds as necessary.

There have been no significant changes in the interest rate risk management policies and processes since the 2018 Reporting Period.

**Interest rate profile**

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

| | Variable interest | Non-interest bearing | Total |
|---|---|---|---|
| | Rm | Rm | Rm |
| **30 September 2019** | | | |
| Loans to related parties | **188** | **4 941** | **5 129** |
| Trade and other receivables | **-** | **1** | **1** |
| Trade and other payables | **-** | **(1)** | **(1)** |
| Loans from related parties | **-** | **(20 826)** | **(20 826)** |
| Dividend payable | **-** | **(63)** | **(63)** |
| | **188** | **(15 948)** | **(15 760)** |
| **30 September 2018** | | | |
| Loans to related parties | 187 | 11 037 | 11 224 |
| Trade and other receivables | 8 | - | 8 |
| Trade and other payables | - | (8) | (8) |
| Loans from related parties | - | (26 795) | (26 795) |
| | 195 | (15 766) | (15 571) |

**Interest rate sensitivity analysis**

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

| Increase or decrease in rate | 2019 Increase | 2019 Decrease | 2018 Increase | 2018 Decrease |
|---|---|---|---|---|
| **Impact on profit or loss:** | | | | |
| 100 basis points | 2 | (2) | 2 | (2) |

**Offsetting of loans**

During the Reporting Period, the Company entered into netting agreements with related parties whereby the loans payable and loans receivable were set off against each other (refer note 5 and 8).

The table below presents the recognised loans that are offset as at 30 September 2019 with the respective counterparties:

| | SIHPL | Steinhoff Africa |
|---|---|---|
| Loan receivable | 2 193 | 8 905 |
| Loan payable | (19 942) | (3 776) |
| Net loan position | (17 749) | 5 129 |

## 15. EVENTS AFTER THE REPORTING PERIOD

Refer to note 34 of the consolidated annual financial statements for events occurring after the 2019 Reporting Period.

**REGISTRATION NUMBER:**
1954/001893

**REGISTERED OFFICE:**
Building B2
Vineyard Office Park
Corner of Adam Tas and Devon Valley Road
Stellenbosch
Western Cape
7600

**GROUP WEBSITE:**
www.steinhoffinternational.com

**AUDITORS:**
Mazars Accountants

**COMPANY SECRETARY:**
Steinhoff Secretarial Services Proprietary Limited

**SOUTH AFRICAN SPONSOR:**
PSG Capital Proprietary Limited

**SOUTH AFRICAN TRANSFER SECRETARIES:**
Computershare Investor Services Proprietary Limited

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## BASIS OF PREPARATION

The additional financial information provided is an extract of the unaudited and provisional unconsolidated standalone management accounts of the Company and does not represent a full set of financial statements.

The aim and intention of including this additional information is to provide investors with financial information for the periods for which annual financial statements have not yet been published and to provide a look-through into the underlying investments of the Company.

## DIRECTORS' RESPONSIBILITY

The directors are responsible for the additional financial information included in this report.

The external auditors have not reviewed or expressed any opinion on this additional financial information.

The additional financial information, set out on pages 3 to 7 of this annexure, which is extracted from the management accounts, were approved by the Board on 28 May 2020 and signed on their behalf by:

| | | |
|---|---|---|
| **M Moses** | **L du Preez** | **TLR de Klerk** |
| *Independent non-executive chairman* | *Executive director* | *Executive director* |

**STEINHOFF INVESTMENT HOLDINGS LIMITED**
**ANNEXURE 1 - ADDITIONAL FINANCIAL INFORMATION**
**UNAUDITED AND PROVISIONAL BASIS OF PREPARATION AND INCOME AND EXPENSES**
**For the years ended 30 June 2015, 30 September 2016 and 30 September 2017**

