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

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
for the 15 months ended 30 September 2016

CONTENTS	**PAGES**

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 (the "Companies Act" or the "Act") 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 financial statements fairly present the state of affairs of Steinhoff Investment Holdings Limited and its subsidiaries (the "Company" or "Steinhoff Investments" and together with its subsidiaries, the "Steinhoff Investments 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 ("IFRS") and interpretations of IFRS standards, as issued by the International Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act. The external auditors are engaged to express an independent opinion on the consolidated financial statements.

The financial statements for the 2016 financial year have been prepared for a 15 month period as Steinhoff Investments changed its year end in order to coincide with that of its parent company, Steinhoff International Holdings N.V. ("Steinhoff N.V." or "Steinhoff"), which changed its year end from a June to a September year end.

The current directors draw attention to the matters highlighted in the directors' report, some of which had an impact on Steinhoff Investments over a number of years. Current management does not believe that it is possible to accurately distinguish between the extent to which the restatements impacted the 2015 financial year as opposed to the cumulative effect up until 30 June 2014. Accordingly the consolidated statement of financial position as at 30 June 2015 has been restated with corresponding adjustments to equity where required. No adjustments have been made to the statement of profit or loss and other comprehensive income relating to the period ended 30 June 2015 errors and no opening balance sheet as at 1 July 2014 is presented.

These consolidated financial statements of Steinhoff Investments for the financial year ending 30 September 2016 have been prepared in September 2020 under the supervision of the reconstituted board of directors. Following the previously disclosed alleged accounting irregularities that have impacted its parent company, Steinhoff N.V., we are unable to confirm that there was a strong control environment during the financial period reported on. The board is however of the opinion that the process that has been followed, subsequent to the announcement of 5 December 2017, has provided reasonable assurance that these financial statements, do not contain any errors of material importance. The board of directors, together with the Management Board of Steinhoff N.V. has designed the Remediation Plan, which includes measures aimed at ensuring that the risk management and control systems are effective going forward. The Remediation Plan has been concluded and implemented.

The current directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Steinhoff Investments Group 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 Steinhoff Investments Group 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 Steinhoff Investments Group is on identifying, assessing, managing and monitoring all known forms of risk across the Steinhoff Investments Group. While operating risk cannot be fully eliminated, the Steinhoff Investments Group endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors draw attention to the critical assumptions and disclosures made throughout the consolidated financial statements. The more significant uncertainties impacting on the Steinhoff Investments Group's going concern assessment are highlighted below:

Litigation

Various entities within the group of which Steinhoff N.V. is the ultimate holding company (collectively "the Group" or "the Steinhoff N.V. Group"), are subject to multiple legal claims and regulatory investigations. Reference to the Group below is, depending on the context, a reference collectively or individually to the entities constituting the Group (which includes the Steinhoff Investments Group). A key assumption in the Steinhoff Investments Group's forecasted consolidated cash flows is that no material judgments or fines are issued against the Steinhoff Investments Group, together with its holding company, Steinhoff N.V., and will become payable during the next twelve months. These legal proceedings and regulatory investigations have been initiated against the Group subsequent to the December 2017 events, as described in more detail below. The board of directors, assisted by the litigation working group of Steinhoff N.V. ("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 relevant regulatory bodies. Several initial defences have already been filed by the Group, in these legal proceedings. However, there remains a material uncertainty as to the ultimate impact of litigation on the liquidity of the Group including the Steinhoff Investments Group.

Tax

Tax exposures as a consequence of the alleged accounting irregularities and the consequential effects thereof remain a material uncertainty. A key assumption is therefore that the material uncertainties regarding tax built into the current cash forecast, for the Steinhoff Investments Group, 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 2016 Reporting Period and will therefore not have an impact on recognition and measurement of assets and liabilities in the 2016 Reporting Period.

Operational management are continuing to take an active approach, implementing a range of mitigating strategies to protect profitability and cashflow.

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 Steinhoff Investments Group. 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 Steinhoff Investments Group is confident that these actions 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 36 for further actions implemented by the Group.

The consolidated 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 Steinhoff Investments Group will not remain a going concern.

The external auditors are responsible for independently auditing and reporting on the consolidated financial statements. The consolidated financial statements have been examined by the Company's external auditors and their report is presented on pages 22 to 35.

The consolidated annual financial statements set out on pages 5 to 21 and 36 to 176, were approved by the board on 2 October 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 to the best of our knowledge, the Company 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 for the Company's 2016 financial year.

Steinhoff Secretarial Services Proprietary Limited
Company secretary

2 October 2020
On behalf of Steinhoff Investment Holdings Limited

The directors submit their report on the consolidated financial statements of Steinhoff Investments for the fifteen months ended 30 September 2016.

NATURE OF BUSINESS

Steinhoff Investments is a wholly-owned subsidiary of Steinhoff N.V. and is primarily involved in the retailing of general merchandise and operating a number of car dealerships. The Steinhoff Investments Group currently operates in Africa, and operated in Australasia, Europe, United Kingdom and Asia prior to the sale of its European assets. The Company is incorporated in South Africa and holds investments in and intercompany loans with fellow subsidiaries in the Steinhoff N.V. Group both in South Africa and Europe.

Steinhoff Investments was a wholly owned subsidiary of Steinhoff International Holdings Limited. With effect from 1 April 2016, Steinhoff International Holdings Limited distributed its investment in Steinhoff Investments to Steinhoff N.V. as a dividend in specie as part of the Group restructuring. The distribution was made in terms of section 46 of the Income Tax Act and had no taxation effect for any of the aforementioned companies.

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 preference shares are held by public shareholders. Following the December 2017 Events, as described more fully below, 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.

FINANCIAL REPORTING

The announcement of a forensic investigation into alleged 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 (the "December 2017 Events") have all had a profound impact on Steinhoff N.V. Group and its stakeholders. The forensic investigation, initiated after the December 2017 Events, is continuing and Steinhoff N.V. released an overview of the forensic investigation, on *www.steinhoffinternational.com* , on 15 March 2019.

The Company published its audited 2016 separate annual financial statements on 7 December 2016. As a consequence of the December 2017 Events, the 2016 standalone financial statements of the Company could no longer be relied on and have been restated. Investors are referred to the 2017 consolidated and separate annual financial statements published on 2 October 2020 for the restated 2016 separate financial statements. The consolidated financial statements for the fifteen months under review are fully set out in the attached consolidated financial statements.

The 2019 consolidated and separate annual financial statements were released on 29 May 2020, ahead of the release of the delayed consolidated and separate annual financial statements for the years ended 30 September 2016, 2017 and 2018 in order to provide the market with the most recent financial information as soon as was practically possible.

RESTATEMENT PROCESS AND IMPACT

On 6 December 2017 and 19 December 2017, Deloitte & Touche submitted a letter to the Independent Regulatory Board for Auditors ("IRBA") to inform IRBA of a potential reportable irregularity in relation to Steinhoff International Holdings Proprietary Limited (previous holding company of the Steinhoff Group) and Steinhoff Investments, respectively. The Supervisory Board of Steinhoff N.V. advised its shareholders that information had come to light, relating to alleged accounting irregularities requiring investigation.

As a result of the December 2017 Events PwC was, upon the instruction of the Steinhoff N.V. Supervisory Board, retained by the Group's legal advisors to conduct an independent forensic investigation. On 15 March 2019 Steinhoff N.V. published an overview of a forensic report prepared by PwC ("Investigation Report"). The Investigation Report remains confidential and legal professional privilege inheres therein. Consequently, the Investigation Report will not be published. Reference to the investigation and the Investigation Report in these financial statements and notes thereto is made without waiving the privileged nature of the Investigation Report.

The board's approach to financial reporting and the restatement process, in consultation with the Management and Supervisory Boards of Steinhoff N.V., following the findings of the various investigations undertaken, has been to assimilate and analyse as much information as possible to place management in a position to determine the likely financial impact of all transactions under investigation. In preparing the financial statements, the board has considered and applied a significant number of judgements, especially in circumstances where information was incomplete. These judgements affect the application of accounting policies and reported amounts and assets, liabilities, income and expenses. Actual results may differ from estimates and judgements have been made after taking into account all currently available information.

The focus of the investigation conducted by PwC as well as internal investigations, was to obtain as much information as possible in order to correct the opening balances of the 2016 consolidated financial statements of the ultimate holding company Steinhoff N.V. i.e. balances as at 1 July 2015. Following this process, there remained multiple uncertainties with regards to the correct accounting treatment, timing of transactions and completeness of historical information, all of which required assumptions and significant estimates to be made. These assumptions and significant estimates are disclosed as part of the restated financial statements of Steinhoff N.V. In addition to the complexities pertaining to the technical accounting treatment, following the December 2017 Events, the retrospective application of assumptions about what previous management's intent would have been in that specific period complicated matters further.

In terms of IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8"), material prior period errors should be corrected retrospectively in the first set of financial statements authorised for issue after the discovery of these errors by restating the comparative amounts for the prior periods presented in which the error occurred or restating the opening balances for the earliest prior period presented.

IAS 8 further states that a prior period error shall be corrected by retrospective restatement except to the extent that it is impracticable to determine either the period specific effects or the cumulative effect of the error. In such cases the opening balances for the earliest period for which retrospective restatement is practicable shall be restated.

The loss of historical information and the inability to engage with previous management's created uncertainties that already existed in determining the cumulative effect of errors as at 1 July 2015. Current management is of the opinion that to attempt to estimate the impact of the prior period errors on the 2015 financial year and the cumulative effect on the years up to 30 June 2014 is impossible and that they will, in consequence, not be able to conclude definitively on the restatements. It is therefore deemed impracticable to split the cumulative effect between transactions and the effects thereof in the 2015 financial year and the cumulative effect up until 30 June 2014.

As a result, the consolidated statement of financial position as at 30 June 2015 have been restated with corresponding entries related to periods prior to 1 July 2014 through equity where required. No adjustments have been made to the statement of profit or loss and other comprehensive income relating to prior period errors and no opening balance sheet as at 1 July 2014 is presented.

During the 2016 Reporting Period the Group identified and accounted for the following types of restatements:

- Adjustment to the provisional amounts recognised for prior year business combinations (Refer to Note 1.1)
- Correction of prior period errors and disclosure deficiencies (Refer to Note 1.2)
- Representation of income statement as a result of classifying certain businesses as discontinued (Refer to Note 2)

NON-COMPLIANCE WITH LAWS AND REGULATIONS

As a result of the abovementioned, the following non-compliance with laws and regulations has been noted:

- Non-compliance with the Companies Act requirements as annual financial statements for various individual entities have not been signed off within six months after year-end;
- Non-compliance with the JSE Listing Requirements as Steinhoff Investments has not published interim and final results for several years, and
- Non-compliance with 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 could potentially 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.

The Group's auditors, Deloitte & Touche, at the time, considered these potential reportable irregularities and reported to IRBA that the alleged accounting irregularities have been highlighted by a criminal and tax investigation relating to the Germany operations of the Steinhoff N.V. Group. The supervisory board of Steinhoff N.V. advised shareholders on 5 December 2017, that new information has come to light, which relates to alleged accounting irregularities requiring further investigation and that these matters, if proven correct, could significantly affect the fair presentation of prior years' annual financial statements of both Steinhoff N.V. Group as well as the Steinhoff Investments Group, which may require restatement based on the outcome of the further investigations. They further reported a reportable irregularity regarding Steinhoff Investments non-compliance with JSE Listing Requirements as it relates to timeous financial reporting of listed entities.

The board of directors responded to the alleged reportable irregularities raised by Deloitte & Touche by stating that PwC was retained by the Steinhoff N.V. Group's legal advisors to conduct an independent investigation into past financial years in order to identify the magnitude of the accounting irregularities, the financial years affected and the roles played by individuals within the Steinhoff N.V. Group relating to the irregularities. On 15 March 2019, Steinhoff N.V. published an overview of the forensic investigation report prepared by PwC. The board of directors of the Company remain committed to resolve the non-compliance with the JSE Listing Requirements as soon as possible in order to serve the interests of all stakeholders.

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.

As part of the 2019 audit the current auditors, Mazars, again considered and reported on the non-compliance with laws and regulations.

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

CHANGE IN FINANCIAL YEAR-END

Pursuant to the change of year-end approved by Steinhoff N.V. shareholders, the board of directors recommended, and the shareholder approved changing the financial year-end to 30 September. Accordingly, the extension of the 2016 financial year to 30 September 2016 resulted in a reporting period of fifteen months, while the comparative 2015 financial statements represent a 12-month period.

HOLDING COMPANY

The Company's holding company is Steinhoff N.V., incorporated in the Netherlands.

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

The results for the 2016 Reporting Period are fully set out in the attached consolidated financial statements.

The following material transactions occurred during the fifteen months under review:

- **Convertible bond conversions**
  During the 2016 Reporting Period, conversion notices were received from holders of the convertible bonds due in 2017 and 2018. In total, 160.3 million ordinary shares of Steinhoff N.V. were issued to bondholders and €2.7 million (R43.3 million) in cash was paid to redeem the remainder of the bonds.

- **Convertible bond due 2022**
  On 30 July 2015, Steinhoff Finance Holding GmbH ("SFHG") issued a seven-year, euro-denominated convertible bond to raise €1.1 billion (R17.9 billion) (before expenses). The bond pays interest semi-annually in arrears at a fixed rate of 1.25% per annum and is convertible into 150 million Steinhoff N.V. ordinary shares at an initial conversion price of €7.44 per share (representing an initial conversion premium of 35% to the prevailing underlying volume-weighted average ("VWAP") share price at the date of pricing). The issue and redemption price of the bond is 100% of face value. The bond is convertible into Steinhoff N.V. ordinary shares at the election of the bondholders. The company holds, subject to conditions, rights on early redemption. The bond was listed on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange.

  Group entities outside of the Steinhoff Investments Group, serve as co-guarantors for the 2021 and 2022 convertible bonds issued by SFHG.

- **SFHG Group**
  On 1 April 2016, Steinhoff Investments distributed its shares in SFHG to Steinhoff N.V. as a dividend in specie. This was part of a restructure of the greater Steinhoff N.V. group and resulted in Steinhoff Investments derecognising its investment in SFHG from this date.

- **Iliad Africa Limited ("Iliad")**
  Steinhoff Investments purchased Iliad for a total cash consideration of R1.3 billion. All conditions precedent were fulfilled and Iliad became an indirect subsidiary of Steinhoff Investments on 1 January 2016. Iliad delisted from the JSE on 12 January 2016.

- **JD Group's Financial Services ("JD Financial Services")**
  In 2016 the Group sold its JD Financial Services business, including its Loan Book, together with certain insurance operations to Wands, a subsidiary of Fulcrum SA. Fulcrum SA is a subsidiary of Fulcrum FS, a subsidiary of Campion Capital.

  The JD Financial Services business was previously disclosed as a discontinued operation. Upon further consideration it was determined that it should be presented as part of continuing operations. Refer to Restatement Note 1.2.7 for correction of prior period errors and disclosure deficiencies for detailed considerations.

- **Pepkor South East Asia**
  The investment in Pepkor South East Asia was disposed of as part of a group restructuring to the Steinhoff Europe group effective 1 July 2016.

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.

	Date	Number of shares	Rm
The following ordinary shares were issued during the 2016 Reporting Period:			
Issue of shares under general authority[1]	7 August 2015	100	3 582

[1] *Issued under general authority granted at the shareholders meeting on 9 September 2014.*

Pursuant to the Companies Act, 61 of 1973, it was compulsory for the ordinary shares of a public company to be held by a minimum of seven shareholders. Accordingly, six of the seven shareholders in Steinhoff Investments, were previous members of the executive management and/or previous employees of Steinhoff N.V., who each held one share as nominee for and behalf of Steinhoff International Holdings Limited. These previous members/employees were as follows:

- Markus Jooste
- Danie van der Merwe
- Jan van der Merwe
- Frikkie Nel
- Stéhan Grobler
- Piet Ferreira

The shares held by the above mentioned individuals and Steinhoff International Holdings Limited were transferred to Steinhoff N.V. with effect from 1 April 2016.

SHAREHOLDING

As mentioned above, with effect from 1 April 2016, Steinhoff Investments is a wholly-owned subsidiary of Steinhoff N.V.

As at the Reporting Date the preference shares were held by 3 587 holders of which 3 585 were public holders.

	Shareholders	Shares held	
		Number	%
Non-public shareholders	3 585	4 200	0.03%
Public shareholders (directors)*	2	14 995 800	99.97%
	3587	15 000 000	100.00%

The only investors holding more than 5% of the preference shares as at the Reporting Date were:

FRB ITF ALLAN GRAY STABLE FUND	9.9%
GLOBAL STABLE PORTFOLIO	5.3%

* Held by one director, Stéhan Grobler, via two companies. He continued to hold these shares subsequent to his resignation in the 2018 financial year.

DISTRIBUTIONS TO ORDINARY SHAREHOLDERS

On 1 April 2016, Steinhoff Investments distributed its shares in SFHG to Steinhoff N.V. as a dividend in specie. The value of the dividend in specie was initially based on the investment value in the records of Steinhoff Investments. Based on restatements in the separate financial statements of Steinhoff Investments the investment was fully impaired in the 2015 financial year and the distribution was therefore effectively made at a nil value.

A preference dividend of 396 cents per share (2015: 384 cents per share) in respect of the period 1 July 2015 to 31 December 2015 (2015: 1 July 2014 to 31 December 2014) was paid on 18 April 2016 (2015: 20 April 2015) to those preference shareholders recorded in the books of the Company at the close of business on 15 April 2016 (2015: 17 April 2015).

A preference dividend of 424 cents per share (2015: 378 cents per share) in respect of the period 1 January 2016 to 30 June 2016 (2015: 1 January 2015 to 30 June 2015) was paid on 17 October 2016 (2015: 19 October 2015) to those preference shareholders recorded in the books of the Company at the close of business on 14 October 2016 (2015: 16 October 2015).

CONTRACTS

No contracts, other than those disclosed in Note 30, 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 period.

FINANCIAL INFORMATION OF LISTED ASSOCIATE COMPANIES

Detailed disclosure of listed associate companies is available on their websites:
www.kap.co.za
www.psggroup.co.za

EVENTS AFTER THE REPORTING DATE

There is a significant period of time between the reporting date and the date of authorising these consolidated financial statements. Management carefully considered each subsequent event to assess whether any of these events classify as adjusting events. The material events after the 2016 Reporting Period are listed below and are all viewed as non-adjusting events for the 2016 Reporting Period.

December 2017 Events

- The December 2017 Events have had a profound impact on the Steinhoff N.V. Group and its stakeholders.

Corporate activity after the reporting date

- **Steinhoff Africa Retail ("STAR"), now called Pepkor Holdings Limited ("Pepkor Holdings") listing**
  On listing the Pepkor Holdings group separately on the JSE on 20 September 2017, the Steinhoff Group sold a portion of its shares in Pepkor Holdings to non-controlling interests and raised R16.4 billion from this transaction. A dividend in the amount of R15.2 million was declared to the holder of the ordinary shares in the company on 20 September 2017 as part of the listing.

- **Call Option Agreements**
  As part of the listing referred to above, 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.

- **Lancaster preference shares**

  As part of the proposed Shoprite transaction, Lancaster 102 Proprietary Limited ("Lancaster 102"), 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 transaction 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 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.

  Notwithstanding management's view that the preference shares are void, Steinhoff Africa received R4 billion at the time, for which a liability was raised in the 2018 Reporting Period.

- **Suspension of preference shares**

  Due to the non-submission of the consolidated annual financial statements for the year ended 30 September 2017 by Steinhoff Investments, preference shares with a capital value of R1.5 billion, which are listed on the JSE, were suspended by the JSE effective 1 March 2018. The Company has continued to pay dividends in respect of the preference shares, irrespective of the suspension.

- **Downgrade of credit rating**

  On 28 December 2017, following the December 2017 Events, Moody's Investors Service ("Moody's") downgraded certain of the Group's ratings.

- **Release of 2019 consolidated and separate annual financial statements of the Steinhoff Investments Group**

  On 29 May 2020, the Steinhoff Investments Group released the 2019 consolidated and separate financial statements ahead of the 2016 to 2018 consolidated and separate financial statements in order to provide the market with the most recent financial information as soon as was practically possible.

- **Disposal of investment in Steinhoff Sikhulasonke Investment (RF) Proprietary Limited ("SSI")**

  SSI completed a share buy-back of its shares held by Steinhoff Investments in November 2017. Total proceeds received by Steinhoff Investments amounted to R219 million.

- **Disposal of Attacq and Hammerson**

  On 13 December 2017, the Group disposed of its investment in Hammerson PLC and Attacq Limited for R44.1 million and R50.2 million, respectively.

- **Pepkor Holdings accelerated bookbuild - 2018**

  200 million shares in Pepkor Holdings were sold through an accelerated bookbuild in April 2018 for R3.75 billion resulting in the Group's interest in Pepkor Holdings being reduced from 77% to 71%.

- **Termination of agreements with Century Capital and acquisition of FGI Holdings**

  On 23 November 2018, Pepkor announced that it agreed to terminate its existing commercial relationship with Century Capital, in a phased approach. Under the current commercial agreements, Century Capital, a subsidiary of Wands, is responsible for the funding of credit books that provide credit to customers of JD consumer credit and unsecured personal loans, Capfin loans, using the Pep and Ackermans retail footprint. Wands carries the credit risk related to these financial services. Pepkor, through its internal financial administration service operations, provides administration and collection services to Century Capital related to the JD consumer credit and Capfin loans provided to Pepkor customers in return for a fee. Pepkor considered its options and decided not to pursue the acquisition of the credit books owned by Century Capital, but will instead build its own credit books. With regard the existing credit books, commercial agreements were renegotiated, granting Pepkor the right to continue the collection of the Century Capital owned loan books for the run-down period of the books, up to a maximum period of three years and render the outsourced services at a market-related fee. Pepkor further agreed to purchase 100% of the issued shares in FGI from Wands for a purchase price of approximately R150 million. FGI provides insurance products via its subsidiaries under the Abacus brand to Pepkor customers and contains highly regulated liquid assets.

- **Pepkor Holdings accelerated bookbuild - 2020**

  On 23 June 2020, Pepkor Africa announced a non-pre-emptive placement of up to 172.5 million ordinary shares in the authorised but unissued share capital of Pepkor Africa to certain institutional investors, representing up to 4.95% of Pepkor Africa's existing issued ordinary shares. The placement was a precautionary measure to strengthen Pepkor Africa's financial flexibility and liquidity position in light of the COVID-19 pandemic and resulting macroeconomic pressure. In addition to other cash-saving initiatives already undertaken by Pepkor Africa, the placement further increased the resilience of Pepkor Africa's balance sheet, and enhanced its liquidity profile, should a more negative macroeconomic scenario materialise.