| | Note | 12 months ended 30 June 2015 Rm | 15 months ended 30 September 2016 Rm | 12 months ended 30 September 2017 Rm |
|---|---|---|---|---|
| Dividend income | | 58 | 46 | 15 172 |
| - Intergroup | | 19 | 31 | 15 158 |
| - External | | 39 | 15 | 14 |
| Interest income | | 159 | 313 | 132 |
| - Intergroup | | 159 | 313 | 132 |
| - External | | - | - | - |
| **Total income** | | 217 | 359 | 15 304 |
| Administrative expenses | | - | - | (1) |
| Other operating (expenses)/income | | (34 045) | 6 287 | (53 445) |
| Realised foreign exchange gains | | - | 288 | - |
| Unrealised foreign exchange gains/(losses) | | 1 852 | (1 023) | - |
| Loss on disposal of investment* | | (1) | - | - |
| (Impairment)/Reversal of impairment | 1 | (35 896) | 7 022 | (53 445) |
| Operating (loss)/profit for the period | | (33 828) | 6 646 | (38 142) |
| Finance costs - intergroup loans | | (473) | (332) | - |
| Finance costs - external borrowings | | - | (13) | (34) |
| (Loss)/profit before taxation | | (34 301) | 6 301 | (38 176) |
| Taxation | | (13) | - | (15) |
| **Net (loss)/profit for the period** | | **(34 314)** | **6 301** | **(38 191)** |

* Loss on disposal of shares in Capitec

**Note 1**

| | 12 months ended 30 June 2015 Rm | 15 months ended 30 September 2016 Rm | 12 months ended 30 September 2017 Rm |
|---|---|---|---|
| **Impairment of investment in subsidiaries** | | | |
| Steinhoff Finance Holdings GmbH ("SFHG") | (19 990) | - | - |
| Steinhoff Africa Holdings Proprietary Limited ("Steinhoff Africa") | - | - | (16 263) |
| Steinhoff International Holdings Proprietary Limited ("SIHPL") | - | - | (37 109) |
| **Impairment of loans and other receivables** | | | |
| (Impairment)/reversal of impairment of SFHG loan | (15 851) | 7 031 | - |
| Impairment of receivable from Micawber 455 Proprietary Limited ("Micawber") | (55) | (9) | (73) |
| | (35 896) | 7 022 | (53 445) |

**STEINHOFF INVESTMENT HOLDINGS LIMITED**
**ANNEXURE 1 - ADDITIONAL FINANCIAL INFORMATION**
**UNAUDITED AND PROVISIONAL BALANCE SHEET AND SELECTED NOTES**
**For the years ended 30 June 2015, 30 September 2016 and 30 September 2017**

| | Note | 12 months ended 30 June 2015 Rm | Year-on-year movements Rm | 15 months ended 30 September 2016 Rm | Year-on-year movements Rm | 12 months ended 30 September 2017 Rm |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Investments in subsidiary companies | | | | | | |
| - SFHG | 1 | - | - | - | - | - |
| Cost | | 19 990 | (19 990) | - | - | - |
| Impairment provision | | (19 990) | 19 990 | - | - | - |
| - Steinhoff Africa | 2 | 61 392 | 3 582 | 64 974 | (13 280) | 51 694 |
| Cost | | 61 392 | 3 582 | 64 974 | 2 983 | 67 957 |
| Impairment provision | | - | - | - | (16 263) | (16 263) |
| - SIHPL | 3 | - | - | - | - | - |
| Cost | | - | - | - | 37 109 | 37 109 |
| Impairment provision | | - | - | - | (37 109) | (37 109) |
| Investments and loans | | 351 | 28 | 379 | (115) | 264 |
| Sikhulasonke ordinary shares | | 286 | 23 | 309 | (122) | 187 |
| Sikhulasonke preference shares | | 65 | 5 | 70 | 7 | 77 |
| Related party loans and receivables | | 8 203 | 7 600 | 15 803 | (305) | 15 498 |
| SFHG - loan | | 15 940 | (4 168) | 11 772 | 750 | 12 522 |
| SFHG - impairment | | (15 940) | 4 168 | (11 772) | (750) | (12 522) |
| Steinhoff Africa | | 8 002 | 5 391 | 13 393 | (251) | 13 142 |
| Micawber - receivable | | 256 | 25 | 281 | 20 | 301 |
| Micawber - impairment | | (55) | (9) | (64) | (73) | (137) |
| SIHPL | | - | 2 193 | 2 193 | - | 2 193 |
| Taxation receivable | | - | 81 | 81 | 69 | 150 |
| Cash and cash equivalents | | 1 | (1) | - | 1 | 1 |
| **Total assets** | | **69 947** | **11 290** | **81 237** | **(13 630)** | **67 607** |
| **EQUITY AND LIABILITIES** | | | | | | |
| **Capital and reserves** | | | | | | |
| Ordinary share capital and premium | 3 | 78 405 | 3 582 | 81 987 | 37 026 | 119 013 |
| Retained earnings/Accumulated loss | | (34 468) | 6 120 | (28 348) | (53 453) | (81 801) |
| Other reserves | | 197 | 9 | 206 | (95) | 111 |
| Preference shares capital and premium | | 1 549 | - | 1 549 | - | 1 549 |
| **Total equity** | | 45 683 | 9 711 | 55 394 | (16 522) | 38 872 |
| **Liabilities** | | | | | | |
| Related party loans payable | | 24 219 | 1 151 | 25 370 | 3 067 | 28 437 |
| Steinhoff Africa | | 3 606 | 330 | 3 936 | - | 3 936 |
| SIHPL | | 20 613 | (3 738) | 16 875 | 3 067 | 19 942 |
| Steinhoff N.V. | | - | 4 559 | 4 559 | - | 4 559 |
| Deferred taxation liability | | 45 | 14 | 59 | (27) | 32 |
| Taxation payable | | - | - | - | - | - |
| Shareholders for dividends (preference shares) | | - | 64 | 64 | - | 64 |
| Interest bearing borrowings | | - | 350 | 350 | (148) | 202 |
| | | 24 264 | 1 579 | 25 843 | 2 892 | 28 735 |
| **Total equity and liabilities** | | **69 947** | **11 290** | **81 237** | **(13 630)** | **67 607** |

**STEINHOFF INVESTMENT HOLDINGS LIMITED**
**ANNEXURE 1 - ADDITIONAL FINANCIAL INFORMATION**
**UNAUDITED AND PROVISIONAL BALANCE SHEET AND SELECTED NOTES**
**For the years ended 30 June 2015, 30 September 2016 and 30 September 2017**

**Note 1 - Investment in SFHG**

The investment in SFHG was fully impaired in 2015 based on the restated net asset value of the Europe Group as at 30 June 2015. The investment in the European Group was declared to Steinhoff N.V. as a dividend in specie at nil value during the 2016 financial year.

**Note 2 - Investment in Steinhoff Africa**

Steinhoff Africa issued additional shares to Steinhoff Investments in 2016 and 2017 which increased the investment in Steinhoff Africa. A portion of the investment was impaired in the 2017 financial year based on a sum-of-the-parts valuation performed at September. The sum-of-the-parts valuation is a look-through to the underlying investments in the Steinhoff Africa Group.

| **Sum of the Parts Valuation - Steinhoff Africa** | Note | 12 months ended 30 June 2015 Rm | Year-on-year movements Rm | 15 months ended 30 September 2016 Rm | Year-on-year movements Rm | 12 months ended 30 September 2017 Rm |
|---|---|---|---|---|---|---|
| Investment in: | | | | | | |
| Pepkor Holdings | a | 77 638 | (1 690) | 75 948 | (18 225) | 57 723 |
| JD Group (incl. Unitrans) | b | 7 855 | (7 855) | - | - | - |
| Unitrans | c | - | 4 167 | 4 167 | 569 | 4 736 |
| IEP | d | - | 2 120 | 2 120 | - | 2 120 |
| KAP | e | 6 087 | 1 725 | 7 812 | 1 823 | 9 635 |
| PSG | f | 7 709 | 3 163 | 10 872 | 2 702 | 13 574 |
| SA Properties | g | 3 031 | 215 | 3 246 | 101 | 3 347 |
| Cash (excl. Pepkor Holdings) | | 54 | 2 134 | 2 188 | (1 170) | 1 018 |
| Investment in Brait shares | h | 1 599 | 1 342 | 2 941 | (2 941) | - |
| Other assets | | 409 | 1 260 | 1 669 | (1 057) | 612 |
| **Total assets** | | 104 382 | 6 581 | 110 963 | (18 198) | 92 765 |
| | | | | | | |
| **Net external liabilities** | | (16 904) | (5 635) | (22 539) | (1 972) | (24 511) |
| Preference shares: Steinhoff Africa | | (3 463) | - | (3 463) | - | (3 463) |
| Preference shares: Ainsley Holdings | | (6 058) | (27) | (6 085) | 100 | (5 985) |
| Preference shares: BVI | | (416) | 5 | (411) | (11) | (422) |
| Medium-term notes | | (5 497) | (52) | (5 549) | (2 178) | (7 727) |
| Syndicated loan: Steinhoff Africa | | - | (6 050) | (6 050) | - | (6 050) |
| Other liabilities | | (1 470) | 489 | (981) | 117 | (864) |
| | | | | | | |
| Related party balances | | (8 756) | (12 043) | (20 799) | 4 238 | (16 561) |
| **Sum of the parts value** | | 78 722 | (11 097) | 67 625 | (15 932) | 51 693 |