  On 24 June 2020, Pepkor Africa announced the successful completion of this bookbuild, having placed the full 172.5 million shares at R11.00 per share, representing a discount of 6%, and raising R1.9 billion. Steinhoff Investments did not participate in this transaction, reducing its effective shareholding in Pepkor Africa from c.71% to c.68%.

- **Disposal of The Building Company**

  On 4 August 2020, Pepkor Africa released a voluntary announcement advising that they had entered into a sale and purchase agreement with Cashbuild Limited for the disposal of the entire issued share capital of Pepkor Africa's wholly owned subsidiary, The Building Company Proprietary Limited.

- **IEP 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. This transaction closed on 15 May 2020.

Acquisitions entered into prior to the December 2017 Events

- **Tekkie Town Proprietary Limited ("Tekkie Town")**

  On 29 August 2016, Steinhoff concluded an agreement to acquire Tekkie Town in South Africa. Competition commission approval was obtained. The acquisition became effective during February 2017.

- **Capfin call centre and Van As debt collectors**

  On 1 October 2016, the Pepkor group acquired Southern View Finance SA (tradename Capfin) and Van As from Wands Investments, an entity deemed to be affiliated to the Group, for a total purchase price of R471 million, after the required Competition Commission approvals were obtained.

- **Acquisition of Steinhoff International Holdings Proprietary Limited ("SIHPL")**

  As part of a group restructure, Steinhoff Investments acquired SIHPL, the former ultimate holding company of the Group until December 2015 when it became a sister company of the Steinhoff Investments Group, from Steinhoff N.V. on 1 July 2017 for a purchase price of R37 billion settled through the issue of 6 574 897 Steinhoff Investments shares.

- **Acquisition of Building Supply Group ("BSG")**

  On 1 October 2017, Steinbuild (a subsidiary of Pepkor Holdings) acquired 100% of BSG (BSG is the parent company of the MacNeil, Tiletoria and Brands-4-Africa groups) for R645 million. The acquisition was approved by the relevant regulatory authorities.

- **Acquisition of Lazarus Ford and Action Ford groups**

  The acquisitions of the Lazarus Ford and Action Ford groups (with dealerships in South Africa) were approved by the South African Competition Commission in November 2017 and January 2018, respectively. Purchases were made by replacing a shareholder loan of R10.6 million in cash and a purchase price of R96 million paid in cash.

Material disposals prior to the December 2017 Events

- **Disposal of Pepkor Europe**

  On 1 April 2017, the Steinhoff Investments Group disposed of Pepkor Europe to the SFHG group for R6.9 billion on loan account as part of a restructure of the greater Steinhoff N.V. Group. The loss on disposal of R10.6 billion was recognised directly in equity as it relates to a common control transaction.

Material disposals of non core assets subsequent to the December 2017 Events, to raise funds to repay debt

- **Disposal of PSG interest**
  The Group sold its 25.5% interest in PSG in three tranches after the 2016 Reporting Period for total net cash proceeds of R12.4 billion. The majority of these shares were sold in December 2017 and January 2018.

- **Disposal of KAP interest**
  The Group reduced its 43% interest in KAP to 26% in March 2018 through an accelerated bookbuild for R3.64 billion. The investment in KAP continued to be recognised as an investment in an associate. In March 2019 a further accelerated bookbuild was approved whereby the remaining shares in KAP were disposed of for R4.73 billion.

- **Disposal of Unitrans Automotive**
  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 R3.9 billion which includes a repayment of a 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.

- **Disposal of Africa Properties**
  With effect from March 2019, the Group has commenced a process to dispose of its remaining property portfolios in Africa, a process which remains ongoing. Process remains ongoing, therefore the financial effects cannot be estimated at this stage.

Debt paid and/or restructured and settlement of loans receivable, subsequent to the December 2017 Events

- **CVA Process**
  Factors including the withdrawal of undrawn facilities, closure of bank accounts, termination of the cash pooling arrangements between the European group subsidiaries and ratings downgrades had the combined effect of creating enormous liquidity constraints within the Steinhoff N.V. Group. The various announcements and press coverage together with the inability to produce audited accounts at entity level, because of the ongoing forensic investigation, resulted in additional supplier and credit insurance pressure on the Steinhoff N.V. Group’s operating companies. On 30 November 2018, two of Steinhoff N.V.'s subsidiaries which account for most of the Steinhoff N.V. Group’s financial creditors, Steinhoff Europe AG ("SEAG") and SFHG, launched company voluntary arrangements ("CVAs").

  The CVAs seek to implement the restructuring plan set out in the agreement entered into between SEAG, SFHG and the creditor groups to create an extended period of time to ensure fair treatment across the various creditor groups, allow management to focus on delivering value at the Steinhoff N.V. Group's operating businesses, and achieving a deleveraging of the Group and a detailed assessment of all contingent/opposed litigation claims, which became effective on 20 July 2018 (the "Lock-Up Agreement"). The steps to be implemented pursuant to each of the CVAs included amendments to the corporate holding structure, revised corporate governance across the European holding companies and the restructuring of the existing financial indebtedness including the issuance of new debt by certain newly incorporated Luxembourg companies.

  Meetings of the creditors and members of SEAG and SFHG were held on 14 December 2018 at which the CVAs were approved by the requisite majorities. Various conditions were required to be satisfied prior to implementation of the restructuring. On 13 August 2019, Steinhoff N.V. announced the successful implementation of the CVAs. On successful implementation of the CVAs, the SEAG and SFHG debt was reclassified to long-term interest-bearing loans and borrowings.

- **SIHPL Contingent Payment undertaking ("CPU")**
  SIHPL, acquired on 1 July 2017, serves as co-guarantor for the 2021 and 2022 convertible bonds issued by SFHG. Failures by SFHG and Steinhoff N.V. to comply with the terms of both the SFHG 2021 convertible bonds trust deed and the SFHG 2022 convertible bonds trust deed, and cross-defaults triggered by similar events of default in the Group’s other financing arrangements, resulted in a number of events of default under each of the SFHG 2021 convertible bonds trust deed and the SFHG 2022 convertible bonds trust deed.

The December 2017 Events led to the 2021 and 2022 convertible bond trustees on behalf of the bondholders notifying SFHG that the 2021 and 2022 convertible bonds had, as a consequence of the default events, become immediately due and payable and that SIHPL was liable to pay amounts due under the 2021 and 2022 convertible bonds trust deeds as if it was the sole principal debtor.

The terms of the SIHPL CPU were agreed in principle by the Company and creditors under the 2021 and 2022 convertible bonds at a commercial level as part of the global restructuring negotiations that took place during the second quarter of 2018 and which culminated in the signing of the Lock-up Agreement ("the Lock-up Agreement") on 11 July 2018.

Under the terms of the Lock Up Agreement term sheet, the creditors under the 2021 and 2022 convertible bonds offered to provide SFHG as primary obligor and Steinhoff N.V. and SIHPL as co-guarantors under the 2021 and 2022 convertible bonds with the following:

- an extension of the final repayment date to 31 December 2021;
- a new covenant package reflecting the post December 2017 position of SIHPL; and
- a reset of interest payable under the 2021 and 2022 convertible bonds on a non-cash pay basis.

The obligations of SIHPL under the 2021 and 2022 convertible bonds were restated under an instrument referred to as a “contingent payment undertaking” (the "SIHPL CPU").

The Group repaid the majority of external debt during the 2018 Reporting Period, resulting in the cancellation of all guarantees relating to the external debt.

- **Steinhoff Services**
  The Steinhoff Services domestic medium-term note programme was delisted from the JSE and the principal value of c. R7.6 billion was repaid during the 2018 Reporting Period and all guarantors were released.
- **Steinhoff Africa Holding Proprietary Limited ("Steinhoff Africa")**
  The Steinhoff Africa syndicated term loan facilities of c. R6 billion were repaid in full during the 2018 financial year.

  Steinhoff Africa redeemed both the issued Class A and Class B Preference shares during the 2018 Reporting Period at a redemption price of R2.4 billion.

- **Ainsley Holdings Proprietary Limited ("Ainsley")**
  The preference shares in issue by Ainsley were redeemed during the 2018 Reporting Period for R6 billion.

- **Pepkor Holdings**
  Pepkor Holdings successfully concluded their external debt refinancing of shareholder funding amounting to c.R16 billion on 23 May 2018 and concluded repayment of the Group's intercompany debt.

  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.

- **Entrepo Holdings Proprietary Limited and STAID Investments Proprietary Limited**
  The loan to STAID Investments Proprietary Limited of R76 million was repaid in February 2018.

  The Entrepo Holdings Proprietary Limited R200 million loan facility repayment terms were renegotiated on 6 December 2017 and it was agreed that the facility would be repaid in 10 monthly instalments of R20 million each from 31 May 2019. The full facility was repaid in August 2018.

  The Entrepo Holdings Proprietary Limited R180 million loan repayment terms were renegotiated on 6 December 2017 and it was agreed that the loan would be repaid in 8 monthly instalments of R12.5 million each from 30 September 2018. The loan was repaid in full in August 2018.

- **Brenner Brands Proprietary Limited**
  On 10 February 2020 the board resolved that the Group accepts payment of R24.5 million as full settlement for the outstanding loan to Brenner Brands Proprietary Limited. Payment was received on 1 July 2020.

Litigation

- The Steinhoff N.V. Group is subject to several legal claims and regulatory investigations following the December 2017 Events. They are all being defended. No provision has been made in the financial statements, as a result of the significant uncertainties relating to the amount, timing, financial year and related entity of any potential claim that may give rise to outflows, if any.

  For further details refer to Note 23 of the consolidated financial statements.

- On 27 July 2020, Steinhoff N.V., the ultimate holding company, and SIHPL, the former ultimate holding company, announced the terms of a proposed settlement to conclude the ongoing and disputed legal claims and pending litigation proceedings arising from the legacy accounting issues first announced in December 2017. The settlement is subject to financial creditor and regulatory consents, as well as support from eligible claimants, and is subject to final implementation. A provision of R9.4 billion was raised as at 31 March 2020 for the litigation settlement proposal in the interim results of Steinhoff Investments (Refer to note 8.2 of Steinhoff Investments' interim results for the period ended 31 March 2020).

COVID-19

- At the time of writing, there is widespread global uncertainty associated with the COVID-19 pandemic, 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 2016 Reporting Period and will therefore not have an impact on recognition and measurement of assets and liabilities in the 2016 Reporting Period.

  For further details refer to Note 36 of the consolidated financial statements.

GOING CONCERN

In determining the appropriate basis of preparation of the consolidated financial statements, the board of the Company is required to consider whether the Steinhoff Investments 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 Group 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.

The Steinhoff Investments Group and the Company’s cash flow forecasts are adjusted for the impact of the litigation settlement proposal as announced on 27 July 2020 by Steinhoff N.V. and detailed in note 23 of these consolidated financial statements.

The board draws attention to the critical assumptions and disclosures made throughout these consolidated financial statements. The following material uncertainties are key in arriving at the forecasted cash flows, namely:

- **Tax**

  Tax remains a material uncertainty as a consequence of the alleged 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 Steinhoff Investments Group, continue to apply and that no unexpected material assessments will be received.

- **Litigation**

  A key assumption in the Company's consolidated cash flows is that no material judgments or fines are issued against the Steinhoff Investments Group and will become payable during the next twelve months. These legal and other proceedings have been initiated against the Group subsequent to the December 2017 Events. The boards of directors of Steinhoff N.V., assisted by its 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 relevant regulatory bodies. Several initial defences have already been filed by the Group, together with its holding company in these legal proceedings. However, there remains a material uncertainty as to the ultimate impact of litigation on the liquidity of the Group including the Steinhoff Investments Group.

- **COVID-19**

  Trading subsequent to the reporting date remains volatile and the difficult trading environment is expected to persist as consumer spending continues to be constrained. While it is widely expected that the outbreak and spread of COVID-19 may lead to challenges, it is not yet possible to accurately determine any future impact on business operations.

  Operational management are continuing to take an active approach, implementing a range of mitigating strategies to protect profitability and cashflow. While the Steinhoff Investments Group is confident that these actions 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.

Conclusion

The Board of Directors draw attention to the following facts:

- As a result of the December 2017 Events and subsequent restatements, the Steinhoff Investments Group did not comply with the financial covenants of its borrowing facilities during the 2016 Reporting Period. With the conclusion and implementation of the CVA, the existing debt instruments in Steinhoff Europe AG and Steinhoff Finance Holdings GmbH were reissued with effect from 14 December 2018, with a common maturity date of 31 December 2021. No cash interest is payable during this period, as interest will accrue and is only payable when the debt matures, providing the Group with a period in which it can concentrate on reducing debt and restoring value;

- At 30 September 2016, the Group's current liabilities exceeded its current assets, as all loans are deemed repayable on demand and classified a current. Following the implementation of the global debt restructuring through the CVAs, as menioned above, the liquidity position of the Steinhoff Investments Group was corrected; and

- that these material uncertainties extend beyond the foreseeable future.

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 Steinhoff Investments 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 of these consolidated financial statements.

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 financial statements for the 2016, 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); and
- The requirement to publish a notice of AGM in terms of LR 3.19(a).
- 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 Steinhoff Investments 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. There were significant changes in the board of directors since the December 2017 Events. Refer to changes in directorate below. 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 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 and King IV™.

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.

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

Deloitte & Touche remains the appointed external auditors for the financial periods ended 30 September 2016, 2017 and 2018. In line with the recent change of statutory external auditor at Steinhoff N.V., Mazars has taken over from Deloitte & Touche 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 2016 consolidated financial statements have been audited by the external auditor, Deloitte & Touche, and their opinion is set out on page 22 to 35.

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.

Deloitte & Touche issued a disclaimer of opinion on the consolidated financial statements. In the auditor's report, Deloitte & Touche details the reasons why it has come to these conclusions.

DIRECTORATE

	Type	Date of appointment	Date of resignation
Directorate at date of signature of consolidated financial statements:			
Theodore de Klerk	Executive	30 August 2019	
Louis du Preez	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 appointed after the reporting period that resigned prior to the date of this report:			
Johan Geldenhuys	Executive	2 February 2018	31 August 2020
Directorate in office during the reporting period that resigned prior to the date of this report:			
Stéhan Grobler	Executive		2 February 2018
Piet Ferreira	Executive		30 September 2016
Steve Booysen	Independent non-executive		30 August 2019
Len Konar	Non-executive		6 March 2018
Directorate appointed on 30 September 2016 that resigned prior to the date of this report:			
Theunie Lategan	Non-executive		28 February 2018
Heather Sonn	Independent non-executive		18 May 2020
Mariza Nel	Executive		31 January 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.

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BACKGROUND

The newly constituted audit and risk committee of Steinhoff Investments ("Audit Committee") is pleased to present its report for the year ended 30 September 2016 as recommended by the King IV™ Report on Corporate Governance and in line with the Companies 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.

MEMBERSHIP

	Type	Date of appointment	Date of resignation
Current Audit Committee members			
Alex Watson	Chairman	29 October 2018	
Moira Moses	Member	29 October 2018	
Hugo Nelson	Member	30 August 2019	

Previous audit committee members

There have been significant changes to the Audit Committee since 30 September 2016. For the 2016 Reporting Period the Audit Committee consisted of the following members.

Steve Booysen	Chairman	30 September 2016*	30 August 2019
Len Konar	Member	30 September 2016*	6 March 2018
Theunie Lategan	Member	30 September 2016	28 February 2018

** The appointment dates could not be confirmed and is presumed to be 30 September 2016, which coincides with the director appointment dates.*

The board is satisfied that the current Audit Committee 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 2019 Annual Report and company website.

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.

Activities of the Steinhoff N.V. Audit Committee in respect of the period following December 2017 Events

- Immediately following the December 2017 Events, the Steinhoff N.V. Audit Committee held meetings on a weekly basis. Thereafter, and in addition to its scheduled meetings, the Steinhoff N.V. Audit Committee met regularly to discuss matters such as the PwC investigation, liquidity, solvency, correspondence received from regulators, the external auditor and to provide advice to the Steinhoff N.V. Management Board. Where relevant, Deloitte Netherlands in its capacity as external auditor of Steinhoff N.V., Deloitte & Touche South Africa, in its capacity as external auditor of the Steinhoff Investments Group, and PwC, in its capacity as forensic auditors and the Group's legal representatives, attended these meetings.
- Following the resignation/retirement of directors and the appointment of new directors in 2018, the Audit Committee was reconstituted, as indicated above.
- Given the complexity of the Steinhoff N.V. restatements and the impact on all subsidiaries, a member of the Audit Committee with financial reporting expertise (Alex Watson) was involved on a regular basis with the Group’s finance team, forensic auditors, legal representatives and IFRS technical advisors to monitor the process followed in restating the financial statements.
- In addition to regular meetings, additional Audit Committee meetings were scheduled to receive regular updates from Deloitte Netherlands and to discuss the progress in respect of the preparation of the Steinhoff N.V. 2017 Consolidated Financial Statements, with particular emphasis on the restatements and areas where judgement was required.

Activities of the Audit Committee in respect of the current Reporting Period

- 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 2016.
- 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.
- Held meetings 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 and up to the approval date of these annual financial statements.

ACCOUNTING PRACTICES AND INTERNAL CONTROL

Since the widely published December 2017 Events, the Group has implemented many steps to enhance and extend the controls over financial reporting. The Steinhoff N.V. Group prepared a remediation plan which has been implemented and has resulted in overall improvements in controls throughout the Group. More details are available in the already published 2017, 2018 and 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.

Following the December 2017 Events, internal controls and systems have been designed to provide reasonable assurance as to the integrity and reliability of the financial information represented in the financial statements, and to safeguard, verify and maintain the assets of the Group. The Audit Committee considers the Group’s current accounting policies, practices and financial statements to be appropriate.

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 2016 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 5.3.2 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.

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 Deloitte & Touche as the external auditor for the 2017 financial year, and Mr Xavier Botha 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 his fifth year as auditor of the Company.

MATTERS AND RISK AREAS PERTAINING TO THE 2016 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:

- Restatements relating to the 2015 and 2016 financial years.
- Whether it controls or controlled entities involved in various transactions with the Group, including those identified as part of the investigation.
- 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 and affiliated entity 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. Refer to Deloitte & Touche's audit opinion set out on page 22 to 35. 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)(i), as well as the recommended practices as per King IV, the Audit Committee has assessed the competence and performance of the current 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 financial statements for the period ended 30 September 2016, 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 financial statements, for approval to the board. The board has subsequently approved the consolidated financial statements.

A Watson
Audit Committee chairman
2 October 2020

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Steinhoff Investment Holdings Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Steinhoff Investment Holdings Limited ("Steinhoff Investments" or "the Company") and its subsidiaries (the "Steinhoff Investments Group") set out on pages 36 to 176, which comprise the consolidated statement of financial position as at 30 September 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Steinhoff Investments Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report below, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for Disclaimer of Opinion

Introduction

The board of directors of the Company in its report to shareholders has elaborated on the exceptional circumstances under which these financial statements were prepared. A public announcement was made on 5 December 2017 by its the holding company, Steinhoff International Holdings N.V. ("Steinhoff N.V."), indicating serious concerns that had arisen about alleged accounting irregularities during the course of the audit in the September to December 2017 timeframe.

Following this public announcement, the supervisory board of Steinhoff N.V., its holding company, through its legal advisor Werksmans Attorneys, engaged PwC to perform an investigation into the alleged allegations pertaining to the accounting irregularities.

Deloitte.

The results of this investigation have been presented to the boards of its holding company and the board of directors of the Company, however there are a number of instances where no definitive conclusions could be drawn, resulting in management being required to make significant judgements, which process has been described in the basis of preparation.

As a result there remain multiple uncertainties that potentially interact with each other and for which the cumulative effect could be significant to these financial statements as a whole. These uncertainties, their potential interaction, as well as certain other matters are described below.

Material uncertainty relating to going concern

The Steinhoff N.V. Group (of which the Steinhoff Investments Group forms part), as a result of the announcement, has had to renegotiate the terms and conditions of its borrowing facilities with the groups of lenders. This has resulted in 'Lock-up-Agreements' followed by Company Voluntary Arrangements ("CVAs"), as disclosed in the basis of preparation - going concern assessment, which management have used as the basis to assess the Steinhoff N.V Group and the Steinhoff Investments Group's ability to continue as a going concern.

On 13 August 2019, Steinhoff N.V announced the successful implementation of the CVAs. Management has prepared these financial statements on the basis that the Steinhoff Investments Group is a going concern. Management has included its assessment, and the associated uncertainties they have identified, in the basis of preparation (going concern assessment).

We draw attention to material uncertainties related to going concern identified by the board of directors, in the Basis of preparation.

Material uncertainty with respect to litigation

Following the public announcement on 5 December 2017 and the subsequent sharp decline in the share price of the company's ultimate holding company ("Steinhoff N.V."). Steinhoff N.V., the Company and other subsidiaries of the Steinhoff N.V. Group have received several claims from investors, which have been described in basis of preparation and note 23. Although management is unable to estimate the potential cash outflow in case of unfavourable decisions by the courts, the potential outflows of cash could be considerable and could have an impact on the going concern assumption.

Material uncertainty with respect to taxation effect on the restatements and adjustments

Tax remains a material uncertainty as a consequence of the alleged accounting irregularities and the consequential effects thereof remain uncertain, as described in the basis of preparation. For purposes of these consolidated financial statements, the restatements and adjustments applicable to this Group have been processed in arriving at the opening financial position for the Steinhoff Investments Group at 1 July 2015 and for the period ended 30 September 2016.

Deloitte.

Management has concluded that material uncertainties remain in respect of the tax treatment of the restatements and adjustments. Management is currently unable to estimate the potential cash outflow for these tax uncertainties, including the timing thereof. This could also have an impact on the ability of the Group to continue as a going concern.

Material uncertainty with respect to the timing of recording adjustments following the restatements

The opening retained income for the year ended 30 September 2016 includes restatements that were required to correctly reflect the 30 September 2016 balance sheet positions. The corrections were accounted for in the respective year based on the information from the PwC investigation as well as based on the information obtained from the Company. There is an uncertainty regarding to what extent the corrections should have been recorded through the income statement for the year ended 30 June 2015 or directly in retained earnings on 30 June 2014. We have not obtained sufficient appropriate audit evidence that supports the recording of the these amounts for the period ended 30 September 2016, or otherwise whether it should have been fully or partially recorded in retained earnings as part of the restatement process.

Material uncertainty with respect to line items described as "Net other impact" in the notes to the statement of financial position

As disclosed in note 9 – Intangible Assets, note 10 – Property, Plant and Equipment and Investment Property, note 22 – Provisions and note 24 – Cash Flow Information the impact of the alleged accounting irregularities could not be accurately allocated to specific line items in the notes to the consolidated financial statements. In order to conclude on this disclosure management had to make various critical judgements and assumptions. We were unable to obtain sufficient appropriate audit evidence supporting these judgements, assumptions and conclusions.