a. 2015: Acquisition cost of the Pepkor Holdings Group
2016: Including JD Group (refer note b) but excluding Australian operations disposed during the 2016 financial year
2017: Listed on the JSE on 21 September 2017. 2 650 000 000 Pepkor Holdings shares publicly traded on the JSE at 30-day volume-weighted average share price

b. 2015: 231 999 368 JD Group shares, publicly traded on the JSE at closing listed share price
2016 onwards: Delisted and restructured - now forms part of the Pepkor Holdings Group

c. 2015: Forms part of JD Group
2016: Market valuation
2017: Market valuation

d. Cost of investment

**Note 2 - Investment in Steinhoff Africa (continued)**

e. 2015 & 2016: 1 049 561 154 KAP shares, publicly traded on the JSE at 30-day volume-weighted average share price
2017: 1 144 206 661 KAP shares, publicly traded on the JSE at 30-day volume-weighted average share price

f. 2015: 38 379 089 PSG shares, publicly traded on the JSE at 30-day volume-weighted average share price
2016: 55 525 295 PSG shares, publicly traded on the JSE at 30-day volume-weighted average share price
2017: 55 525 295 PSG shares, publicly traded on the JSE at 30-day volume-weighted average share price

g. Carrying value of land, buildings and investment property held by the Africa Properties group

h. 2015: 14 497 565 Brait shares, publicly traded on the JSE at 30-day volume-weighted average share price
2016: 25 510 000 000 Brait shares, publicly traded on the JSE at 30-day volume-weighted average share price
2017: Investment disposed of during the year

**Note 3 - Investment in SIHPL**

Steinhoff Investments acquired the shares of SIHPL from Steinhoff International Holdings N.V. ("Steinhoff N.V.") in 2017. SIHPL was the previous holding company of the greater Steinhoff Group and was listed on the JSE until December 2015. The full investment was however impaired based on the net asset value of SIHPL at 30 September 2017. The consideration for the acquisition in SIHPL was settled through the issuance of additional share capital to Steinhoff N.V.

**STEINHOFF INVESTMENT HOLDINGS LIMITED**
**ANNEXURE 1 - ADDITIONAL FINANCIAL INFORMATION**
**UNAUDITED AND PROVISIONAL CASH FLOW STATEMENT**
**For the years ended 30 June 2015, 30 September 2016 and 30 September 2017**

| | 12 months ended 30 June 2015 Rm | 15 months ended 30 September 2016 Rm | 12 months ended 30 September 2017 Rm |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash (utilised in)/generated from operations | (151) | 10 | 15 128 |
| Dividends paid - Preference Shareholders | (112) | (116) | (129) |
| Dividends paid - Ordinary Shareholders | - | - | (15 132) |
| Taxation paid | - | (82) | (84) |
| Net cash outflow from operating activities | (263) | (188) | (217) |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds on disposal of investments | 306 | - | - |
| Other cash movements in investments | 6 | 5 | - |
| Loans advanced to related parties | (1 126) | (567) | (285) |
| Proceeds received on repayment of related party receivables | 1 077 | 695 | 1 176 |
| Net cash inflow from investing activities | 263 | 133 | 891 |
| | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Increase/(decrease) in borrowings | - | 54 | (673) |
| Net cash inflow/(outflow) from financing activities | - | 54 | (673) |
| | | | |
| **Net increase in cash and cash equivalents for the period** | - | (1) | 1 |
| Cash and cash equivalents at beginning of the period | 1 | 1 | - |
| **CASH AND CASH EQUIVALENTS AT END OF THE PERIOD** | 1 | - | 1 |