Material uncertainty relating to the accuracy of the Steinhoff Investments Group trading results presented for the period ended 30 September 2016

The Steinhoff Investments Group's trading results presented in these consolidated financial statements were not subject to audit procedures as consolidated financial statements were not originally prepared for the 15 month period ended 30 September 2016. Management subsequently prepared consolidated numbers for the 15 month period ended 30 September 2016. We were unable to perform audit procedures on the consolidated trading results due to the long period that has lapsed. In addition, after an internal restructure of the Steinhoff Investments Group, the trading results include nine months trading of Steinhoff Finance Holdings GmbH and its subsidiaries ("Steinhoff Europe Group" or the "SFHG Group") that have not been audited and appropriate cut-off procedures were not performed at the date of the restructure.

Deloitte.

The accuracy of the nine months trading period of Steinhoff Europe Group could potentially be further impacted by matters highlighted in the audit report of the Steinhoff Investments Group's ultimate holding company Steinhoff NV. These relate specifically to material uncertainties with respect to the share of the investment in Conforama, the timing of the results of certain real estate transactions and the lack access to information relating to kika-Leiner.

As a result management also concluded that, due to the matters mentioned above, they did not have reliable information to present a numerical reconciliation between the average effective tax rate and the applicable tax rate as required by IAS 12 – Income Taxes.

We were unable to obtain sufficient appropriate audit evidence to support the conclusions reached by management or that the trading results and consolidated closing balances as at 30 September 2016 were free of material misstatement. We were unable to satisfy ourselves by alternative means concerning the Steinhoff Investments Group trading results.

Material uncertainty with respect to the amounts classified as discontinued operations

During the period under review the Steinhoff Investments Group implemented a number of internal restructures which resulted in the disposal of its investments in the SFHG Group and Pepkor Australia. As disclosed in note 2 the operations of these two entities are classified as discontinued operations. The amounts disclosed as discontinued operations were not subject to specific audit procedures at the effective dates of the internal restructurings.

In order to determine the financial information disclosed as discontinued operations management had to make various critical judgements and assumptions. We were unable to obtain sufficient appropriate audit evidence supporting these judgements, assumptions and conclusions. We were unable to satisfy ourselves by alternative means concerning the financial information disclosed as discontinued operations.

Material uncertainty with respect to the values used in accounting for the disposal of the Steinhoff Europe Group to Steinhoff N.V.

During 2016, subsequent to the listing of Steinhoff N.V. on the Frankfurt Stock Exchange on 7 December 2015, Steinhoff Investments Group restructured, disposing of its investment in Steinhoff Europe Group to Steinhoff NV. As noted above, the trading results of Steinhoff Europe Group for the 9 month period to disposal date was not subject to audit procedures, nor was the statement of financial position as at 31 March 2016, the date of disposal to Steinhoff NV, subject to audit procedures. These values were used by the Group to determine the accounting entries to account for the disposal of the Steinhoff Europe Group, as set out in Note 2 of the consolidated financial statements.

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We were unable to obtain sufficient appropriate audit evidence that the values used to account for the disposal of the Steinhoff Europe Group was free from material misstatement, and we were unable to satisfy ourselves by alternative means concerning the disposal values.

Material uncertainty with respect to the control conclusion on certain entities

As explained in the Areas of critical judgements and estimates included in the Basis of preparation of the consolidated financial statements, the Steinhoff Investments Group, in preparing these financial statements concluded whether it had control over certain entities within the Campion, Talgarth, FIHAG, TG Group and other entities. In the consolidated financial statements, the Steinhoff Investments Group has reflected the impact of such conclusions as disclosed. We were unable to obtain sufficient appropriate audit evidence supporting these conclusions and to evaluate if the appropriate accounting impact and disclosures are achieved.

Material uncertainty regarding the financial information used for the consolidation of BVI

As described in note 1.2.3 Business Venture Investments 1449 (RF) Proprietary Limited (“BVI”) was founded in 2011 by the senior management of Pepkor with the objective of enabling senior employees of Pepkor to share in the growth of the company over a long term by indirectly owning shares in Pepkor through the BVI structure. Pepkor 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 group guaranteed the RMB funding.

BVI shares not allocated to employees were taken up by a Pepkor company with the purpose of later allocating these shares to employees joining the scheme. The Steinhoff Investments Group holds a 9% (2015:3%) shareholding in BVI. On 20 April 2015, following the acquisition of Pepkor by the Group, the Pepkor 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 employee as opposed to BVI having to sell Steinhoff N.V. shares to fund the settlement.

Previously, the investment in and loan receivable from BVI was recognised together as loans and receivables at amortised cost.

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 arising from the funding and guarantees provided.

Deloitte.

Management had limited financial information of BVI and had to make critical accounting estimates and judgements in reaching the consolidation conclusion and determining the balances that had to be consolidated. We were unable to obtain sufficient appropriate audit evidence supporting these conclusions and balances that were consolidated to evaluate if the appropriate accounting impact and disclosures are presented.

Material uncertainty with respect to the Steinhoff Investments Group's continuing involvement with the JD Financial Services Loan Book

In 2016 the Group sold its JD Financial Services business, including its Loan Book, together with certain insurance operations to Wands, a subsidiary of Fulcrum SA (together the "Purchaser"). Fulcrum SA is a subsidiary of Fulcrum FS, a subsidiary of Campion Capital. The Group provided unsecured funding to Fulcrum which management believe was used to fund the acquisition. Since all claims against this Loan Book were ceded to the Purchaser, the Group derecognised the Loan Book and recognised a loan receivable from the Purchaser.

Previously the disposal of the JD Financial Services business was treated as disposal of a business in terms of IAS 27: *Separate Financial Statements*. Based on new facts and certain critical judgements management now believe this was a disposal of a business and also the disposal of a Loan Book. Management reassessed the accounting for the de-recognition of the Loan Book and determined that it did not meet all the de-recognition criteria of a financial asset in terms of IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39") due to the Group's continuing involvement in the Loan Book through certain pre-emptive, servicing and profit sharing rights.

As the Group provided funding to the Purchaser, it retained some degree of risk associated with the Loan Book sold, since amounts not recovered on the Loan Book could lead to non-payment of the loan by the Purchaser (to the extent that such losses are not absorbed by the other operations of the Purchaser). Therefore, since the Group retained some element of control over the Loan Book, it should continue to recognise the Loan Book to the extent of the Group's continuing involvement. We were unable to obtain sufficient appropriate audit evidence supporting these conclusions to evaluate if the appropriate accounting impact and disclosures as presented.

Material uncertainty with respect to the impairment of the loan receivable from Fulcrum Financial Services SA

As disclosed in note 12 – Investments and Loans, the carrying value of the loan provided to Fulcrum Financial Services SA was re-assessed as at 30 September 2016, given that the evidence provided by management at the time to support the recoverability of the balance at 30 September 2016 was not complete and misrepresented certain the facts regarding potential related party relationships.

Significant judgement was required to determine the carrying value of the loan as at 30 September 2016, and management have made use of hindsight in determining the impairment recorded.

Whilst the net present value calculation performed by management is accurate, it is not possible to determine whether management would have reached the same conclusion at 30 September 2016 had the assessment been accurately performed at that time, as the information in relation to actual future cash flows would not have been available.

However, consideration is also given to the fact that the loan was granted without a formal detailed loan agreement, and management was only able to provide a summary of the terms of the loan. Furthermore, it could not be determined whether any security was obtained for the loan or whether Fulcrum could be considered a related party of the Group. Given the significance of the balance, along with all the other considerations presented, it would indicate that there were impairment indicators present as at 30 September 2016.

Management is of the view that the basis of the impairment calculation is considered practical given the circumstances, and does give the user of the financial information useful information in relation to the value of the asset that can reasonably be expected to be recovered. The basis of the calculation is however subject to significant judgements and makes use of hindsight which required disclosure in the financial statements so as to ensure that the users of the financial statements have a detailed understanding of the basis of determining the carrying value of the asset and the inputs used in determining the accounting estimate. In order conclude on the recoverability of the loan receivable from Fulcrum, as well as the nature of the relationship between Fulcrum and the Group management had to make various critical judgements, estimates and assumptions.

We were unable to obtain sufficient appropriate audit evidence supporting these conclusions.

Material uncertainty with respect to the foreign currency translation reserve

In Note 26, Nature and purpose of other reserves, the composition of the Foreign Currency Translation Reserve ("FCTR") and the split between Other Comprehensive Income and income for the periods covered by these consolidated financial statements has been described. However, this split is uncertain as a result of the restatements and how this reserve originated. We were therefore unable to obtain sufficient appropriate audit evidence to support the analysis of, and movements within, the foreign currency translation reserve as disclosed in the consolidated statement of changes in equity.

Material uncertainty with respect to historical goodwill carried at the Steinhoff Investments Group level

As a result of a historical internal restructure of the Steinhoff Investments Group, the Group carried approximately R6.8 billion additional goodwill relating to its investments in SFHG (approximately R4.5 billion) and Steinhoff Africa (approximately R2.3 billion). Due to the alleged accounting irregularities various adjustments and restatements were processed throughout the Steinhoff N.V. Group. This caused management to revisit the value of the goodwill carried at the Steinhoff Investments Group level.

The various adjustments and restatements processed mainly in the European Group resulted in SFHG reporting a consolidated negative net asset value. This together with other factors considered by management resulted in a full impairment of the goodwill relating to SFHG.

The information used by management to determine impairment of the goodwill relating to SFHG was extracted from the consolidation process which supported the financial results of the Steinhoff N.V. Group for the period ended 30 September 2017, which included the restated 30 September 2016 results. The audit report on the Steinhoff N.V. Group contained a disclaimer of opinion based on multiple material uncertainties in existence at the date of reporting.

In addition, management indicated that they could not obtain sufficient accurate information to support the goodwill related to Steinhoff Africa as a result of numerous corporate activities over a number of years affecting the Steinhoff Investments Group structure. Management therefore concluded that the goodwill relating to Steinhoff Africa should also be impaired.

In addition, in order to conclude and determine the impact on the carrying value of the goodwill at the Steinhoff Investments Group level, management had to make various critical judgements and assumptions. We were unable to obtain sufficient appropriate audit evidence supporting these judgements, assumptions and conclusions.

Material uncertainty with respect to the timing of recording and classification of adjustments and the resulting restatement with respect to the investment in Brait shares

The statement of profit and loss and other comprehensive income for the period ended 2016 includes a number of adjustments that were required to correct the 30 September 2016 Statement of Financial Position based on the information from the PwC Investigation as well as additional information obtained by the Group. The adjustments, as disclosed in note 1.2.3, relate mainly to treatment of the fair value gains and losses on the Brait shares as well as the determination of the date when control of the shares was transferred. In order to conclude on the treatment of the fair value gains and losses on the Brait shares as well as the determination of the date when control of the shares was transferred, management had to make various critical judgements and assumptions. We were unable to obtain sufficient appropriate audit evidence supporting these conclusions regarding the timing of the sale or whether the sale of the shareholding in Brait is appropriately accounted for as a transaction at arms- length or whether additional disclosures should be made in the event that Plum Tree Consultants Limited, the purchaser, is a related party.

Deloitte.

Material uncertainty relating to the nature of the sourcing rebates received from the TG Group

During the 2016 financial year management represented their participation in the TG Group referred to as a "buying group". The Steinhoff Investments Group invoiced the TG Group for approximately R377 million for the period ended 30 September 2016. The amount was subsequently received by the Steinhoff Investments Group via a Steinhoff N.V. Group entity.

As a result of the various investigations management concluded that the TG Group did not negotiate or collect sourcing rebates or contributions from third parties on behalf of the Steinhoff NV Group. Payments received in respect of amounts owing by the TG Group were received from entities within the Steinhoff NV Group i.e. there were no external cash flows into the Steinhoff NV Group resulting from these transactions. Management further concluded that the intergroup amount received in connection with the 2016 financial period was not a capital contribution to the entity and that it should be treated as intergroup income at the entity level, as disclosed in note 32.

In reaching these conclusions management was required to make significant judgements and assumptions. We were unable to obtain sufficient appropriate audit evidence supporting these conclusions on the nature and validity of these transactions.

Material uncertainty with respect to the Impairment of inter-company loan receivables at 30 September 2016

As at 30 September 2016, the Group carried loan receivable from Steinhoff Europe amounting to R11.1 billion – note 32.

As a consequence of the restatements of Steinhoff Europe as noted above, Steinhoff Europe had a negative NAV as at 30 September 2016 and after settling all its external debt has no additional cash available to settle inter-company debt, therefore, this loan is fully impaired.

The Group no longer considered the interest on the loans due from Steinhoff Europe as probable to be recovered (no longer meeting the recognition criteria in IAS 18) thus reversing the interest income previously recorded.

The information used by management to determine the impairments was extracted from the consolidation process which supported the financial results of the Steinhoff N.V. Group for the period ended 30 September 2017, which included the restated 30 September 2016 results. The audit report on the Steinhoff N.V. Group contained a disclaimer of opinion based on multiple material uncertainties in existence at the date of reporting.

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In addition, in order to determine the impact on the recoverability of the related party loans receivable management had to make various critical judgements and assumptions. We were unable to obtain sufficient appropriate audit evidence supporting these conclusions.

Material uncertainty with respect to the disclosure of major classes of cash receipts and payments in the consolidated statement of cash flows

In terms of IAS 7 – Cash Flow Statements, paragraph 21, an entity shall report separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities. In the consolidated statement of cash flows management disclosed movements in investments and loans, investments in equity accounted companies, borrowings and intergroup loans on a net basis. The net cash flows do not comply with IAS 7 as the information required by paragraph 21 is not available to current management and thus they could not present the detailed information in order to disclose these line items on a gross basis.

We were unable to obtain sufficient appropriate audit evidence supporting these net disclosures.

Emphasis of matter with respect to restatements as a result of consequential effects

We draw your attention to the Basis of preparation - Areas of critical judgements and estimates of the consolidated financial statements, as well as to the Director's Report in which the Company has described the process followed to prepare these consolidated financial statements and the different judgements they had to apply. In addition, note 1 describes the circumstances that gave rise to restatements as a consequence of the reassessment of certain accounting treatments.

We further draw attention to restatement note in the Steinhoff N.V. 2017 consolidated financial statements indicating the Steinhoff N.V. management had identified the following accounting irregularities:

- A small group of the Group's former executives and other non-Steinhoff executives, led by senior management, structured and implemented various transactions over a number of years, which had the result of substantially inflating the profit and asset values of the Group.

- Complex, fictitious and/ or irregular transact ions were entered into that involved many entities over a number of years, including parties said to be, and made to appear to be, third party entities independent of the Group and its executives, but which now, appear to be closely related to and/ or have indications of control by the small group of people mentioned above.

The correction of these irregularities had a consequential impact on the Group's financial position.

Our opinion is not modified in respect of this matter.

Emphasis of Matter with respect to the application of IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

We draw attention to the application of IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* as described in note 1 - Restatements. In terms of IAS 8, prior period errors should be corrected retrospectively in the first set of financial statements authorised for issue after the discovery of these errors by restating the comparative amounts for the prior periods presented in which the error occurred or restating the opening balances for the earliest prior period presented.

IAS 8 further states that a prior period error shall be corrected by retrospective restatement except to the extent that it is impracticable to determine either the period specific effects or the cumulative effect of the error. In such cases the opening balances for the earliest period for which retrospective restatement is practicable shall be restated.

The loss of historical information and management's intent created uncertainties that already existed for the cumulative effect of errors as at 1 July 2015. Current management is of the opinion that to attempt to estimate the impact of the prior period errors on the 2015 financial year and the cumulative effect on the years up to 30 June 2014 is impossible and will not be able to distinguish objectively on information about significant estimates required to conclude on the restatement. It is therefore deemed impracticable to split the cumulative effect between transactions and the effects thereof in the 2015 financial year and the cumulative effect up until 30 June 2014.

As a result, the consolidated statement of financial position as at 30 June 2015 has been restated with corresponding entries through equity where required. No adjustments have been made to the statement of profit or loss and other comprehensive income relating to prior period errors and no opening balance sheet as at 1 July 2014 is presented.

Our opinion is not modified in respect of this matter.

Other Information - Reports Required by the Companies Act

The directors are responsible for the other information. The other information comprises the information included in the document titled "Steinhoff Investment Holdings Limited Consolidated Annual Financial Statements for the year ended 30 September 2016" which includes the Directors' Report, the Audit and Risk Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa and the Directors Responsibility and Approval Statement, which we obtained prior to the date of this report. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

However, due the disclaimer of opinion in terms of International Auditing Standards (ISA) 705 (Revised), *Modifications to the Independent Auditor's Report*, we are unable to report further on this other information.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Steinhoff Investments Group'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 Steinhoff Investments Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Steinhoff Investments Group's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Steinhoff Investments Group 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.

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

Other matters

The Supervisory and Management Board Reports of Steinhoff N.V.

We draw your attention to the Supervisory and Management Board reports contained in the Steinhoff N.V. 30 September 2017 consolidated financial statements, in which the boards have given a description of their 'remediation plan' (including Phase 2 of the PwC investigation). This remediation plan, that as described is in progress, includes measures taken and to be taken to strengthen the governance, to strengthen the group-wide-controls, including the 'tone at the top' and other measures to prevent the alleged accounting irregularities to re-occur. It also includes measures taken or to be taken to correct non-compliance with law and regulations that have occurred. Furthermore, it includes actions taken and to be taken to recuperate the losses that were caused by the individuals and /or organizations that played a part in the accounting irregularities or were instrumental in it.

Our audit

Following serious concerns that arose about alleged accounting irregularities during the course of the audit in the last four months of 2017 timeframe, and also at the auditors' request, the supervisory board of the Company's ultimate holding company, Steinhoff N.V., through its legal advisor Werksmans Attorneys, instructed PwC to perform an investigation into the allegations pertaining to the accounting irregularities.

In reaction to these events, we re-evaluated our audit risk assessment, the scoping of our audit and the involvement of specialists and revised the composition of our Group Engagement Team. We performed audit procedures on the restatement process: position papers, tracking and tracing restatements to underlying audit evidence, challenging assumptions and judgements made by Management in their detailed analyses.

It further also required performing audit procedures on the 'consequential effects' of the alleged accounting irregularities, the resulting restatements, on impairment analysis previously performed by management.

Throughout the phases of the audit, there was extensive communication with those charged with governance, the board of directors, the Steinhoff Investments audit and risk committee and the Steinhoff N.V. Group audit committee.

Deloitte.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Reportable Irregularities

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 the following reportable irregularities, described below, in terms of the Auditing Profession Act. We have reported these matters to the Independent Regulatory Board for Auditors. The matters pertaining to the reportable irregularities have been described in note 38 to the consolidated financial statements.

We reported that alleged accounting irregularities have been highlighted by a criminal and tax investigation relating to the Germany operations of the Steinhoff N.V. Group. The supervisory board of Steinhoff N.V. advised shareholders on 5 December 2017, that new information has come to light, which relates to alleged accounting irregularities requiring further investigation. These matters, if proven correct, could significantly affect the fair presentation of prior years' annual financial statements of both Steinhoff N.V. Group as well as the Steinhoff Investments Group, which may require restatement based on the outcome of the further investigations.

We further reported a reportable irregularity regarding Steinhoff Investments' non-compliance with JSE Listing Requirements as it relates to timeous financial reporting of listed entities.

The directors responded to the potential reportable irregularities raised by Deloitte by stating that PwC was retained by the Group's legal advisors to conduct an independent investigation into past financial years in order to identify the magnitude of the alleged accounting irregularities, the financial years affected and the roles played by individuals within the Steinhoff N.V. Group relating to the irregularities. On 15 March 2019, Steinhoff N.V. published an overview of the forensic investigation report prepared by PwC.

The directors indicated that the Company remained committed to resolve the non-compliance with the JSE Listing Requirements as soon as possible in order to serve the interests of all stakeholders.

Audit Tenure

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte South Africa has been the auditor of the Company for 18 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: Xavier Botha
Partner
02 October 2020

STEINHOFF INVESTMENT HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Notes	Fifteen months ended 30 September 2016 Rm	Restated[1] Twelve months ended 30 June 2015 Rm
Continuing operations			
Revenue	4	**99 848**	43 445
Cost of sales[2]		**(68 873)**	(29 805)
Gross profit		**30 975**	13 640
Other income	5.1	**4 779**	4 587
Administration expenses	5.3	**(30 326)**	(15 243)
Net other income	5.2	**3 870**	2 397
Operating profit		**9 298**	5 381
Finance costs	6	**(2 536)**	(1 315)
Income from investments	6	**809**	569
Share of profit of equity accounted companies	11.2	**1 291**	388
Impairment of equity accounted companies	11.2	**-**	(10)
Profit before taxation		**8 862**	5 013
Taxation	7.1	**(1 571)**	(228)
Profit for the period from continuing operations		**7 291**	4 785
Discontinued operations			
Profit for the period from discontinued operations	2	**8 099**	6 667
Profit for the period		**15 390**	11 452
Profit attributable to:			
Ordinary shareholders of Steinhoff Investments		**14 542**	11 680
Preference shareholders of Steinhoff Investments		**156**	-
Non-controlling interests	29	**692**	(228)
Profit for the period		**15 390**	11 452

[1] Refer to note 2 for details regarding the restatement of comparative numbers as a result of classifying certain businesses as discontinued.

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

	Notes	Fifteen months ended 30 September 2016	Twelve months ended 30 June 2015
Basic earnings per share (cents)			
From continuing operations	8	**13 958.3**	22 885.7
From discontinued operations	8	**16 337.5**	31 523.8
		30 295.8	54 409.5
Diluted earnings per share (cents)			
From continuing operations	8	**13 940.0**	22 858.5
From discontinued operations	8	**16 337.5**	31 523.8
		30 277.5	54 382.3

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

STEINHOFF INVESTMENT HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Notes	Fifteen months ended 30 September 2016 Rm	Restated[1] Twelve months ended 30 June 2015 Rm
Profit for the period		**15 390**	11 452
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement adjustments on defined benefit plans		**(3)**	(174)
Income tax on remeasurement adjustments on defined benefit plans		**-**	39
		(3)	(135)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(9 879)**	(3 707)
Foreign currency translation reserve reclassified to profit or loss on disposal of investments		**2 821**	-
Net fair value (loss)/gain on cash flow hedges and other assets and liabilities measured at fair value through other comprehensive income		**(531)**	3 757
Income tax on fair value loss on cash flow hedges and other fair value reserves		**(11)**	(72)
Fair value reserve reclassified to profit or loss on disposal of investment		**(281)**	(3 469)
Other comprehensive (loss)/gain of equity accounted companies	11.2	**(5)**	12
		(7 886)	(3 479)
Total other comprehensive loss for the period		**(7 889)**	(3 614)
Total comprehensive income for the period		**7 501**	7 838
Total comprehensive income attributable to:			
Ordinary shareholders of Steinhoff Investments		**6 866**	8 067
Preference shareholders of Steinhoff Investments		**156**	-
Non-controlling interests		**479**	(229)
Total comprehensive income for the period		**7 501**	7 838

[1] *Refer to note 2 for details regarding the restatement of comparative numbers as a result of classifying certain businesses as discontinued.*

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

STEINHOFF INVESTMENT HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Ordinary share capital and premium Rm	Retained earnings/ Accumulated losses Rm	Convertible and redeemable bonds reserve Rm	Foreign currency translation reserve Rm	Share-based payment reserve Rm	Sundry reserves Rm	Total ordinary equity attributable to owners of Steinhoff Investments Rm	Preference share capital and premium Rm	Accumulated profit/loss attributable to preference shareholders Rm	Total preference share equity Rm	Non-controlling interest Rm	Total Rm
Total equity at 1 July 2014	13 046	40 097	1 430	13 744	(194)	(434)	67 689	3 512	-	3 512	1 541	72 742
Profit for the period	-	11 680	-	-	-	-	11 680	-	-	-	(228)	11 452
Other comprehensive loss for the period	-	-	-	(3 706)	-	93	(3 613)	-	-	-	(1)	(3 614)
Total comprehensive income/(loss) for the period	-	11 680	-	(3 706)	-	93	8 067	-	-	-	(229)	7 838
Transactions with the owners in their capacity as owners				-								
Ordinary shares issued, net of transaction costs (note 27)	65 233	-	-	-	-	-	65 233	-	-	-	-	65 233
Preference shares issued	-	-	-	-	-	-	-	2 000	-	2 000	-	2 000
Redemption of preference shares	-	-	-	-	-	-	-	(499)	-	(499)	-	(499)
Preference dividends	-	(332)	-	-	-	-	(332)	-	-	-	-	(332)
Ordinary dividends	-	-	-	-	-	-	-	-	-	-	(48)	(48)
Capital distribution in terms of share scheme	-	(409)	-	-	-	-	(409)				-	(409)
Acquisition of subsidiaries with non-controlling interests	-	-	-	-	-	-	-	-	-	-	1 477	1 477
Transactions with non-controlling interests without change in control		-	-	-	-	(4 580)	(4 580)	-	-	-	(1 590)	(6 170)
Convertible bonds redeemed - equity portion net of deferred taxation	-	-	(369)	-	-	-	(369)	-	-	-	-	(369)
Share-based payments	-	-	-	-	19	-	19	-	-	-	-	19
Transfers and other reserve movements	-	167	-	-	-	33	200	-	-	-	(64)	136
Total equity at 30 June 2015 as previously reported	78 279	51 203	1 061	10 038	(175)	(4 888)	135 518	5 013	-	5 013	1 087	141 618
Restatements (note 1)	-	(122 698)	-	1 799	-	414	(120 485)	-	57	57	6 522	(113 906)
Restated total equity at 30 June 2015	**78 279**	**(71 495)**	**1 061**	**11 837**	**(175)**	**(4 474)**	**15 033**	**5 013**	**57**	**5 070**	**7 609**	**27 712**
Profit for the year	**-**	**14 542**	**-**	**-**	**-**	**-**	**14 542**	**-**	**156**	**156**	**692**	**15 390**
Other comprehensive loss for the year	**-**	**-**	**-**	**(7 058)**	**-**	**(618)**	**(7 676)**	**-**	**-**	**-**	**(213)**	**(7 889)**
Total comprehensive income/(loss) for the year	**-**	**14 542**	**-**	**(7 058)**	**-**	**(618)**	**6 866**	**-**	**156**	**156**	**479**	**7 501**
Transactions with the owners in their capacity as owners				**-**								
Ordinary shares issued, net of transaction costs (note 27)	**3 582**	**-**	**-**	**-**	**-**	**-**	**3 582**	**-**	**-**	**-**	**-**	**3 582**
Distribution from share premium	**2**	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**-**	**-**	**-**	**2**
Preference dividends	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(180)**	**(180)**	**(271)**	**(451)**
Ordinary dividends	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(81)**	**(81)**
Acquisition of subsidiaries with non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**158**	**158**
Derecognition of subsidiaries with non-controlling interests	**-**	**(15 940)**	**(1 562)**	**(4 453)**	**(640)**	**2 135**	**(20 460)**	**-**	**-**	**-**	**(2 637)**	**(23 097)**
Capital contribution on intergroup restructure (note 2.4)	**-**	**49 543**	**-**	**-**	**-**	**-**	**49 543**	**-**	**-**	**-**	**-**	**49 543**
Transactions with non-controlling interests without change in control	**-**	**-**	**-**	**-**	**-**	**(2 722)**	**(2 722)**	**-**	**-**	**-**	**(2 053)**	**(4 775)**
Attributable share of other reserves relating to equity accounting	**-**	**-**	**-**	**-**	**-**	**96**	**96**	**-**	**-**	**-**	**-**	**96**
Convertible bonds redeemed - equity portion net of deferred taxation	**-**	**-**	**501**	**-**	**-**	**-**	**501**	**-**	**-**	**-**	**-**	**501**
Share-based payments	**-**	**(208)**	**-**	**-**	**682**	**-**	**474**	**-**	**-**	**-**	**-**	**474**
Transfers due to share scheme reserve reversals relating to open grants unlikely to vest	**-**	**-**	**-**	**-**	**95**	**-**	**95**	**-**	**-**	**-**	**-**	**95**
Transfers and other reserve movements	**-**	**116**	**-**	**-**	**-**	**(29)**	**87**	**-**	**-**	**-**	**(374)**	**(287)**
Total equity at 30 September 2016	**81 863**	**(23 442)**	**-**	**326**	**(38)**	**(5 612)**	**53 097**	**5 013**	**33**	**5 046**	**2 830**	**60 973**

Refer to note 26 for description nature and purpose of each reserve.

The value of the main components of sundry reserves are: Premium on acquisition of minorities (2016: R-5.9 billion; 2015: R-4.8 billion) and fair value reserves (2016: R3.2 billion; 2015: R3.3 billion)
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 2016

	Notes	30 September 2016 Rm	Restated[1] 30 June 2015 Rm
ASSETS			
Non-current assets			
Goodwill	9	**47 963**	48 548
Intangible assets	9	**21 369**	29 620
Property, plant and equipment	10	**8 977**	43 916
Investment property	10	**955**	1 317
Investments in equity accounted companies	11	**19 269**	12 693
Investments and loans	12	**6 437**	5 572
Deferred taxation assets	7.3	**2 912**	3 084
Trade and other receivables	13	**81**	150
		107 963	144 900
Current assets			
Inventories	15	**13 791**	27 631
Trade and other receivables	13	**6 039**	10 160
Taxation receivable		**263**	495
Intergroup loans and receivables	32	**5 938**	48
Investments and loans	12	**2 942**	3 001
Cash and cash equivalents	16	**6 581**	7 010
		35 554	48 345
Assets and disposal groups classified as held-for-sale	2.6	**-**	3 364
		35 554	51 709
Total assets		**143 517**	196 609
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital and premium	27	**81 863**	78 279
Other reserves	26	**(5 324)**	8 249
Accumulated losses	26	**(23 442)**	(71 495)
Total ordinary equity attributable to owners of Steinhoff Investments		**53 097**	15 033
Preference share capital and premium		**5 013**	5 013
Accumulated profit attributable to preference shareholders		**33**	57
Total equity attributable to preference shareholders of Steinhoff Investments		**5 046**	5 070
Non-controlling interests	29	**2 830**	7 609
Total equity		**60 973**	27 712
Non-current liabilities			
Employee benefits	21	**531**	1 880
Deferred taxation liabilities	7.3	**5 400**	10 699
Provisions	22	**1 113**	3 203
Trade and other payables	18	**620**	969
Intergroup loans and payables	32	**30 321**	11 405
		37 985	28 156
Current liabilities			
Trade and other payables	18	**15 170**	38 647
Taxation payable		**1 608**	3 034
Intergroup loans and payables	32	**5 824**	25 022
Employee benefits	21	**630**	1 376
Provisions	22	**1 073**	3 574
Share scheme settlement provision	34.2	**479**	1 192
Borrowings	17	**19 775**	67 890
		44 559	140 735
Liabilities directly associated with assets classified as held-for-sale	2.6	**-**	6
		44 559	140 741
Total equity and liabilities		**143 517**	196 609

[1] *Refer to note 1 for details regarding the restatement of comparative numbers.*

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

STEINHOFF INVESTMENT HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Notes	Fifteen months ended 30 September 2016 Rm	Restated[1] Twelve months ended 30 June 2015 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	24	**37 765**	25 049
Dividends received	6 & 11	**448**	205
Ordinary dividends paid		**(57)**	(48)
Preference dividends paid		**(451)**	(332)
Interest received	6	**968**	2 140
Interest paid	6	**(4 664)**	(3 575)
Taxation paid		**(2 894)**	(1 031)
Net cash inflow from operating activities		**31 115**	22 408
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment and investment property[2]	10	**(8 507)**	(4 796)
Additions to intangible assets	9	**(354)**	(258)
Proceeds on disposal of property, plant and equipment and intangible assets		**562**	213
Acquisition of subsidiaries and businesses, net of cash on hand at acquisition	25	**(1 850)**	(13 366)
Disposal of businesses		**(9 702)**	-
Net increase in investments and loans		**(13 273)**	(2 870)
Net increase in investments in equity accounted companies	11	**(2 133)**	(261)
Net cash outflow from investing activities		**(35 257)**	(21 338)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of preference shares issued		**-**	2 000
Preference shares redeemed		**-**	(500)
Share issue expenses		**-**	(15)
Transactions with non-controlling interests		**(5 101)**	(103)
Increase/(decrease) in bank overdrafts and short-term facilities		**8 259**	(1 100)
Net (decrease)/increase in borrowings		**(7 051)**	6 197
Net increase in intergroup loans		**7 853**	15 240
Net cash inflow from financing activities		**3 960**	21 719
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(182)**	22 789
Effects of exchange rate translations on cash and cash equivalents		**(247)**	(1 225)
Cash and cash equivalents at beginning of the period	16	**7 010**	16 341
Restatement of cash (note 1)		**-**	(30 895)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**6 581**	7 010

[1] *Refer to note 1 for details regarding the restatement of comparative numbers.*
[2] *Additions to property, plant and equipment have been adjusted for non-cash additions to vehicle rental fleet which is primarily financed.*

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 2016 comprise Steinhoff Investments and its subsidiaries (together referred to as the "Steinhoff Investments Group") and the Steinhoff Investments Group's interest in associate companies and joint-venture companies. The Steinhoff Investments Group is primarily involved in the retailing of general merchandise, household goods and operates a number of motor dealerships. The Steinhoff Investments Group operated in Africa, Australasia, Europe, Asia and the United Kingdom up until the disposal of the European operations as well as Pepkor Australia.

During the 2016 Reporting Period, Steinhoff Investments disposed of Steinhoff Finance Holdings ("SFHG"), the holding company of the European operations as well as Pepkor Australia. This was part of a group restructuring of the Steinhoff N.V. group.

On 5 December 2017, Steinhoff N.V. announced that its 2017 consolidated financial statements could not be released when expected as its external auditor, Deloitte Netherlands, had identified potential accounting irregularities and questionable transactions. As a result of these concerns, PwC was retained by the Group's legal advisors to conduct an independent forensic investigation (the "investigation"). At this time, the latest published consolidated financial statements of Steinhoff Investments was for the period ended 30 June 2015. The investigation resulted in the postponement of the publication of the consolidated financial statements of Steinhoff Investments. Pursuant to the investigation a report ("the investigation report") was produced on 11 March 2019. On 15 March 2019 Steinhoff N.V. published an overview of the forensic report prepared by PwC. The investigation report is confidential and legal professional privilege inheres therein. Consequently, the investigation report will not be published. Reference to the investigation and the investigation report in these financial statements and notes thereto is made without waiving the privileged nature of the investigation report.

Refer to note 1 for the restatements.

The Company published its audited 2016 separate annual financial statements on 7 December 2016. As a result, the separate financial statements are not included herewith. Investors are referred to the 2017 consolidated and separate annual financial statements published on 2 October 2020 for the restated 2016 separate financial statements available on the Group's website at *www.steinhoffinternational.com* .

BASIS OF PREPARATION

Statement of compliance

The consolidated 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.

Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:
• available-for-sale financial assets and financial assets and liabilities (including derivative instruments) measured at fair value;
• assets held for sale – measured at fair value less cost of disposal; and
• defined benefit pension plans – plan assets measured at fair value.

Change in financial year-end

Pursuant to the change of year-end approved by Steinhoff N.V. shareholders, the board of directors recommended, and the shareholder approved, to change the financial year-end to 30 September. Accordingly, the extension of the 2016 financial year to 30 September 2016 resulted in a Reporting Period of fifteen months.

Going concern

In determining the appropriate basis of preparation of the consolidated financial statements, the board of the Company is required to consider whether the Steinhoff Investments 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 Group 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.

BASIS OF PREPARATION (continued)

The Steinhoff Investments Group and the Company's cash flow forecasts are adjusted for the impact of the litigation settlement proposal as announced on 27 July 2020 by Steinhoff N.V. and detailed in note 23.

The board draws attention to the critical assumptions and disclosures made throughout these consolidated annual financial statements. The following material uncertainties are key in arriving at the forecasted cash flows, namely:

Tax
Tax remains a material uncertainty as a consequence of the alleged 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 Steinhoff Investments Group, continue to apply and that no unexpected material assessments will be received.

Litigation
A key assumption in the Company's consolidated cash flows is that no material judgments or fines are issued against the Steinhoff Investments Group and will become payable during the next twelve months. These legal and other proceedings have been initiated against various entities within the Group subsequent to the December 2017 Events. The board of directors of Steinhoff N.V., assisted by its 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 relevant regulatory bodies. Several initial defences have already been filed by the Group in these legal proceedings. However, there remains a material uncertainty as to the ultimate impact of litigation on the liquidity of the Group including the Steinhoff Investments Group.

COVID-19
Trading subsequent to the reporting date remains volatile and the difficult trading environment is expected to persist as consumer spending continues to be constrained. While it is widely expected that the outbreak and spread of COVID-19 may lead to challenges, it is not yet possible to accurately determine any future impact on business operations.

Operational management are continuing to take an active approach, implementing a range of mitigating strategies to protect profitability and cashflow. While the Steinhoff Investments Group is confident that these actions 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.

Conclusion
The Board of Directors draw attention to the following facts:

- As a result of the December 2017 Events and subsequent restatements, the Steinhoff Investments Group did not comply with the financial covenants of its borrowing facilities during the 2016 Reporting Period. With the conclusion and implementation of the CVA, the existing debt instruments in Steinhoff Europe AG and Steinhoff Finance Holdings GmbH were reissued with effect from 14 December 2018, with a common maturity date of 31 December 2021. No cash interest is payable during this period, as interest will accrue and is only payable when the debt matures, providing the Group with a period in which it can concentrate on reducing debt and restoring value;

- At 30 September 2016, the Group's current liabilities exceeded its current assets, as all loans are deemed repayable on demand and classified a current. Following the implementation of the global debt restructuring through the CVAs, as menioned above, the liquidity position of the Steinhoff Investments Group was corrected; and

- that these material uncertainties extend beyond the foreseeable future.

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 Steinhoff Investments 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 of these consolidated financial statements.

Presentation and functional currency
The consolidated 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.

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

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

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

JUDGEMENTS:	Note reference
Going concern assumption	Basis of preparation
• Consolidation decisions	

i) The Group considered whether it controls or controlled entities involved in various transactions with the Group, including those identified as part of the investigation.

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

Main Group	Entities related to/subsidiaries of the Main Group	Treated as controlled	Note reference
Talgarth		No	Note 1
	Top Global	No	Note 1
	Triton B	No	Note 1
	Triton V	Yes	Note 1
	GIH	Yes	Note 1
Campion		No	Note 1
	Fulcrum Financial Services	No	Note 1 and 31
	Wands Investments Proprietary Limited, including its subsidiaries Century Capital Proprietary Limited and FGI Holdings Proprietary Limited	No	Note 1 and 31
	Abacus Insurance Proprietary Limited and Abacus Life Proprietary Limited	No	Note 31
	Southern View Finance SA Holdings Proprietary Limited	No	Note 31
	Sunnyside and Sutherland UK	No	Note 1 and 31
	Plum Tree Consultants Limited	No	Note 31
	GT Branding	Yes	Note 30
TG Group	TG Management and TG Sourcing	No	Note 1
Fihag	Geros B, Geros FS	No	Note 30
Other	Hemisphere	Yes	Note 1
Other	BVI	Yes	Note 1

ii) In other instances there is uncertainty as to the amount of non-controlling interest attributable to third party shareholders, particularly where the non-controlling interests are the subject of lawsuits. Management have therefore considered the information available, despite ongoing uncertainty in certain cases, in determining what percentage should be attributed to non-controlling interest in the following relationships:

Entity	Note reference
Conforama: non-controlling interest attributable to Seifert entities	Note 1
POCO: non-controlling interest attributable to Pohlmann entities	Note 1

iii) Where management established it controlled entities which were not previously consolidated, or the date of control was adjusted, there are uncertainties whether adjustments to correct the statement of financial position should be recorded in opening retained earnings or in profit or loss, due to unavailability of third party valuation reports at the date of control. Where relevant, management disclosed these judgements in the notes.

• Classification and completeness of related parties and affiliated parties	Notes 1 & 30 & 31

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.

BASIS OF PREPARATION (continued)
Critical accounting estimates and judgements (continued)

JUDGEMENTS (continued):	Note reference
• Recoverability of financial and other assets	

Financial assets

The recoverability of loans and assets with counterparties have been assessed and where they have been alleged to have 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. Refer to note 1.2.3 and note 11.

The determination of the amount and timing of the impairment losses necessitate a number of judgements and estimates. These include determination of value in use calculations based on revised information and selection of the appropriate discount rate given the significantly changed risk profile. Only where impairment tests were required to be done or there was a clear indication of an impairment indicator, were impairment losses included as a prior period error. In these circumstances, management has also deemed it appropriate to impair loans if there is no security on such loans.

Individually material impaired financial assets	Note reference
• Top Global	Note 1
• Fulcrum Group	Notes 1 & 5.2.2 & 11
• SFHG Group (since disposal on 31 March 2016)	Note 5.2.2

Other assets	
Impairment of investment in equity accounted private companies	Note 10

• Linkage and economic substance of transactions

Management have applied judgment in accounting for the substance of certain transactions, in particular where a number of seemingly related transactions have taken place in a short period of time or where they appear to have been entered into in order to achieve a specific outcome. This applies to the following material transactions:

Transaction	Note reference
Hemisphere: transactions related to the disposal of a significant portfolio of properties by the Group to Hemisphere	Note 1
GT Branding: transactions related to the disposal of internally generated intangible assets by the Group	Note 1
Know-how: transactions related to the disposal of "Know-how" by the Group	Note 1

• Presentation of liabilities	Note 17

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. As the Group is in technical breach of a majority of its covenants, relating to loans that are payable in future years, until a restructuring plan had been put in place, the financial creditors were not obligated to condone covenant breaches and these liabilities are required to be presented as current liabilities. As a consequence of restating prior period financial statements, the Group was also in technical breach of covenants in prior periods and management has restated the prior periods' position to reflect these as current liabilities.

• Recognition and measurement of provisions	Note 22
• Correct classification and completeness of contingent liabilities	Note 23
• Correct classification and completeness of liabilities and events occurring after the reporting period	Note 23 & 36
• Derecognition of financial assets	Note 1
• Recognition of investment as equity accounted companies	Notes 1 & 11

BASIS OF PREPARATION (continued)
Critical accounting estimates and judgements (continued)

ESTIMATES	Note reference
• Estimation of uncertain tax positions	Note 7
• Estimation of future taxable profits in support of recognition of deferred taxation assets	Note 7
• Estimation of inputs into discounted cash flow models relating to the impairment of goodwill	Notes 1 & 9
• Estimation of inputs into discounted cash flow models relating to the impairment of intangible assets	Notes 1 & 9
• Estimation of the useful life of intangible assets	Note 1 & 9
• Estimation of the recoverable amount and fair value of properties	Note 10
• Estimation of the useful life and residual values of buildings	Note 10
• Estimation of fair value of identifiable assets and liabilities impacting the measurement of goodwill in a business combination.	Note 1
• Estimation of vesting conditions relating to share-based payments	Note 1 & 34

ACCOUNTING POLICY ELECTIONS

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

Area	Details
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 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.

1. RESTATEMENTS

During the period the Group identified and accounted for the following types of restatements:

- Adjustments to the provisional amounts recognised for prior year business combinations (note 1.1)
- Correction of prior period errors and disclosure deficiencies (note 1.2)
- Representation of income statement as a result of classifying certain businesses as discontinued (note 2)

1.1. Initial accounting for business combination restatement

These adjustments were done as a result of changes in the business combinations within the measurement period of one year.

In the prior period, the accounting for the business combination of Pepkor included in the annual financial statements was prepared using provisional amounts as allowed in terms of IFRS 3: Business Combinations (IFRS 3) due to the March 2015 effective date of the acquisition. The restatement of the statement of financial position as at 1 July 2015 resulted from the retrospective PPA adjustments to the provisional amounts. The adjustments to the provisional amounts are recognised as if the accounting for the business combination had been completed at the acquisition date. These restatements are not as a result of the alleged accounting irregularities.

The post-combination accounting of the following acquisition was finalised and the affected assets and liabilities were retrospectively restated at 30 June 2015 for:

	Pepkor
Effective consolidation date	31 March 2015
Acquisition date	31 March 2015
Functional currency	ZAR

Initial	Rm	Rationale for initial accounting adjustments
Property, plant and equipment	(53)	Additional impairments identified following the finalisation of third party valuations performed on certain Pepkor Australia properties.
Deferred taxation asset	(93)	Detailed assessments performed, certain deferred tax assets were reversed following the uncertainty around future taxable income in Pepkor Australia.
Inventories	(116)	Adjustments to stock obsolescence as a result of a comprehensive stock analysis performed during the measurement period of the Pepkor France business.
Other liabilities	(42)	Stamp duty accruals raised on the change in control of Pepkor Australia properties.
Foreign currency translation reserve	5	Translation impact of initial accounting adjustments.
Retained earnings	(19)	
Increase to goodwill upon finalisation of PPA	(318)	

Refer note 25.1 for details regarding the business combinations and the fair values of assets and liabilities acquired.

1. RESTATEMENTS (continued)

1.2 Correction of prior period errors and disclosure deficiencies

On 5 December 2017, Steinhoff N.V. announced that its 2017 consolidated financial statements could not be released when expected as its external auditor, Deloitte Netherlands, had identified potential accounting irregularities and questionable transactions.

As a result of these concerns PwC was, upon the instruction of the Steinhoff N.V. Supervisory Board, retained by the Group's legal advisors to conduct an independent forensic investigation. The audited 2016 consolidated financial statements of Steinhoff N.V. were withdrawn and publication of the 2017 consolidated financial statements was postponed. Investors were also advised that the audited 2015 consolidated financial statements of Steinhoff Investments could no longer be relied on.

The PwC Investigation Report was produced on 11 March 2019. On 15 March 2019 Steinhoff N.V. published an overview of the forensic report prepared by PwC. The Investigation Report is confidential and legal professional privilege inheres therein. Consequently, the Investigation Report will not be published. Reference to the investigation and the Investigation Report in these financial statements and notes thereto is made without waiving the privileged nature of the Investigation Report.

A number of potential accounting irregularities were identified and recorded in the overview:

- A small number of the Group’s former executives and other non-Steinhoff individuals, supported by certain senior managers of Steinhoff, structured and implemented various transactions over a number of years which had the result of substantially inflating the profit and asset values of the Group.
- Complex, fictitious and/or irregular transactions were entered into that involved many entities over a number of years, including parties said to be, and made to appear to be, third party entities independent of the Group and its executives, but which now, appear to be closely related to and/or have indications of control by the small group of people mentioned above.

Management of the Group ("Management") determined that certain other transactions, which were not part of the investigation, required further consideration and were also assessed by management to have been inappropriately recognised in the financial statements and required correction.

Management identified a number of transactions with four principal groups of corporate entities which were not necessarily transacted on an arm’s length basis. The four principal groups are: Campion and/or Fulcrum Group, Talgarth Group, TG and/or TG Management Group and Fihag Group and certain individuals; Siegmar Schmidt ("Schmidt"), George Alan Evans ("Evans"), Jean-Noël Pasquier ("Pasquier") were purportedly independent, but were in substance closely related and/or controlled by the Group or its employees and certain senior managers of Steinhoff.

Management have considered the nature and substance of the Group’s relationships with these respective parties. Management have considered whether Schmidt, Evans and Pasquier were related parties and have considered whether they controlled entities in the principal groups above.

The entities linked to these groups at some point in time have been summarised below based on information obtained from the investigation:

Campion and/or Fulcrum Group
• Campion Capital
• Fulcrum UK Group
• Fulcrum FS Group
• GT Branding Group
• SSUK

TG or TG Management Group

Fihag Group
• Geros B
• Geros FS

Talgarth Group
• Talgarth Capital
• Top Global
• Triton B
• Triton V
• Genesis Group

1. RESTATEMENTS (continued)

1.2 Correction of prior period errors and disclosure deficiencies (continued)

The transactions entered into between the Group and entities within the Campion Group and Talgarth Group included, amongst others, the facilitation of business acquisitions and transactions that involved the trading of Steinhoff N.V. shares. Funding in respect of such transactions was mostly provided by the Group. It appears that all or the majority of these transactions were concluded on a non-arm's length basis. Management considered whether the Group controls the Campion Group, Talgarth Group and Fihag Group. Certain key management personnel of the Group were assessed to have a degree of influence over the structure of the entities and the outcome of these transactions and the Group is exposed to variable returns resulting from the recoverability of the funding provided and the manner in which the transactions were structured for the benefit of the Group. However, although there are some indicators suggesting that Steinhoff might control the Talgarth, Campion and Fihag Groups, no conclusive information exists to confirm that the Steinhoff Group does in fact control any of these Groups. In addition, management does not have access to the financial information of the Talgarth, Campion or Fihag Groups to be able to consolidate these entities. Management therefore accounted for the transactions with the respective entities in the Campion and the Talgarth Groups on a transaction by transaction basis to reflect the substance of the underlying transactions and the Group's exposure. The Group did not identify any direct transactions with Fihag or direct loans outstanding during the period from 30 June 2015. Where transactions were entered into within specific entities in the respective groups it was considered whether the Group controlled the specific entity it was transacting with, which has led to the consolidation of certain entities within those groups. The recoverability of any loans and assets with such counterparties has been assessed and 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.

Management have also considered their relationship with the following individuals: Schmidt, Evans, Pasquier:

Schmidt was the financial director of the then European division of the Company until his resignation on 28 November 2011. Despite his resignation, shares allocated to him continued to vest in respect of the Steinhoff share scheme for the 2013 and 2014 financial years. Since resigning from the Group, Schmidt was not a key management personnel of Steinhoff and did not have a relationship with the Group that would indicate the legal form of a related party in terms of IAS 24 Related Parties ("IAS 24").

Evans and Pasquier have never been key management personnel of the Group and there are no legal relationships that indicate that they are related parties in terms of IAS 24.

In terms of *IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors* ("**IAS 8**"), prior period errors should be corrected retrospectively in the first set of financial statements authorised for issue after the discovery of these errors by restating the comparative amounts for the prior periods presented in which the error occurred or restating the opening balances for the earliest prior period presented.

IAS 8 further states that a prior period error shall be corrected by retrospective restatement except to the extent that it is impracticable to determine either the period specific effects or the cumulative effect of the error. In such cases the opening balances for the earliest period for which retrospective restatement is practicable shall be restated.

During the investigation by PwC as well as internal investigations, an area of focus was to obtain as much information as possible in order to correct the opening balances of the 2016 consolidated financial statements i.e. balances as at 1 July 2015. Following this process, there were still many uncertainties with regards to the correct accounting treatment, timing of transactions and completeness of historical information, all of which required assumptions and significant estimates to be made, all of which are disclosed as part of the restated financial statements of Steinhoff N.V. In addition to the complexities pertaining to the technical accounting treatment, following the December 2017 events, the retrospective application of assumptions about what previous management's intent would have been in that specific period complicated matters further.

The loss of historical information and management's intent created uncertainties that already existed in determining the cumulative effect of errors as at 1 July 2015. Current management is of the opinion that to attempt to estimate the impact of the prior period errors on the 2015 financial year and the cumulative effect on the years up to 30 June 2014 is impossible and that they will, in consequence, not be able to conclude definitively on the restatements. It is therefore deemed impracticable to split the cumulative effect between transactions and the effects thereof in the 2015 financial year and the cumulative effect up until 30 June 2014. As a result, the impact of the restatements on the earnings per share as required by IAS 33 could also not be determined.

As a result, the consolidated statement of financial position as at 30 June 2015 have been restated with corresponding entries through equity where required. No adjustments have been made to the statement of profit or loss and other comprehensive income relating to prior period errors and no opening balance sheet as at 1 July 2014 is presented.

1. RESTATEMENTS (continued)

1.2 Correction of prior period errors and disclosure deficiencies (continued)

As a result of the extent and complexity of the restatements required to correct these errors, management has grouped the restated transactions according to type and impact on the financial statements. A brief explanation of each grouping is discussed below with the detail of the restatements contained in this note and the relevant section of the consolidated financial statements.

Categories of restatements:

1. Property transactions

Property should be recognised at depreciated cost, where cost is measured at the date on which the Group acquires the property either through acquisition or through gaining control of the entity owning the property. The carrying value of the property should not be affected if properties are transferred between Group entities. Information that is now available has been used to reassess the control of entities owning properties and the substance of property related transactions. A number of transactions in which properties were transferred between entities are now considered internal to the group and therefore should not have impacted the consolidated financial statements. This has resulted in the reversal of some significant step ups in the cost of properties.

2. Intangible asset transactions

There are strict requirements under IFRS in relation to the recognition of internally generated intangibles as assets. In the past, the Group purportedly sold internally generated intangible assets (or entities owning these assets) to so called independent parties, which were then reacquired resulting in the recognition of the internally generated intangible as a purchased intangible measured at fair value. In certain instances the sale and repurchase of certain intangible assets acquired from third parties were also stepped up. As a result profit and assets were overstated, since the risks and rewards of ownership of the intangible assets always remained within the Group.

3. Accounting for group or related entities

The appropriate recognition of investments in consolidated financial statements depends on the nature of the holding. Controlled entities should be consolidated, jointly controlled entities should be equity accounted on the same basis as entities over which the investor has significant influence, with all other investments being recognised at fair value. Where investments are recognised at fair value, adjustments to fair value may only be recognised in profit or loss if specific criteria are satisfied, failing which they are recognised in other comprehensive income. The determination of the correct accounting treatment is therefore dependent on correctly understanding the relationship between the two entities as there are many other factors, in addition to the size of the shareholding, that are relevant. As a result of new information emerging from the investigation relating to loan financing, previously undisclosed agreements, and more insight into the way in which decisions relating to the investments were made, management has revised its assessment of the appropriate method of recognising some of its investments.

4. Contributions and 'cash equivalents'

Any contributions received from independent third parties in relation to trading activities should be recognised either as income or as a reduction in expenses, with a receivable recognised to the extent that payment has not been received at the time of the transaction. The Group previously recognised certain contributions arising from the so-called sale of Know-how and supplier volume rebates that lacked economic substance and did not result in cash flows in to the Group, which in turn resulted in an overstatement of profit. A restatement is therefore required to reverse the aforementioned contributions recognised in profit together with the related debit, which in some cases had been incorrectly classified as “cash and cash equivalents” instead of a receivable.

5. Share transactions

Where the acquisition of Steinhoff shares is funded by loan finance from the Group that has no recourse to any asset other than those shares, the borrower does not carry the risk of a decline in the share price but will benefit from any increase in the share price above the loan balance. The borrower’s exposure is therefore effectively the same as a purchased call option on the shares. The substance is therefore that the funded shares are only treated as issued share capital once the related loan financing has been settled. Any shares that are issued prior to the settlement of the loan are therefore reflected as treasury shares i.e. as a debit to equity. The optionality granted to the borrower is in substance an equity settled share based payment, which results in an IFRS 2 related expense.

6. Consequential effects of alleged accounting irregularities

The restatements as a result of the alleged accounting irregularities has consequential impacts on various other assets and liabilities of the Group. The most material impacts related to; the impairment of goodwill and brands due to the revision of inputs used in value-in-use calculations of CGUs as a result of incorrect forecast information and revised WACC rates, the taxation impact of fictitious income and expenses; the reassessment of vesting criteria based on restated financial information relating to employee share grants, the classification of external debt as short term as a result of the technical breach of financial covenants and the recognition of adjustments not previously considered material to the Group.

1. RESTATEMENTS (continued)

1.2 Correction of prior period errors and disclosure deficiencies (continued)

The following table summarises the effect of restatements recognised by the Group in order to correct prior period errors at 30 June 2015. Details relating to the nature and amount of the restatements are provided below.

Categories of restatement	Note reference	Financial impact: 30 June 2015 Asset decrease Rm	Financial impact: 30 June 2015 Liability (increase)/decrease Rm
Property transactions	1.2.1	(5 509)	-
Intangible asset transactions	1.2.2	(51 256)	(4 408)
Accounting for group or related entities	1.2.3	(912)	1 676
Contributions and 'cash equivalents'	1.2.4	(11 462)	-
Share transactions	1.2.5	(2 974)	-
Consequential effects of alleged accounting irregularities	1.2.6	(43 106)	4 031
Total impact relating to alleged accounting irregularities		**(115 219)**	**1 299**

1.2.1 Property transactions

Material property transactions are detailed below:

a) Hemisphere property portfolio

Historically, through a series of linked transactions, the Group sold a significant property portfolio at inflated values to Hemisphere, an entity that was considered to be outside the Group, at the time the Group disposed of the properties (27 June 2008). From 30 June 2008 the Group held a 45% interest in Hemisphere, which was increased to 100% on 31 July 2009, at which point the Group determined that it had obtained control over Hemisphere resulting in such properties being consolidated with higher values.

Management has concluded that the Group controlled Hemisphere at the time of its incorporation (25 June 2008) since Hemisphere conducted activities on behalf of the Group. Hemisphere held the properties that were sold and leased back by the Group. Hemisphere was financed by the Group and was dependent on the Group's use of the properties to repay the financing and was as such running on a ring-fenced basis. Since the Group controlled Hemisphere when Hemisphere acquired the property portfolio the uplift in property values arising from the series of linked transactions has been reversed.

The restatement resulted in a reversal of the inflated property values to original carrying values. As such, a net decrease in net assets at 30 June 2015 of R4.3 billion was recognised.

Critical judgements

The series of transactions that led to the acquisition of a significant property portfolio by Hemisphere from the Group was facilitated by external counterparties that had existing loans with the Group. The transactions happened within a very short period of time and the Group continued to use the properties it owned, via leases. Although the contractual terms of the transactions do not provide evidence of linkage, Management has concluded that the series of transactions leading to the acquisition of the properties by Hemisphere are in substance linked since there is no apparent economic reason for structuring the sale of the properties to Hemisphere in this way. The transactions all relate to the same properties and therefore to the same risks in addition to having taken place over a short period of time.

Management has concluded that even though the Group only held a 45% interest in Hemisphere in June 2008, it controlled Hemisphere since the activities of Hemisphere were conducted on the Group's behalf according to its specific business needs, being the continued use of the properties. The Group provided financing to Hemisphere in order to acquire the properties which demonstrates that Hemisphere was running on a ring fenced basis where the revenue received from the lease of properties by the Group was used to repay the financing provided by the Group. In this way the Group was exposed to the majority of the risks and benefits related to Hemisphere.

b) Alvaglen property portfolio

During the 2014 financial year, in another series of transactions, Hemisphere acquired a United Kingdom property portfolio through a company, Alvaglen. Management identified a potential conflict of interest involving certain key management personnel. It would have been appropriate to test these properties for impairment based on the substance of the transaction at the acquisition date to determine whether the acquisition values were inflated. The acquisition price was settled by issuing SIHPL shares. The Group obtained a third party property fair valuation at 30 June 2015 for these properties and as a consequence impaired the properties.

As such, a net decrease in net assets at 30 June 2015 of R868 million was recorded.

1. RESTATEMENTS (continued)

1.2 Correction of prior period errors and disclosure deficiencies (continued)

1.2.1 Property transactions (continued)

c) Useful lives and residual values

Management reconsidered the residual values and useful lives of the material property portfolios within the Group during the extensive valuation process that was carried out. As part of the impairment testing carried out in restating 1 July 2015, where necessary, Management has corrected the residual values of the properties to better reflect the recoverable amount of the underlying property portfolio and corrected the useful lives. The assessment of residual values and useful lives is a critical estimate as in some instances reliable external information is unavailable and the practicality of applying consistent judgement is limited.

The revision of the depreciable amounts of certain properties have resulted in a further net decrease in net assets at 30 June 2015 of R312 million.

Refer to section 1.2.3 Accounting treatment for group entities for the impact of the Kika-Leiner acquisition on properties.

1.2.2 Intangible asset transactions

a) GT Branding

Over a number of years, the Group entered into a series of transactions relating to the sale and repurchase of certain of its brands and trademarks at inflated values. Both internally generated and purchased brands and trademarks were sold to and repurchased from companies inside and outside the Group over this period of time. These brands and trademarks continued to be used exclusively by Group companies. On 30 June 2015 the Group held a 45% equity interest in the GT Branding Group, which legally owned the brands and trademarks. The Group recognised this as an equity accounted investment, which included a loan receivable from the GT Branding Group and a preference share investment. As a result of this series of transactions, the Group historically recognised profits relating to the disposal of these brands and trademarks with an eventual corresponding increase in assets being the equity accounted investment and loan receivable. Throughout this period the Group recognised royalties paid for the use of the brands and trademarks and also recognised income from GT Branding for marketing support it provided in turn.

Critical judgements

It was determined that since the Group continued to exclusively use and manage these brands and trademarks over this period of time the Group retained the risks and rewards of ownership regardless of legal title. Therefore in considering the substance of the series of transactions, no profit should have been recognised on the disposal of the internally generated brands and trademarks. In relation to brands and trademarks purchased from third parties these should have been recognised by the Group at the original cost to the Group with no profit recognised on subsequent disposals which are common control transactions.

The Group measured the fair value of the non-controlling interest in the GT Branding group as zero, upon initial recognition, as in substance the Group never achieved derecognition of the brands and therefore any non-controlling interest would not share in the net asset value of the GT Branding Group.

The total impact of reversing royalties paid and historical profit recognised on the disposal of internally generated brands and trademarks, together with the continued recognition of the GT Branding Group led to a reduction in net assets at 30 June 2015 of R11.1 billion.

b) Know-how

From 2009 the Group recognised income relating to the sale of know-how which pertains to commercial knowledge, finance, logistics, wholesale, IT, sourcing, manufacturing, as well as the development and implementation of retail trade concepts on loan account to the Talgarth Group. The Talgarth Group therefore held the rights to use, license, develop and exploit such know-how concepts.

The Group also entered into profit sharing arrangements with the Talgarth Group resulting in the Group recognising income and related receivables.

The recoverability of the Talgarth Group receivables was substantiated through the transfer and cession of receivables between Group entities. In certain instances payments were received from entities outside the Group to settle the Talgarth receivables, but such payments had been funded by Group entities. In some cases, the receivables were recognised as either intangible assets, goodwill, properties, cash equivalents or a combination thereof, as a result of a series of complex interrelated transactions with limited or no substance.

1. RESTATEMENTS (continued)

1.2 Correction of prior period errors and disclosure deficiencies (continued)

1.2.2 Intangible asset transactions (continued)

Management has concluded that the Know-how transactions lacked economic substance and have therefore been reversed.

The impact of reversing the Know-how transactions led to a reduction in net assets at 30 June 2015 of R44.6 billion.

Critical judgements

In considering the economic substance of the Know-how transactions Management has concluded that such transactions lacked economic substance since the Group financed the transactions and no cash was received from parties outside of the Group in settlement thereof. Additionally certain agreements relating to the Know-how transactions were backdated, further substantiating Management's assessment.

1.2.3 Accounting for group or related entities

a) Kika-Leiner

During November 2013 subsidiaries of Genesis Investment Holding GmbH ("GIH"), not consolidated by the Group at that time, acquired a controlling interest in Kika-Leiner, including its retail business and properties. The acquisition was facilitated and largely funded by the Group.

In June 2014 GIH sold the Kika-Leiner properties to the Group. The Group accounted for this transaction as a business combination in the 2014 financial year.

In order for the Steinhoff N.V. Group to list on the Frankfurt Stock Exchange on 7 December 2015 the Group was restructured resulting in the Group acquiring GIH, including the remaining Kika-Leiner retail business through a reverse acquisition. This acquisition was accounted for as a business combination in the 2016 financial year.

In reconsidering the extent of the Group's involvement in GIH's acquisition of the Kika-Leiner retail business and properties in 2013, Management has concluded that the Group had de facto control over GIH due to the purpose and design of GIH and the practical ability to control and should have consolidated Kika-Leiner from November 2013. Management's conclusion took into consideration, inter alia, the Group's decision to appoint GIH as its nominee in acquiring Kika-Leiner together with, the Group's involvement in the structuring and funding of the acquisition of Kika-Leiner by GIH.

The statement of financial position at 30 June 2015 has been restated to include the consolidation of GIH and Kika-Leiner from November 2013, accordingly the accounting by the Group of the property acquisition in 2014 and the retail business acquisition in 2016 have been reversed.

The restatement resulted in a decrease in net assets at 30 June 2015 of R2.7 billion.

Critical judgements

Control of GIH

Although Management cannot determine whether the activities of GIH are restricted prior to December 2015, information procured suggests it was incorporated solely for the benefit of the Group in that it would be the Group's nominee used to acquire Kika-Leiner and would serve as the Group's European listing vehicle. The Group was a party to the Kika-Leiner acquisition acting as guarantor to the transaction. The Group further provided the majority of the funding. Despite uncertainty over the Group's voting rights in GIH, Management has concluded that the Group had de facto control over GIH as a result of its ability to direct the relevant activities, identified as being a nominee of the Group in the Kika-Leiner transaction and eventual listing vehicle, and its exposure to variable returns linked to the funding and guarantees provided. In this way the Group was able to use its power to affect the returns of GIH as a result of its relationship with GIH and the exposure to the funding put in place to benefit from the eventual listing.

1. RESTATEMENTS (continued)

1.2 Correction of prior period errors and disclosure deficiencies (continued)

1.2.3 Accounting for group or related entities (continued)

Fair value of identifiable assets and liabilities

In order to account for the business combination in November 2013 Management has applied reasoned judgment in estimating the fair values of identifiable assets and liabilities based on available information. The purchase price of R8 billion was allocated as follows:

- Brands operating in central and eastern Europe of R393 million. The brands were valued using restated revenue forecasts for an indefinite period (five years plus a terminal period) at a royalty rate of 1.25% which management deemed appropriate taking into account the period that the brand had generated revenue at that point, the brand's profitability and the country risk. Deferred taxation of 25% was recognised on the brand.
- A fair value adjustment to property of R3.4 billion and 25% deferred taxation thereon based on an agreed property value between the Group and the sellers at the time. Management could not find evidence of formal external valuations to support the contractual premium paid. A valuation performed, as at November 2013 as part of the preparation of these restated financials, resulted in R1 billion being allocated to one property, Mariahilfestrasse.
- The resulting excess of the purchase price paid over the acquired net asset value of Kika-Leiner and the fair value adjustments described above, resulted in goodwill of R1.1 billion being recognised initially. This goodwill was fully impaired at 30 June 2014 as a result of the declining performance of the Kika-Leiner business.

Control of a special purpose entity linked to GIH

Triton V is a special purpose entity in which the Group initially had a limited interest equity ownership. Triton V is the immediate parent of GIH and received R5 billion of the funding required for the Kika-Leiner transaction from the Group. Without insight into all the relevant activities of the entity, Management has applied reasoned judgement in concluding that Triton V was created in connection with the acquisition of Kika-Leiner. Despite another entity holding a 51% voting interest in Triton V, transactions entered into were for the benefit of the Group and it emerged that the Group was managing the activities of Triton V. The Group also entered into a management contract with Triton V to provide Triton V with funding, accounting, supervisory board mandates, central treasury, consulting and services of business executives. Without access to the financial information of Triton V management believe that Triton V was wholly funded and/or guaranteed by the Group due to the nature of the entity being a limited interest company. Management deemed it appropriate to consolidate Triton V from the date the initial investment was made as it was exposed to variable returns through its funding provided and exercised power over the entities' relevant activities as it appeared to have been set up solely for the purposes of the Group. The consolidation of Triton V however, has no impact on the results of the Group as the known net asset value consolidated in the opening balances as at 30 June 2015 is negligible following a capital reduction by Triton V during 2014. It is assumed based on the limited interest nature of Triton V, that Triton V did not enter into any activities unrelated to the Group.

b) POCO

In 2007 a joint venture was formed between companies affiliated to Seifert, Pohlmann and the Group in respect of a German furniture retailer, POCO. As at 1 July 2012, Seifert held a 50% interest in POCO, Pohlmann had a 50% interest and the Group had a 50% interest in LiVest which held the other 50% interest in POCO, thus giving the Group an economic interest of 25%. Pohlmann agreed to provide the Group a casting vote in respect of LiVest and as a result the Group also obtained his casting vote in relation to the appointment of the key management of POCO. The casting vote in POCO would expire in March 2017.

The Group historically concluded that it controlled POCO and consolidated POCO with no non-controlling interest since 2012. From April 2015, the Group recognised a liability in respect of Seifert's 50% shareholding as it was believed that certain actions taken had resulted in the Group's right to purchase his 50% shareholding (the "squeeze out").

The Dutch POCO Proceedings was brought before the Enterprise Chamber in 2015 by Seifert. Seifert argued that the consolidation of POCO by the Group in the 2016 Steinhoff N.V. Group financial statements was inappropriate. The Enterprise Chamber in its judgment ruled that the Group was correct to consolidate POCO in the 2016 consolidated financial statements of Steinhoff N.V., however, it ordered that the Group reflect a 50% non-controlling interest related to Seifert and reverse the liability raised for the payment of the 50% interest related to the squeeze out.

On 30 September 2015 Steinhoff's effective interest in POCO increased from 25% to 50% as the majority of Pohlmann's interest in LiVest was swapped for Steinhoff shares. It is noted that in September 2018 Pohlmann has instituted legal proceedings to have the share swap set aside. A settlement agreement was reached during the 2019 financial year.

1. RESTATEMENTS (continued)

1.2 Correction of prior period errors and disclosure deficiencies (continued)

1.2.3 Accounting for group or related entities (continued)

Taking into consideration the agreements entered into between various parties judgment has been applied in concluding that the casting vote at a POCO level would provide the Group with control. Management has therefore concluded that POCO should be consolidated from July 2007 up until March 2017 when the casting vote expired. This is also in line with the ruling of the Dutch POCO Proceedings that the Group controlled POCO.

The restatement at 30 June 2015 consists of the recognition of a 75% non-controlling interest in POCO and the reversal of the liability and goodwill recognised in respect of the squeeze out and earlier transactions.

The original investment in POCO and the subsequent additional investments in POCO were incorrectly accounted for resulting in the incorrect recognition of goodwill of R8.7 billion and brand names of R1.6 billion recognised for discontinued brands. Management believe no third party valuations were performed at the time of the initial acquisition, and therefore reversed all step-ups in value.

The reversals of these balances together with the recognition of a non-controlling interest of R3.9 billion as at 30 June 2015 resulted in a decrease in total equity of R1.1 billion as at 30 June 2015.

Critical judgements

Management concluded that despite having a 25% economic interest in POCO at the date of acquisition, the Group controlled POCO since Pohlmann had agreed to provide his casting vote in POCO to the Group since he had provided the Group with a casting vote in respect of LiVest. The casting vote expired in March 2017. The Dutch POCO Proceedings also ruled that the Group controlled POCO, but with a 50% non-controlling interest. The Group has reflected a 75% non-controlling interest to also take Pohlmann's share in LiVest into consideration.

Despite Pohlmann having instituted legal proceedings to have his share swap set aside, Management has considered the share swap to have been effective since Pohlmann at the time took ownership of the Steinhoff shares and have therefore reduced the non-controlling interest to Pohlmann accordingly.

c) Conforama

During the years 2007 - 2014 the Group and entities affiliated with Seifert entered into various agreements and memorandums of understanding to acquire and continue funding Conforama.

The total funding required to purchase Conforama (March 2011) and to provide Conforama with working capital facilities increased from R11 billion to R28 billion by 2014, with Seifert funding R2.9 billion and the Group funded the remainder.

On 19 January 2015, the Steinhoff Group declared the termination of the 2011 Agreements, the Commitment Letter and the 2014 Share Purchase Agreement ("2014 SPA") with immediate effect for good cause.

The Group is of the opinion that Seifert breached its contractual obligations since November 2014.

The Group concluded it controlled Conforama and did not account for any non-controlling interest relating to Seifert's interest in Conforama.

It is Management's view that the extent of Seifert's interest is similar to that of a financial instrument calculated by reference to Conforama's equity value. As a result the Group has recognised a provision equal to 23.6% of Conforama's value from January 2015 until payment in December 2016.

The restatement resulted in an increase in net assets at 30 June 2015 of R1.9 billion.

1. RESTATEMENTS (continued)

1.2 Correction of prior period errors and disclosure deficiencies (continued)

1.2.3 Accounting for group or related entities (continued)

Critical judgements

The participation rights of Seifert in Conforama are part of ongoing lawsuits and are still subject to uncertainty. On the basis of information available and actions taken to date Management has concluded that a financial liability should be attributed to Seifert from the date of acquisition of Conforama up until December 2016 taking into consideration the following:

- the contribution made by Seifert in respect of the total purchase consideration of Conforama,
- the share purchase agreement implemented by the parties in 2014 that Seifert would receive a 23.6% interest in Conforama based on his contribution,
- the date of the squeeze out and therefore the settlement valuation, being January 2015 (as opposed to the date of payment in December 2016) as this is the date of cancellation of the partnership agreements where all rights attributable to Seifert would revert
- the payment made by the Group for Seifert's interest in December 2016, which was based on an independent valuation of an interest of 23.6%, which reduces the financial liability, which Seifert has recognised as a reduction in his loan receivable.

d) Brait

The Group acquired approximately 4.9% of the shareholding in Brait from 2014 to 2016. Previously the shares were measured at fair value with gains and losses on the shares being reported in profit or loss until the date on which the shares were recognised as being sold to Plum Tree, which is part of the Campion Group. Management has considered the outcome of the control assessments performed on the Campion Group and since the Group does not control the Campion Group, the accounting treatment of the underlying transactions involving the Brait shares and the sale to Plum Tree were reconsidered for both the appropriateness of the recognition of the fair value adjustments in profit or loss and the date on which control of the shares was transferred. The sale of the shares only occurred during the 2017 financial year and is a subsequent event.

Treatment of the fair value gains and losses on the shares:

IAS 39 contains certain requirements for an asset to be designated at fair value through profit or loss. There was insufficient evidence to meet the designation requirements for this category under IAS 39. The shares should therefore rather have been classified as "available-for-sale", with fair value gains and losses recognised in other comprehensive income until such time as the shares were disposed of.

e) BVI

Business Venture Investments 1449 (RF) Proprietary Limited ("BVI") was founded in 2011 by the senior management of Pepkor with the objective of enabling senior employees of Pepkor to share in the growth of the company over a long term by indirectly owning shares in Pepkor through the BVI structure. Pepkor 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 group guaranteed the RMB funding.

BVI shares not allocated to employees were taken up by a Pepkor company with the purpose of later allocating these shares to employees joining the scheme. The Group holds a 9% (2015: 3%) shareholding in BVI.

On 20 April 2015, following the acquisition of Pepkor by the Group, the Pepkor shares held by BVI were swapped for Steinhoff 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 employee as opposed to BVI having to sell Steinhoff shares to fund the settlement.

Previously, the investment in and loan receivable from BVI was recognised together as loans and receivables at amortised cost.

1. RESTATEMENTS (continued)

1.2 Correction of prior period errors and disclosure deficiencies (continued)

1.2.3 Accounting for group or related entities (continued)

Critical judgement

Consolidation of BVI

BVI was set up solely on behalf of the employee shareholders who would benefit from the growth of the Pepkor and later Steinhoff N.V. share value and allowed the employees the discretion of when to exit the structure. Since the Group's acquisition of Pepkor, 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 arising from the funding and guarantees provided.

Management have considered the date from which BVI should be consolidated by the Group and concluded this date to be during March 2015 when it acquired the Pepkor Group.

Upon consolidation, the Group recognised the Steinhoff shares held by BVI as an investment measured at fair value through other comprehensive income.

Management have limited financial information of BVI and therefore deemed the value of the Steinhoff N.V. shares to approximate the value of the BVI's capital raised and the funding procured.

During the 2016 period, BVI repurchased some of its own shares. These repurchases were funded through the disposal of Steinhoff N.V. shares and also with funding from Pepkor. The repurchase values were calculated by BVI with reference to the market value of the Steinhoff N.V. shares and the outstanding BVI debt. The difference between the repurchase price and the value of the Steinhoff N.V. shares recognised on consolidation, has been recognised directly in equity as the excess of the consideration paid to non-controlling interests.

Upon consolidation, any investment in BVI held by the Group and loans receivable from BVI have been eliminated. Dividends paid by BVI to employee shareholders have been recognised as dividends paid to non-controlling interest and dividends received from BVI by the Group were eliminated.

The impact of of the consolidation of BVI has led to an increase in net assets at 30 June 2015 of R2.8 billion. Non-controlling interest of R2.7 billion were recognised at 30 June 2015.

Share based payment expense related to BVI

Additionally, Management considered whether share-based payment expenses should have been recognised in respect of the structure. Management concluded that since the senior employees bought the shares at market value, the loans granted to the employees were full recourse loans granted at market related terms, and no vesting conditions were attached, no share-based payment expense should have been recognised.

f) Habufa

The Group recognised its 50% interest in Habufa (a Dutch furniture operation) as a subsidiary and consolidated its investment in the Habufa group recognising a 50% non-controlling interest. It was determined that the Group had joint rather than unilateral control of Habufa and therefore consolidation was inappropriate. Accordingly the interest in the Habufa group was incorrectly accounted for and should have been recognised as an investment in a joint venture and equity accounted.

The impact of consolidating Habufa has been reversed on a line by line basis and an equity accounted investment of R203 million was recognised as at 30 June 2015. The restatement led to a net reduction of total assets of R637 million and liabilities of R448 million as at 30 June 2015.

1. RESTATEMENTS (continued)

1.2 Correction of prior period errors and disclosure deficiencies (continued)

1.2.4 Contributions and cash equivalents

a) TG contributions

The Group joined a structure referred to as a “buying group” through its involvement with TG in June 2014, whereby volume rebates were purported to be negotiated and collected by TG for the Group as well as other third parties. The Group issued invoices to TG related to the sharing of retail concepts and best practice, re-imbursement of fixed costs, volume rebates and marketing support (collectively referred to as “contributions”) and recognised the invoiced amounts either as revenue, other income or cost reductions.

Critical judgement

TG did not in fact negotiate or collect contributions from third parties on behalf of the Group. Payments received in respect of the amounts owing by TG were received from entities within the Group i.e. there were no external cash flows into the Group. Management therefore concluded that there was no substance to the income or reduction in costs recognised by the Group.

Management therefore reversed all the contributions received. The restatement resulted in a decrease in net assets at 30 June 2015 of R11.5 billion.

b) Cash and cash equivalents

The amounts outstanding from TG and the Talgarth Group (refer to note 1.2.2b) "Know how transactions") were periodically presented as cash and cash equivalents, instead of a receivable owed by third parties. These reclassifications had been made on the basis that entities in the Group entered into bills of exchange (also referred to as Wechsels) with the parties owing such amounts. Had the receivables been valid, it would not have been appropriate to reclassify these balances as cash and cash equivalents as neither the derecognition criteria for receivables, per the requirements of IAS 39, nor the definition of cash and cash equivalents, IAS 7 Statement of Cash Flows ("IAS 7"), had been satisfied.

Cash and cash equivalents were overstated by R31.4 billion at 30 June 2015. The impact of the restatements to cash and cash equivalents on the net asset is included in the reversal of contributions and transactions related to Know-how.

1.2.5 Share transactions

a) Top Global

In March 2011 the Group acquired a 99.98% interest in Conforama for R11 billion to be settled in cash and the issue of 131.9 million Steinhoff shares. The seller renounced its rights to the Steinhoff shares to a third party, for cash.

Consequently Aureum, a wholly-owned subsidiary of Top Global, a subsidiary of the Talgarth Group, acquired the 131.9 million Steinhoff shares for R2.9 billion. This was funded by the Group by means of a loan to Top Global.

1. RESTATEMENTS (continued)

1.2 Correction of prior period errors and disclosure deficiencies (continued)

1.2.5 Share transactions (continued)

Critical judgements

Management assumed that the repayment of the loan to Top Global was dependent on the performance of the underlying Steinhoff shares as these seemed to be the only significant assets held by Aureum. The Group was therefore exposed to negative returns from Top Global in respect of the funding it had provided, and Top Global was exposed to the possible upside to the extent the value of the Steinhoff shares exceeded the funding provided by the Group. In substance, such a structure is akin to the Group having issued a call option on its own shares. A share-based payment expense should therefore have been recognised in the period ending 30 June 2012. Accordingly, the shares held by Top Global should have been recognised as treasury shares until such time as the loan was repaid by exercising the in-substance option. As at 30 June 2015 Top Global had made a number of payments to the Group which management has allocated to the initial loan advance. As such there is no impact to the closing balance on 30 June 2015 as the option is considered to be exercised resulting from the majority settlement of the loan. This is because the share-based payment expenses recognised in retained income would have been offset by the amounts transferred from the share-based payment reserve when the options were deemed to be exercised.

Additional loan advances, unrelated to the original share purchase transaction, were made to Top Global by the Group and recognised as loan receivables, together with interest thereon. Management has concluded the receivable balance as at 30 June 2015 was irrecoverable due to an inability to enforce repayment and an absence of guarantees.

The restatement resulted in a decrease in net assets at 30 June 2015 of R3 billion.

It is not clear as to the purpose and design of Top Global, although it appears the structure was used to facilitate the purchase and sale of Steinhoff shares in addition to having been used to facilitate other transactions in the Group, although it could have extended beyond transactions with the Group. The Group remains exposed to variable returns as a result of loans granted. Despite indicators of control, no conclusive information exists to confirm that Steinhoff in fact controlled Top Global. The Group has accounted for the transactions it entered into with Top Global in order to reflect the substance of the underlying transactions and the Group's exposure.

b) Triton

Triton B is 100% owned by Top Global. As part of the investigation a number of transactions were identified between the Group and Triton B, amongst others:

- Steinhoff N.V. issued 120 million shares to Triton B for R5.2 billion during the 2014 financial year, which was funded by the Group.
- Standard Bank provided a loan to Triton B of R2.2 billion, using 50 million Steinhoff shares as security.
- Standard Bank entered into a monetised collar with Triton B for these 50 million Steinhoff shares whereby Triton B would achieve price protection by selling a call option and buying a put option, in exchange Triton B ceded its rights to dividends on the Steinhoff shares over the contract term.

Critical judgements

Repayment of the loan provided by the Group for the purchase of Steinhoff shares by Triton B was dependent on the performance of the underlying shares. The Group was therefore exposed to negative returns from Triton B, whereas the third party shareholders of Triton B were only exposed to possible upside to the extent that the value of the Steinhoff shares exceeded the funding provided by the Group. In substance, such a structure is akin to the Group issuing a call option on its own shares, and an equity-settled share-based payment expense should therefore have been recognised in the 2014 financial period. In addition, the shares held by Triton B should have remained recognised as treasury shares until such time as the loan was repaid. As at 30 June 2015, Triton B has substantially settled the loan through repayments or cessions. As such there is no impact to the 30 June 2015 balance sheet as the option is considered to be exercised resulting from the majority settlement of the loan. This is because the share-based payment expenses recognised in retained income would have been offset by the amounts transferred from the share-based payment reserve when the options were deemed to be exercised.

Management considered whether the Group controlled Triton B. It appears as though Triton B was used to facilitate certain transactions with the Group, although there remains uncertainty with respect to its relevant activities. The Group is exposed to variable returns as a result of funding provided. No further information exists to provide conclusive evidence that the Group controls Triton B. In addition, Management does not have access to financial information of Triton B for purposes of consolidation. The Group has accounted for the transactions entered into with Triton B in order to reflect the substance of underlying transactions and the Group's exposure.

1. RESTATEMENTS (continued)

1.2 Correction of prior period errors and disclosure deficiencies (continued)

1.2.6 Consequential effects of alleged accounting irregularities

Goodwill and brand impairment

The various restatements led to forecast information used in determining the recoverable amounts of cash generating units for purposes of goodwill and brand impairment testing being revised to reflect the capabilities of operations at that time. The Group has also revised the weighted average cost of capital ("WACC") rates in line with the revised risk profile and size of the Group to reflect market participants risk appetite for businesses in the Group based on their restated results. Since such impairments result from the restatements, the impairment testing has been rolled back to earlier years reflecting the state of affairs of the Group at such points in time.

The Group reassessed the appropriateness of its CGUs with reference to the restated reporting segments. Where goodwill was reallocated to CGUs with different functional currencies, translation of such goodwill resulted in adjustments to the foreign currency translation reserve.

Conforama's goodwill and brands suffered the most material impairments. Conforama's goodwill and brands were valued using a pre-tax discount rate of 10%, a 6% medium-term growth rate and a 1% long-term growth rate. A pre-tax royalty rate of 1% was applied. This led to a goodwill impairment of R10.8 billion and a brand impairment of R10.5 billion for Conforama at 30 June 2015.

Other impairment of goodwill related primarily to United Kingdom household goods and Australasia household goods. Goodwill was impaired by R16.3 billion in total as at 30 June 2015.

Cumulative other impairments to brands and trademarks were primarily due to United Kingdom household goods and Lipo, and, together with Conforama, totalled R17.6 billion at 30 June 2015.

Reclassifications

Classification of debt as current

As a result of the prior year restatements and various cross-guarantees entered into between Group companies, the Group was in technical breach of covenants, more specifically its net debt to EBITDA ratio and net interest cover ratio and the issuance of financial statements. The covenant breaches result in the loans being immediately payable and the restated prior year's positions reflect these loans as current liabilities, since the covenants have been recalculated taking into account the restatements.

Netting of deferred tax

Deferred tax assets and deferred tax liabilities have been offset in the statement of financial position where the entity has the legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority on the same entity or different entities that intend to realise the asset and settle the liability at the same time. This resulted in a reclassification between deferred tax liabilities and deferred tax assets of R570 million as at 30 June 2015, decreasing deferred tax liabilities and increasing deferred tax assets by the same amount in each period.

Measurement of Preference Shares issued by the Group

Accrued dividends relating to preference shares classified as equity has been presented as part of the profit or loss attributable to non-controlling interests in the period to which the accrual relates, regardless if these dividends have been declared. Any preference dividends actually paid have been presented as dividends paid to non-controlling interests.

The impact of accruing unpaid and/or undeclared preference dividends at 30 June 2015 resulted in an increase to non-controlling interests of R60 million and an increase in accumulated profit attributable to preference shareholders of R57 million.

Taxation

The tax positions of the single entities impacted by the restatements are still uncertain and detailed analyses are being performed in various jurisdictions to determine the correct taxation treatment to be afforded to each transaction, including those where fictitious income had previously been included in taxable income and fictitious expenses were deducted from taxable income. There are complexities arising in respect of tax treatment and there remains a fair degree of uncertainty relating to the estimation of the taxation expense and deferred tax balances. Management have recognised the tax implications on latest available information and best estimates.

1. RESTATEMENTS (continued)

1.2 Correction of prior period errors and disclosure deficiencies (continued)

1.2.6 Consequential effects of alleged accounting irregularities (continued)

Foreign Currency Translation Reserve ("FCTR")

The foreign currency impacts of all restatements on translation of foreign subsidiaries were considered and corrected where these were identified.

A full recalculation of the reserve was not performed. Any further uncorrected translation differences would result in a reclassification between retained earning and the FCTR in equity. On disposal of a business, the relevant FCTR should be reclassified to profit or loss on disposal. As such the FCTR could have an impact on future disposal profits or losses.

Share based payments

The Group's approved long term share incentive scheme (the "ESRS") had unvested grants relating to the 2014, 2016 and 2017 financial years. No new grant was made during 2018. The Steinhoff N.V. Remuneration Committee would set and monitor the achievement of the performance targets (non-market conditions) in order for the ESRS to vest ("vesting criteria"). Given the material restatements to prior periods, the Remuneration Committee would have to apply significant discretion to approve the vesting of open grants in achieving the performance targets. Given all the uncertainty regarding the achievement of the vesting criteria, management concluded it would therefore be highly unlikely that the open grants would vest.

Management therefore revised its estimates of the number of shares likely to vest, based on all the available financial information, and considers all open grants at each year end highly unlikely to vest. Management therefore reversed the IFRS 2 expense for all open grants for all financial years.

The reversal resulted in a decrease in the Share scheme settlement provision of R114 million at 30 June 2015.

Critical estimate

Management estimated that none of the outstanding awards would vest given the outlook on the performance conditions taking into consideration the restatements.

1.2.7 Disclosure deficiencies

a) Continuing involvement with the JD Financial Services Loan Book

In 2016 the Group sold its JD Financial Services business, including its Loan Book, together with certain insurance operations to Wands, a subsidiary of Fulcrum SA (together the "Purchaser"). Fulcrum SA is a subsidiary of Fulcrum FS, a subsidiary of Campion Capital. The Group provided unsecured funding to Fulcrum which management believe was used to fund the acquisition. Since all claims against this Loan Book were ceded to the Purchaser, the Group derecognised the Loan Book and recognised a loan receivable from the Purchaser.

Critical judgements

It appears as if the Group was instrumental in setting up the structure to facilitate the sale of the Loan Book and insurance operations and that certain key management of the Group did have some form of special relationship with the Campion Group. The Group also remains exposed to variable returns as a result of the loans granted and a profit share arrangement entered into with a subsidiary of Wands. However, no conclusive information exists to confirm that the Group in fact controlled either the Campion Group, Fulcrum or Wands, since these entities also appear to be involved in other business operations (via their own management) and funding transactions unrelated to the Group.

In addition, Management does not have access to sufficient financial information to allow the Group to consolidate either Fulcrum SA, Fulcrum FS or Wands.

The Pepkor Group is not impacted by these findings as the exposure to variable returns is outside the Pepkor Group.

Previously the disposal of the JD Financial Services business was treated as disposal of a business in terms of IAS 27: *Separate Financial Statements.* Based on new facts management now believe this was a disposal of a business and also the disposal of a Loan Book.

1. RESTATEMENTS (continued)

1.2 Correction of prior period errors and disclosure deficiencies (continued)

1.2.7 Disclosure deficiencies (continued)

Management reassessed the accounting for the derecognition of the Loan Book and determined that it did not meet all the derecognition criteria of a financial asset in terms of IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") due to the Group's continuing involvement in the Loan Book through certain pre-emptive, servicing and profit sharing rights. As the Group provided funding to the Purchaser, it retained some degree of risk associated with the Loan Book sold, since amounts not recovered on the Loan Book could lead to non-payment of the loan by the Purchaser (to the extent that such losses are not absorbed by the other operations of the Purchaser). Therefore since the Group retained some element of control (as defined in IAS 39) over the Loan Book, it should continue to recognise the Loan Book to the extent of the Group's continuing involvement in the Loan Book.

As there is no specific guidance in IAS 39 on how to apply continuing involvement accounting in these circumstances, Management has determined that the outstanding balance on the loan receivable from the Purchaser best reflects the amount of continuing involvement that the Group has in the Loan Book, as this represents the maximum exposure that the Group has to the Loan Book that was initially sold. Consequently, the impairment assessment of this balance has been revised based on a look-through principle, considering the provisions/write-offs on the Loan Book as well as the potential of the other operations of the Purchaser to contribute to the settlement of the loan.

As the Group did not achieve derecognition of the financial asset, discontinued operations presented in the 2015 financial year have been represented as part of continuing operations. The impact of this is not considered material to the Group and have been grouped with the adjustments relating to discontinued operations in note 2.

As at 30 June 2015, the Group presented the JD Financial Services business (excluding the insurance businesses) as held for sale on the statement of financial position. No adjustments are made to the presentation as held for sale as a deal had been concluded with BNP Paribas, an external third party, for which Competition Commission approval had been obtained. Certain conditions imposed by the Competition Commission could not be fulfilled and the deal with BNP Paribas was cancelled during 2016 and replaced by the disposal to the Campion Group.

b) Related and affiliated party disclosures

Refer to notes 30 and 31 for disclosures regarding affiliated and related parties.

1. RESTATEMENTS (continued)

IMPACT OF THE RESTATEMENTS ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

Rm	Previously reported 30 June 2015	Initial accounting for business combination Note 1.1	Property transactions Note 1.2.1	Intangible asset transactions Note 1.2.2	Accounting for Group or related entities Note 1.2.3	Contributions and 'cash equivalents' Note 1.2.4	Share transactions Note 1.2.5	Consequential effects of alleged accounting irregularities Note 1.2.6	Restated 30 June 2015
ASSETS									
Non-current assets									
Goodwill	**80 822**	318	-	-	(8 649)	-	-	(23 943)	**48 548**
Intangible assets	**54 570**	-	-	(7 216)	487	-	-	(18 221)	**29 620**
Property, plant and equipment	**57 316**	(53)	(5 509)	(11 122)	2 892	-	-	392	**43 916**
Investment property	**978**	-	-	-	-	-	-	339	**1 317**
Investments in equity accounted companies	**12 491**	-	-	-	202	-	-	-	**12 693**
Investments and loans	**6 931**	-	-	(4 747)	3 388	-	-	-	**5 572**
Deferred taxation assets	**2 660**	-	-	-	(155)	-	-	579	**3 084**
Trade and other receivables	**150**	-	-	-	-	-	-	-	**150**
Intergroup loans and receivables	**936**	-	-	-	-	-	-	(936)	**-**
	216 854	265	(5 509)	(23 085)	(1 835)	-	-	(41 790)	**144 900**
Current assets									
Inventories and vehicle rental fleet	**26 394**	(116)	-	-	2 096	-	-	(743)	**27 631**
Trade and other receivables	**18 208**	-	-	(1 373)	607	(6 353)	-	(434)	**10 655**
Intergroup loans and receivables	**49**	-	-	-	138	-	-	(139)	**48**
Investments and loans	**8 905**	-	-	(530)	(2 400)	-	(2 974)	-	**3 001**
Cash and cash equivalents	**37 905**	-	-	(26 268)	482	(5 109)	-	-	**7 010**
	91 461	(116)	-	(28 171)	923	(11 462)	(2 974)	(1 316)	**48 345**
Assets and disposal groups held for sale	**3 364**	-	-	-	-	-	-	-	**3 364**
Total assets	**311 679**	149	(5 509)	(51 256)	(912)	(11 462)	(2 974)	(43 106)	**196 609**
EQUITY AND LIABILITIES									
Capital and reserves									
Ordinary share capital and premium	**78 279**	-	-	-	-	-	-	-	**78 279**
Other reserves	**6 036**	(5)	(52)	21	555	-	-	1 694	**8 249**
Retained income/(accumulated loss)	**51 203**	19	(5 457)	(55 685)	(6 252)	(11 462)	(2 974)	(40 887)	**(71 495)**
Total equity attributable to ordinary shareholders of Steinhoff Investments	**135 518**	14	(5 509)	(55 664)	(5 697)	(11 462)	(2 974)	(39 193)	**15 033**
Preference share capital and premium	**5 013**	-	-	-	-	-	-	-	**5 013**
Accumulated profit attributable to preference shareholders	**-**	-	-	-	-	-	-	57	**57**
Non-controlling interests	**1 087**	-	-	-	6 461	-	-	61	**7 609**
Total equity	**141 618**	14	(5 509)	(55 664)	764	(11 462)	(2 974)	(39 075)	**27 712**
Non-current liabilities									
Interest-bearing loans and borrowings	**56 344**	-	-	-	3 136	-	-	(59 480)	**-**
Employee benefits	**1 061**	-	-	-	819	-	-	-	**1 880**
Deferred taxation liabilities	**13 609**	93	-	-	814	-	-	(3 817)	**10 699**
Provisions	**2 927**	-	-	-	115	-	-	161	**3 203**
Trade and other payables	**920**	-	-	-	143	-	-	(94)	**969**
Intergroup loans and payables	**12 342**	-	-	-	-	-	-	(937)	**11 405**
	87 203	93	-	-	5 027	-	-	(64 167)	**28 156**
Current liabilities									
Trade and other payables	**46 360**	42	-	4 408	(10 064)	-	-	935	**41 681**
Intergroup loans and payables	**25 022**	-	-	-	104	-	-	(104)	**25 022**
Employee benefits	**1 166**	-	-	-	210	-	-	-	**1 376**
Provisions	**1 287**	-	-	-	2 243	-	-	44	**3 574**
Interest-bearing loans and borrowings	**7 711**	-	-	-	804	-	-	59 375	**67 890**
Share scheme settlement provision	**1 306**	-	-	-	-	-	-	(114)	**1 192**
	82 852	42	-	4 408	(6 703)	-	-	60 136	**140 735**
Liabilities and disposal groups held for sale	**6**	-	-	-	-	-	-	-	**6**
Total equity and liabilities	**311 679**	149	(5 509)	(51 256)	(912)	(11 462)	(2 974)	(43 106)	**196 609**

1. RESTATEMENTS (continued)

IMPACT OF THE RESTATEMENTS ON THE CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2015

Rm	Previously reported Twelve months ended 30 June 2015	Impact of restatements on cash flow	Restated Twelve months ended 30 June 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	**25 163**	(114)	**25 049**
Net movement in instalment sale and loan receivables	**(218)**	218	**-**
Dividends received	**205**	-	**205**
Ordinary dividends paid	**(50)**	2	**(48)**
Preference dividends paid	**(332)**	-	**(332)**
Interest received	**2 140**	-	**2 140**
Interest paid	**(3 575)**	-	**(3 575)**
Taxation paid	**(1 039)**	8	**(1 031)**
Net cash inflow from operating activities	**22 294**	114	**22 408**
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	**(4 679)**	(117)	**(4 796)**
Additions to intangible assets	**(258)**	-	**(258)**
Proceeds on disposal of property, plant and equipment and intangible assets	**213**	-	**213**
Acquisition of subsidiaries and businesses, net of cash on hand at acquisition	**(13 366)**	-	**(13 366)**
Disposal of businesses	**-**	-	**-**
Net movement in investments and loans	**(2 870)**	-	**(2 870)**
Net increase in investments in equity accounted companies	**(261)**	-	**(261)**
Net cash outflow from investing activities	**(21 221)**	(117)	**(21 338)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of preference shares issued	**2 000**	-	**2 000**
Preference shares redeemed	**(499)**	(1)	**(500)**
Share issue expenses	**(15)**	-	**(15)**
Transactions with non-controlling interests	**(103)**	-	**(103)**
Decrease in bank overdrafts and short-term facilities	**(1 100)**	-	**(1 100)**
Net movement in borrowings	**6 196**	1	**6 197**
Net movement in intergroup loans	**15 240**	-	**15 240**
Net cash inflow from financing activities	**21 719**	-	**21 719**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**22 792**	(3)	**22 789**
Effects of exchange rate translations on cash and cash equivalents	**(1 228)**	3	**(1 225)**
Cash and cash equivalents at beginning of the year	**16 341**		**16 341**
Impact of the restatements on the cash and cash equivalents balances:			
Intangible asset transactions (note 1.2.2)	**-**	(26 268)	**(26 268)**
Accounting for group and related entities (note 1.2.3)	**-**	482	**482**
Contributions and cash equivalents (note 1.2.4)	**-**	(5 109)	**(5 109)**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**37 905**	(30 895)	**7 010**
	-	-	**-**

2. DISCONTINUED OPERATIONS

Reclassification of operations previously disclosed as discontinued

In the consolidated financial statements for the period ended 30 June 2015, the JD Financial Services business was disclosed as a discontinued operation.

Management have since reassessed the disposal of the JD Financial Services division and concluded that the Group did not achieve the derecognition criteria and as such the business should not have been disclosed as a discontinued operation. Refer to note 1.2.7 for more detail.

The assets and liabilities of JD Financial Services continued to be recognised as held for sale.

Disposals during the Reporting Period

SFHG Group

On 1 April 2016, Steinhoff Investments distributed its shares in SFHG to Steinhoff N.V. This resulted in Steinhoff Investments derecognising its investment in SFHG from this date.

The SFHG group represents both a separate major line of business and geographical area and was therefore classified as a discontinued operation.

Pepkor Australia

The investment in Pepkor Australia was disposed of as part of a group restructuring to the SFHG group effective 1 July 2016.

Pepkor Australia represents a separate geographical area and is therefore classified as a discontinued operation.

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 June 2015 and 30 September 2016, as required by IFRS. Comparative information has been restated accordingly.

The above disposals/intergroup restructures meets the definition of common control transactions as ultimate control of the entities remain with Steinhoff N.V. before and after the restructures. IFRS does not provide guidance on the accounting for common control transactions. In the absence of specific guidance, the Group has elected an accounting policy which is applied throughout the Steinhoff N.V. group.

When accounting for a transfer of assets or exchange of shares between entities under common control, the entity that receives the net assets or the equity interests shall initially measure the recognised assets and liabilities transferred at their carrying amounts in the accounts of the transferring entity at the date of transfer. There is no change in basis for the net assets received because there is no change in control over the net asset or equity interests from the parent's perspective. A difference between any proceeds transferred and the carrying amounts of the net assets received is recognised in equity.

For the disposals above, the Group has recognised the gain/loss on disposal as a capital contribution in retained earnings.

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.

2. DISCONTINUED OPERATIONS (continued)

2.1. ADJUSTMENT OF THE PRIOR PERIOD STATEMENT OF PROFIT OR LOSS FOR DISCONTINUED OPERATIONS

	Twelve months ended 30 June 2015			
	Previously reported Rm	Adjustment for operations no longer discontinued Rm	Adjusted for new discontinued operations Rm	Continuing operations Rm
Revenue	134 868	2 099	(93 522)	43 445
Cost of sales	(86 541)	-	56 736	(29 805)
Gross profit	48 327	2 099	(36 786)	13 640
Other income	3 419	-	1 168	4 587
Distribution expenses	(7 429)	-	7 429	-
Administration expenses	(30 506)	(4 236)	19 499	(15 243)
Net other (expenses)/income[1]	2 523	(233)	107	2 397
Operating profit	16 334	(2 370)	(8 583)	5 381
Finance costs	(4 216)	(95)	2 996	(1 315)
Income from investments	2 258	3	(1 692)	569
Share of loss of equity accounted companies	569	-	(181)	388
Impairment of equity accounted companies[2]	(10)	-	-	(10)
Profit before taxation	14 935	(2 462)	(7 460)	5 013
Taxation	(1 343)	322	793	(228)
Profit from continuing operations	13 592	(2 140)	(6 667)	4 785
Loss from discontinued operations	(2 140)	2 140	6 667	6 667
Profit for the period	11 452	-	-	11 452
Profit from continuing operations attributable to:				
Ordinary shareholders of Steinhoff Investments	13 501	(1 821)	(6 620)	5 060
Non-controlling interests	91	(319)	(47)	(275)
Loss for the period	13 592	(2 140)	(6 667)	4 785

[1] Includes Loss on disposal previously reflected as a separate line item, the related tax impact is now also grouped with total taxation.

[2] Impairment of equity accounted companies of R10m was shown as part of the Net other (expenses)/income line on the 2015 signed consolidated annual financial statements.

2. DISCONTINUED OPERATIONS (continued)

2.2. STATEMENT OF PROFIT OR LOSS FOR DISCONTINUED OPERATIONS

	Notes	Fifteen months ended 30 September 2016 Rm	Twelve months ended 30 June 2015 Rm
Revenue		105 098	93 522
Cost of sales		(59 584)	(56 736)
Gross profit		45 514	36 786
Other income		1 207	(1 168)
Distribution expenses		(3 528)	(7 429)
Administration expenses		(33 580)	(19 499)
Net other (expenses)/income		2 071	(107)
Impairments	2.2.1	(595)	(35)
Gain/(loss) on disposal of property, plant and equipment and intangible assets	2.2.2	5	(72)
Foreign currency translation reserve recycled to profit or loss	2.4	(1 512)	-
Fair value and cash flow hedge reserve recycled to profit or loss	2.4	4 173	-
Operating profit		11 684	8 583
Finance costs		(2 320)	(2 996)
Income from investments		367	1 692
Share of profit of equity accounted companies		54	181
Profit before taxation		9 785	7 460
Taxation		(1 686)	(793)
Profit for the period		8 099	6 667
Profit from discontinued operations attributable to:			
Ordinary shareholders of Steinhoff Investments		7 842	6 620
Non-controlling interests		257	47
Profit for the period		8 099	6 667

2.2.1 Impairment

Goodwill	(104)	(22)
Intangible assets	(195)	(4)
Property, plant and equipment	(17)	(9)
Other	(279)	-
	(595)	(35)

2.2.2 Gain/(loss) on disposal of property, plant and equipment and intangible assets	5	(72)

2. DISCONTINUED OPERATIONS (continued)

2.3 PRESENTATION OF DISCONTINUED OPERATIONS IN THE STATEMENT OF CASH FLOWS

	Fifteen months ended 30 September 2016 Rm	Twelve months ended 30 June 2015 Rm
Cash flows from discontinued operations		
Net cash inflow from operating activities	25 325	14 513
Net cash outflow from investing activities	(17 477)	(5 083)
Net cash (outflow)/inflow from financing activities	(859)	10 303
Net cash inflow	6 989	19 733

2.4 DETAILS OF THE DISPOSAL OF SUBSIDIARIES CLASSIFIED AS DISCONTINUED OPERATIONS

	SFHG Rm	Pepkor Australia Rm	Total Rm
Total disposal consideration	-	-	-
Carrying amount net of assets and liabilities sold	51 291	(1 748)	49 543
Capital contribution to holding company on intergroup restructure	51 291	(1 748)	49 543
Reclassification of cash flow hedge reserve and fair value reserve	4 173	-	4 173
Reclassification of FCTR	(1 512)	-	(1 512)
Total gain/(loss) on intergroup restructure	53 952	(1 748)	52 204

2.5 SEGMENTAL INFORMATION RELATING TO DISCONTINUED OPERATIONS

Segmental revenue from discontinued operations

	Fifteen months ended 30 September 2016 Rm	Twelve months ended 30 June 2015 Rm
Household goods	95 303	91 240
General Merchandise	9 795	2 282
Net external revenue from discontinued operations*	105 098	93 522

** Revenue between discontinued operations have been eliminated*

Operating profit adjusted for material items ("EBIT")

Segment performance is measured on discontinued operations' operating profit before net other (expenses)/income and represents segment revenue less segment expenses, excluding net other (expenses)/income.

	Fifteen months ended 30 September 2016 Rm	Twelve months ended 30 June 2015 Rm
EBIT reconciles to the operating profit per statement of profit or loss from discontinued operations as follows:		
Operating profit from discontinued operations	11 684	8 583
Other material expenses	(2 071)	107
EBIT per segment reporting from discontinued operations	9 613	8 690
Household goods	9 559	8 560
General Merchandise	54	130
EBIT from discontinued operations as presented	9 613	8 690

2. DISCONTINUED OPERATIONS (continued)

2.6 ASSETS/(LIABILITIES) AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

The JD Group Financial Services division (including its insurance operations) was sold to Wands Investments Proprietary Limited, an entity regarded as an affiliated party to the Group, effective 1 January 2016.

The carrying amount of total assets held for sale carried on the statement of financial position as at 30 June 2015:

	30 June 2015 Rm
Assets	
Intangible assets	252
Property, plant and equipment	14
Trade and other receivables (including instalment sale and loan receivables)	4 140
	4 406
Impairment of disposal group	(1 042)
	3 364
Liabilities	
Employee benefits	(6)
	(6)
Net assets and disposal groups classified as held for sale	3 358

3. SEGMENT INFORMATION

The Group determined the board of directors to be the chief operating decision-maker ("**CODM**") for all periods under review. The board of directors, however, do not work in isolation and do not make significant business decision regarding the Steinhoff Investments group on their own. The board is therefore seen as an extension of the Steinhoff N.V. management board as they also formed part of the executive committee of the Steinhoff N.V. group.

The Group discloses its operating segments according to the entity components regularly reviewed by the CODM. The components comprise various operating segments located globally. The revenue and non-current assets are further disclosed within the geographical areas in which the Group operates. Segmental information is prepared in conformity with the measure that is reported to the CODM. These values have been reconciled to the consolidated financial statements. The measures reported by the Group are in accordance with the accounting policies adopted for preparing and presenting the consolidated financial statements.

Household goods

Household goods

Revenue in this segment is derived through retailing furniture, beds, related homeware and household products in continental Europe, the United Kingdom, Africa and the Pacific Rim. This segment incorporates all the retail operations of Steinhoff Retail and Conforama in the European Union, Steinhoff UK Holdings in the United Kingdom, Steinhoff Asia Pacific and JD Group in Africa.

Integrated supply chain

In continental Europe, revenue is generated from manufactured and imported/sourced household goods and related homeware. Revenue also includes the importing operations in the Netherlands, the manufacturing and sourcing operations in Germany, the low-cost manufacturing operations in Hungary and Poland, and the manufacturing of household goods and automotive products in the United Kingdom, while in the Pacific Rim revenue is derived from the manufacturing operations in Australia and sourcing from the East.

This segment includes the specialised distribution and warehousing services delivered to the group and external parties through our distribution and warehouse companies situated in continental Europe, the United Kingdom and the Pacific Rim.

The Group's various global corporate offices provide strategic direction and services to the decentralised operations globally, adding value through identifying and implementing our various strategies across the globe. Activities include managing of our own brands and trademarks, all group treasury-related income in various currencies, volume rebates, trade commissions, fee income, discounts and similar activities.

Properties

Revenue is derived from property rental income from internal and external customers through properties held by Steinhoff Properties and Hemisphere.

General merchandise

Revenue in Pepkor is derived from a portfolio of retail chains focused on the discount and value segments and selling predominantly clothing, footwear, textiles, cell phones and airtime.

Automotive

Unitrans Automotive offers a broad range of new and pre-owned vehicles, parts, insurance, accessories and servicing, complemented by the Hertz car rental division.

3. SEGMENT INFORMATION (continued)

Measures reported to the CODM

Revenue

Segment revenue excludes value added taxation. Intersegment revenue is eliminated in the segment from which it was sold.

Refer to note 2 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

	Fifteen months ended 30 September 2016 Rm	Restated[1] Twelve months ended 30 June 2015 Rm
Household goods	17 623	15 554
General Merchandise	57 780	9 918
Automotive	24 445	17 973
	99 848	43 445

Revenues from external customers - by geography

	Fifteen months ended 30 September 2016 Rm	Restated[1] Twelve months ended 30 June 2015 Rm
The Company is domiciled in South Africa. The Group is a global retailer and operates within many geographies, however with the disposal of the Europe group the majority of the operations outside Africa now forms part of discontinued operations. The amount of its revenue from external customers is presented below based on the geographies that contribute materially to the Group's revenue.		
Africa	**86 814**	41 997
Europe (incl. UK)	**13 034**	1 448
	99 848	43 445

[1] *Refer to note 1 for details regarding the restatement of comparative numbers.*

3. SEGMENT INFORMATION (continued)

Operating performance measures - from continuing operations

The Group's share of equity accounted earnings, finance expenses, 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 adjusted for material items ("EBIT")

Segment performance is measured on continuing operations' operating profit before net other income/(expenses) and represents segment revenue less segment expenses, excluding net other income/(expenses) included in note 5.2.

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

Refer to note 2 for the accounting policy on the elimination of intercompany transactions between continuing and discontinued operations.

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

	Notes	Fifteen months ended 30 September 2016 Rm	Restated[1] Twelve months ended 30 June 2015 Rm
Operating profit per statement of profit or loss		**9 298**	5 381
Other material expenses	5.2	**(3 870)**	(2 397)
EBIT per segment reporting		**5 428**	2 984
EBIT per segment:			
Household goods		**(2 286)**	933
General Merchandise		**6 932**	1 515
Automotive		**782**	536
		5 428	2 984

[1] *Refer to note 1 for details regarding the restatement of comparative numbers.*

3. SEGMENT INFORMATION (continued)

Segmental assets

Segmental assets are measured in the same way as in the financial statements. 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.

Debt is primarily raised through certain Group companies that function as treasury companies for the group. Debt clusters are not consistent with reportable segments. The purpose of 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.

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

	Notes	30 September 2016 Rm	Restated[1] 30 June 2015 Rm
Total assets per statement of financial position		**143 517**	196 609
Less: Cash and cash equivalents		**(6 581)**	(7 010)
Less: Investments in equity accounted companies		**(19 269)**	(12 693)
Less: Long-term investments and loans		**(6 437)**	(5 572)
Less: Short-term investments and loans		**(2 942)**	(3 001)
Less: Intergroup loan and receivables		**(5 938)**	(48)
Less: Assets held-for-sale		**-**	(3 364)
Segmental assets		**102 350**	164 921
Segmental assets:			
Household goods*		**13 543**	69 730
General Merchandise		**82 939**	82 338
Automotive		**5 868**	12 853
		102 350	164 921

* Significant decrease in the Household goods segment as a result of the disposal of the SFHG group.

[1] *Refer to note 1 for details regarding the restatement of comparative numbers.*

3. SEGMENT INFORMATION (continued)

Segmental non-current assets

The Group operates in a number of countries and the total non-current assets are presented on a geographical aggregation basis which is representative of the various factors taken into consideration when allocating resources as well as factors impacting impairment testing such as WACC, peer groups and operating environments.

The total of non-current assets other than financial instruments and deferred taxation assets is presented based on the geographies that materially contribute to the Group's non-current assets.

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

	Notes	30 September 2016 Rm	Restated[1] 30 June 2015 Rm
Total non-current assets per statement of financial position		**107 963**	144 900
Less: Deferred taxation assets		**(2 912)**	(3 084)
Less: Long-term investments and loans (financial assets)		**(6 437)**	(5 572)
Less: Derivative financial instruments		**(67)**	(133)
Segmental non-current assets		**98 547**	136 111
Segmental non-current assets			
Africa		**81 866**	72 824
Australia*		**-**	3 691
Europe (including the United Kingdom)*		**16 681**	59 596
		98 547	136 111

* The SFHG group and Pepkor Australia business was disposed of during the 2016 Reporting Period resulting in a significant decrease in both the European and Australian assets.

[1] *Refer to note 1 for details regarding the restatement of comparative numbers.*

4. REVENUE

	Notes	Fifteen months ended 30 September 2016 Rm	Restated[1] Twelve months ended 30 June 2015 Rm
Total revenue from continuing operations		**99 848**	43 445

[1] *Refer to note 2 for details regarding the restatement of comparative numbers as a result of classifying certain businesses as discontinued.*

ACCOUNTING POLICY

Recognising revenue from major business activities

Revenue comprises the fair value of 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.

If it is probable that discounts will be granted and the amount can be measured reliably, the discount is recognised as a reduction of revenue when the sales are recognised.

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 an 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.

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

Merchandise sales

The Group operates retail stores selling general merchandise and household goods. Sales are recognised at point of sale or upon delivery of products and customer acceptance i.e. when the significant risks and rewards of ownership have been transferred to the buyer.

Vehicle, part and service sales and vehicle rental

The Group operates vehicle dealerships throughout Southern Africa selling new and used vehicles and offering after sales service. The Group also operates various vehicle rental sites through Southern Africa. Sales of vehicles and parts are recognised upon customer acceptance i.e. when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from vehicle rentals from partially completed rentals over a period end is based on percentage of completion method for contracts, determined in reference to the uninvoiced number of days at the average rate per day.

Financial services revenue

Financial services revenue comprise mainly commissions on financial services and cash transfer services and finance income. Revenue from services is recognised in the period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided (percentage of completion method).

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

	Notes	Fifteen months ended 30 September 2016 Rm	Restated[1] Twelve months ended 30 June 2015 Rm
5.1 OTHER INCOME			
The material items included in other income relate mainly to commissions received on ancillary services provided by the Automotive segment and Pepkor.			
5.2 NET OTHER (INCOME)/EXPENSES			
The Steinhoff Investments Group has identified a number of material items 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 Steinhoff Investments Group.			
5.2.1 Impairment			
Goodwill	9	**(26)**	801
Intangible assets	9	**383**	49
Property, plant and equipment	10	**180**	1
Other		**143**	(65)
		680	786
5.2.2 Impairment/(reversal of impairment) of financial assets			
a) Impairment of Intergroup loans		**1 198**	-
Loans with the Steinhoff Europe group were assessed and deemed not to be recoverable, as a result the loans were fully impaired.			
b) Reversal of impairment of SFHG loan		**(7 031)**	-
The loan to SFHG was previously fully impaired in the 2015 Reporting Period as it was assessed not to be recoverable. During the 2016 Reporting Period repayments were made on the loans by SFHG and the impairments were reversed based on the value of the repayments.			
c) Fulcrum look through		**494**	-
Refer to note 1.2.7 for details regarding the origins of this loan balance. The impairment assessment for this balance has been based on a look-through principle to the Loan Book, considering the provisions/write-offs on the Loan Book, the potential of the other operations of the Purchaser to contribute to the settlement of the loan and the fact that the loan is unsecured.			
		(5 339)	-
5.2.3 Foreign currency translation reserve recycled to profit or loss on disposal of investment		1 309	-
5.2.4 (Loss)/gain on disposal of property, plant and equipment, intangible assets and scrapping of vehicle rental fleet		**(3)**	31

[1] *Refer to note 2 for details regarding the restatement of comparative numbers as a result of classifying certain businesses as discontinued.*

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

5.2 NET OTHER (INCOME)/EXPENSES (continued)

	Notes	Fifteen months ended 30 September 2016 Rm	Restated[1] Twelve months ended 30 June 2015 Rm
5.2.5 (Gain)/loss on sale and partial sale of investments			
Profit on partial disposal of PSG (2015: Profit on step-up of PSG investment to associate)		**(173)**	(3 470)
Loss on change in shareholding of (2015: Profit on step-up of) KAP associate investment		**33**	(56)
(Profit)/Loss on disposal of assets held for sale		**(45)**	313
Other		**1**	(1)
		(184)	(3 214)
5.2.6 Gain on bargain purchase		**(333)**	-
During the 2016 Reporting Period the purchase of 25% of the IEP Group resulted in a gain on bargain purchase recognised in profit or loss. Refer to note 11 for disclosure regarding the carrying amount of the equity accounted investment in the IEP Group.			
TOTAL NET OTHER (INCOME)/EXPENSES		**(3 870)**	(2 397)

5.3 OPERATING EXPENSES BY NATURE

	Notes	Fifteen months ended 30 September 2016 Rm	Restated[1] Twelve months ended 30 June 2015 Rm
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, stationary, repairs and other general operating costs.			
The material items included in distribution and administration expenses are set out below:			
5.3.1 Depreciation and amortisation			
Depreciation	10	**1 651**	577
Amortisation	9	**59**	57
		1 710	634
Included in distribution and administration expenses		**1 496**	634
Included in cost of sales		**214**	-
		1 710	634

[1] *Refer to note 2 for details regarding the restatement of comparative numbers as a result of classifying certain businesses as discontinued.*

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

5.3 OPERATING EXPENSES BY NATURE (continued)

		Notes	Fifteen months ended 30 September 2016 Rm	Restated[1] Twelve months ended 30 June 2015 Rm
5.3.2	**Auditor's remuneration**			
	Audit fees expensed		**69**	31
	Audit fees for 2016 includes accrual for audit fees expected at 30 September 2016.			
5.3.3	**Employee benefit expenses**			
	Salaries and wages		**11 232**	5 390
	Share-based payments - equity-settled		**168**	197
	Contributions to defined benefit plans (post-retirement benefit expenses)		**18**	78
	Contributions to defined contribution plans (post-retirement benefit expenses)		**244**	171
			11 662	5 836
	The Steinhoff Investments Group's 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.			
5.3.4	**Net foreign exchange gains**			
	Net loss on forward exchange contracts		**1 081**	17
	Net (gain)/loss on conversion of monetary assets - realised		**(347)**	2
	Net loss/(gain) on conversion of monetary assets - unrealised		**1 085**	(2 876)
			1 819	(2 857)
5.3.5	**Fair value losses/(gains) (excluding forward exchange contracts)**			
	Fair value adjustment on financial assets through profit or loss		**(72)**	(487)
5.3.6	**Operating lease charges - properties**			
	Rental of properties	23.2	**5 066**	1 593
5.3.7	**Operating lease charges - other**			
	Leases of plant, equipment, vehicles and other	23.2	**28**	31
5.3.8	**Other distribution and administration expenses**		**10 258**	10 462
TOTAL ADMINISTRATION EXPENSES FROM CONTINUING OPERATIONS			**30 326**	15 243

[1] Refer to note 2 for details regarding the restatement of comparative numbers as a result of classifying certain businesses as discontinued.

6. FINANCE COSTS AND INCOME FROM INVESTMENTS

	Finance costs Rm	Finance income Rm	Net income/(cost) Rm
Fifteen months ended 30 September 2016			
Dividends received	**-**	**130**	**130**
Finance costs and income			
(Bank overdrafts)/Cash and cash equivalents	**(41)**	**206**	**165**
Loans	**(2 142)**	**112**	**(2 030)**
Intergroup	**(19)**	**187**	**168**
Other	**(334)**	**174**	**(160)**
	(2 536)	**809**	**(1 727)**
Restated[1]			
Twelve months ended 30 June 2015			
Dividends received	-	84	84
Finance costs and income			
(Bank overdrafts)/Cash and cash equivalents	(20)	193	173
Loans	(935)	-	(935)
Intergroup - SIHPL	(245)	182	(63)
Other	(115)	110	(5)
	(1 315)	569	(746)

[1] *Refer to note 2 for details regarding the restatement of comparative numbers as a result of classifying certain businesses as discontinued.*

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 costs comprise unwinding of the discount on provisions and impairment losses recognised on investments and interest on the net defined benefit obligation.

7. TAXATION

Steinhoff Investments is a South African tax resident.

For periods ending 30 September 2016 and 30 June 2015 the corporate taxation rate in South Africa is 28%. Capital gains is taxed at 22.4% (2015: 18.6%).

ACCOUNTING POLICY

Current taxation

Included within the tax charge are charges relating to:

- Normal corporate taxation;
- Capital gains taxation; and
- Dividends withholding taxation.

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

The Group is subject to income taxes in numerous jurisdictions and the calculation of the group's tax charge and worldwide provisions for income tax necessarily involves a degree of estimation and judgement. At any given time the Group typically has a number of open tax returns with various tax authorities and engages in active dialogue to resolve this. Taxation provisions relating to these open items are recognised based on the group's estimate of the most likely outcome, after taking into account external advice where appropriate.

Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact profit or loss, current and deferred income tax assets and liabilities in the period such determination is made.

Deferred taxation

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.

Temporary differences have arisen as a result of the translation of foreign currency of the financial statements of the Group's subsidiaries. A deferred tax liability has not been recognised as the liability will only crystalise in the event of disposal of the subsidiary.

Certain subsidiaries in the group have undistributed earnings which if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions from these subsidiaries and is not expected to distribute these profits in the foreseeable future.

7. TAXATION (continued)

Significant accounting estimates

Uncertain tax positions

A number of tax investigations are in progress and therefore there is uncertainty regarding the tax impact of the alleged accounting irregularities given the nature thereof. Management have estimated the amount of tax payable taking into consideration the tax investigations and interpretation of tax legislation relating to the treatment of the restatements made. The tax position of single entities impacted by restatements are still uncertain in multiple jurisdictions.

Due to the uncertainty associated with such tax items, there is a possibility that the final outcome may differ significantly from the estimate. Where Management have identified specific items that could result in an increase in taxable profit, these have been recognised. Where Management have identified specific items that could result in a reduction in taxable income these have not been recognised as it is uncertain whether that the tax authorities would allow the reduction in taxable profit arising from alleged accounting irregularities.

Depending on the jurisdiction, tax authorities may consider the tax consequences of a specific transaction individually or for an entity or group of entities. Given that there are ongoing tax investigations by a number of tax authorities, the Group has considered the tax consequences of specific transactions. A comprehensive tax review remains in progress, but has to date not been completed and could result in further restatements.

The Group operates in numerous jurisdictions, resulting in transfer pricing being an important consideration, both at a group and entity level. The Group is currently in the process of performing a transfer pricing review. Although the level of risk and uncertainty of transactions related to transfer pricing is difficult to assess, this may result in a potential future out flow of resources.

Recoverability of deferred tax assets

Deferred tax 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.

7. TAXATION (continued)

7.1 Income tax expense recognised in profit or loss

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

	Notes	Fifteen months ended 30 September 2016 Rm	Restated[1] Twelve months ended 30 June 2015 Rm
Current tax			
Income tax			
Current period		**2 004**	509
Prior year adjustments		**58**	(30)
Capital gains tax		**341**	2
Withholding tax		**190**	75
		2 593	556
Deferred taxation			
Originating and reversing temporary differences - current period		**(1 665)**	(326)
Changes in taxation rates		**626**	1
Adjustments relating to prior period		**17**	(3)
		(1 022)	(328)
Total tax from continuing operations		**1 571**	228
Components of the tax expense from discontinued operations			
Current tax		**1 129**	1 113
Deferred taxation		**557**	(320)
		1 686	793
Total taxation expense recognised in profit or loss		**3 257**	1 021

[1] Refer to note 2 for details regarding the restatement of comparative numbers as a result of classifying certain businesses as discontinued.

7.2 Tax provisions

Tax provisions are included in the taxation payable balance. The taxation receivable and payable balances are disclosed on the face of the consolidated statement of financial position.

7. TAXATION (continued)

7.3 Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	30 September 2016 Rm	Restated 30 June 2015 Rm	30 September 2016 Rm	Restated 30 June 2015 Rm	30 September 2016 Rm	Restated 30 June 2015 Rm
Recognised deferred tax assets and liabilities attributable to the following categories:						
Intangible assets and goodwill	**(40)**	(2)	**(4 522)**	(3 691)	**(4 562)**	(3 693)
Property, plant and equipment	**157**	112	**(103)**	(3 193)	**54**	(3 081)
Provisions	**666**	1 122	**68**	(2 028)	**734**	(906)
Share-based payments	**134**	341	**2**	-	**136**	341
Taxation losses	**1 642**	1 376	**10**	(78)	**1 652**	1 298
Other	**353**	135	**(855)**	(1 709)	**(502)**	(1 574)
Balance at end of the period	**2 912**	3 084	**(5 400)**	(10 699)	**(2 488)**	(7 615)

Reconciliation of movement deferred tax (liability)			
Balance at beginning of period		**(7 615)**	(9 530)
Deferred tax of businesses acquired	Note 25.1 and 25.4	**(35)**	(3 112)
Deferred tax of subsidiaries derecognised		**7 327**	-
Amounts charged directly to other comprehensive income:			
Cash flow hedging reserve and fair value reserves		**(11)**	(72)
Exchange differences on translation of foreign operations		**-**	-
Amounts charged directly to equity:			
Convertible bond, actuarial gains reserve and share based payment reserves		**(170)**	199
Current year charge			
From continuing operations	7.1	**1 022**	328
From discontinued operations	7.1	**(557)**	320
Reclassification to assets held for sale		**-**	279
Exchange differences on translation of foreign operations		**(1 013)**	528
Other movements		**(1 436)**	-
Restatements		**-**	3 445
Balance at end of the year		**(2 488)**	(7 615)

7. TAXATION (continued)

7.3 Deferred tax assets and liabilities

	30 September 2016 Rm	30 June 2015 Rm
Unrecognised deferred taxation assets		
Deferred taxation assets have not been recognised in respect of the following items:		
Unrecognised taxation losses	**2 319**	7 585

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.

	30 September 2016 Rm	30 June 2015 Rm
Taxation losses		
Recognised estimated taxation losses available for offset against future taxable income	**6 499**	5 321

Realisation of the recognised taxation losses are expected out of future taxable income.

7.4 Expiry profile of taxation losses

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

8. EARNINGS PER SHARE

ACCOUNTING POLICY

Earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	Fifteen months ended 30 September 2016 Cents	Restated[1] Twelve months ended 30 June 2015 Cents

The calculation of per share numbers uses the exact unrounded numbers, which may result in differences when compared to calculating the numbers using the rounded number of shares and loss as disclosed below.

Basic earnings per share		
From continuing operations	**13 958.3**	22 885.7
From discontinued operations	**16 337.5**	31 523.8
Basic earnings per share	**30 295.8**	54 409.5
Diluted earnings per share		
From continuing operations	**13 940.0**	22 858.5
From discontinued operations	**16 337.5**	31 523.8
Diluted earnings per share	**30 277.5**	54 382.3

Headline earnings per share

Headline earnings is an additional earnings number that is permitted by IAS 33: Earnings per Share (IAS 33). The starting point is earnings as determined in IAS 33, excluding separately identifiable remeasurements, net of related taxation (both current and deferred) and related non-controlling interests other than remeasurements specifically included in headline earnings/(loss). This number is required to be reported by the Johannesburg Stock Exchange ("JSE"), where the Group is listed, and is defined by Circular 2/2015 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 earnings/(losses) (or components of these).

From continuing operations	**16 574.7**	11 583.6
From discontinued operations	**20 727.1**	31 919.0
Headline earnings per share	**37 301.8**	43 502.6

Diluted headline earnings/(loss) per share

Diluted headline earnings per share is calculated by dividing the diluted headline earnings by the diluted weighted average number of shares in issue during the period.

From continuing operations	**16 556.3**	11 556.4
From discontinued operations	**20 727.1**	31 919.0
Diluted headline earnings per share	**37 283.4**	43 475.4

[1] *Refer to note 2 for details regarding the restatement of comparative numbers as a result of classifying certain businesses as discontinued.*

8. EARNINGS PER SHARE (continued)

RECONCILIATIONS OF DENOMINATOR AND NUMERATOR

8.1 Weighted average number of ordinary shares

	Notes	Fifteen months ended 30 September 2016 Million	Twelve months ended 30 June 2015 Million
Issued ordinary shares at beginning of the period	27.2	**48**	16
Effect of shares issued during the period		**-**	5
Weighted average number of ordinary shares at end of the period for the purpose of basic loss per share and headline earnings/(loss) per share		**48**	21

	Notes	Continuing operations Rm	Discontinued operations Rm	Total Rm
8.2 Basic earnings and headline earnings attributable to owners of Steinhoff Investments				
Fifteen months ended 30 September 2016				
Profit for the year attributable to owners of Steinhoff Investments		**6 700**	**7 842**	**14 542**
Adjusted for remeasurement items	8.3	**1 292**	**2 107**	**3 399**
Adjusted for remeasurement items of equity accounted companies		**(36)**	**-**	**(36)**
Headline earnings attributable to owners of Steinhoff Investments		**7 956**	**9 949**	**17 905**
Twelve months ended 30 June 2015				
Profit for the year attributable to owners of Steinhoff Investments		5 060	6 620	11 680
Dividend entitlement on cumulative preference shares		(254)	-	(254)
Earnings attributable to owners of Steinhoff Investments		4 806	6 620	11 426
Adjusted for remeasurement items	8.3	(2 427)	83	(2 344)
Adjusted for NCI's portion of remeasurement items		23	-	23
Adjusted for remeasurement items of equity accounted companies		31	-	31
Headline earnings attributable to owners of Steinhoff Investments		2 433	6 703	9 136
8.3 Diluted earnings and diluted headline earnings attributable to owners of Steinhoff Investments				
Fifteen months ended 30 September 2016				
Profit for the year attributable to owners of Steinhoff Investments		**6 700**	**7 842**	**14 542**
Dilutive adjustment on earnings		**(9)**	**-**	**(9)**
Diluted earnings attributable to owners of Steinhoff Investments		**6 691**	**7 842**	**14 533**
Adjusted for remeasurement items	8.3	**1 292**	**2 107**	**3 399**
Adjusted for remeasurement items of equity accounted companies		**(36)**	**-**	**(36)**
Diluted headline earnings attributable to owners of Steinhoff Investments		**7 947**	**9 949**	**17 896**
Twelve months ended 30 June 2015				
Earnings attributable to owners of Steinhoff Investments		4 806	6 620	11 426
Dilutive adjustment on earnings		(6)	-	(6)
Diluted earnings attributable to owners of Steinhoff Investments		4 800	6 620	11 420
Adjusted for remeasurement items	8.3	(2 427)	83	(2 344)
Adjusted for NCI's portion of remeasurement items		23	-	23
Adjusted for remeasurement items of equity accounted companies		31	-	31
Diluted headline earnings attributable to owners of Steinhoff Investments		2 427	6 703	9 130

8. EARNINGS PER SHARE (continued)

RECONCILIATIONS OF DENOMINATOR AND NUMERATOR (continued)

8.3 Remeasurement items as defined by the HEPS circular

	Notes	Fifteen months ended 30 September 2016 Gross of taxation and non-controlling interests Rm	Fifteen months ended 30 September 2016 Net of taxation and non-controlling interests Rm	Twelve months ended 30 June 2015 taxation and non-controlling interests Rm	Twelve months ended 30 June 2015 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.					
Continuing operations					
Impairment	5.2.1	**680**	**510**	796	802
Goodwill		**(26)**	**(26)**	801	801
Intangible assets		**383**	**312**	49	40
Property, plant and equipment		**180**	**146**	1	1
Investments in equity accounted companies		**-**	**-**	10	10
Other		**143**	**78**	(65)	(50)
Foreign currency translation reserve recycled to profit or loss on disposal of investment	5.2.3	**1 309**	**1 309**	-	-
Loss on disposal of property, plant and equipment, intangible assets and scrapping of vehicle rental fleet	5.2.4	**(3)**	**2**	31	23
Gain on sale and partial sale of investments	5.2.5	**(184)**	**(196)**	(3 214)	(3 252)
Gain on bargain purchase	5.2.6	**(333)**	**(333)**	-	-
		1 469	**1 292**	(2 387)	(2 427)
Discontinued operations					
Impairment		**595**	**595**	35	31
Goodwill		**104**	**104**	22	22
Intangible assets		**195**	**195**	4	3
Property, plant and equipment		**17**	**17**	9	6
Other		**279**	**279**	-	-
Foreign currency translation reserve recycled to profit or loss on disposal of investment		**1 512**	**1 512**	-	-
Loss on disposal of property, plant and equipment, intangible assets and scrapping of vehicle rental fleet		**(5)**	**-**	73	52
		2 102	**2 107**	108	83

9. INTANGIBLE ASSETS

ACCOUNTING POLICY

GOODWILL

Goodwill is measured 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 25 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 gains 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 calculated over the cost of the asset less its residual value. The amortisation is recognised in profit or loss on a straight-line basis over the assets' estimated useful lives.

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 (CGU's). Intangible assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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

- The industry is 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.

Dealership agreements

Original Equipment Manufacturers ("**OEM's**") are expected to continue trading with the group as there have been no major changes in the operating environment of the Group or the OEM's. No material changes have taken place and there is no foreseeable limit to the period over which the asset is expected to generate cash flows, therefore dealership agreements have been determined to have indefinite useful lives.

9. INTANGIBLE ASSETS (continued)

	Notes	Goodwill Rm	Indefinite useful life: Trade and brand names Rm	Indefinite useful life: Dealership agreements Rm	Software and ERP systems Rm	Other intangibles Rm	Total Rm
Balance at 1 July 2014		34 577	35 461	1 532	1 276	37	72 883
Additions		-	-	-	258	-	258
Amortisation		-	(5)	-	(224)	(5)	(234)
From continuing operations	5.3.1	-	(3)	-	(54)	-	(57)
From discontinued operations		-	(2)	-	(170)	(5)	(177)
Disposals		-	-	-	(16)	-	(16)
Acquired on acquisition of businesses		48 295	18 434	-	5	-	66 734
Impairment		(823)	(48)	-	(4)	-	(875)
From continuing operations	5.2.1	(801)	(48)	-	-	-	(849)
From discontinued operations		(22)	-	-	(4)	-	(26)
Transfer from property, plant and equipment		-	-	-	(33)	-	(33)
Transferred to assets held-for-sale		-	-	-	(77)	-	(77)
Exchange differences on translation of foreign operations		(1 227)	(1 968)	-	(51)	(2)	(3 248)
Balance at 30 June 2015 previously reported		80 822	51 874	1 532	1 134	30	135 392
Restatements		(32 274)	(25 043)	-	87	6	(57 224)
Restated balance at 30 June 2015		**48 548**	**26 831**	**1 532**	**1 221**	**36**	**78 168**
Additions		**-**	**136**	**-**	**217**	**4**	**357**
Amortisation		**-**	**(7)**	**-**	**(219)**	**(3)**	**(229)**
From continuing operations	5.3.1	-	**(5)**	**-**	**(54)**	-	**(59)**
From discontinued operations		**-**	**(2)**	**-**	**(165)**	**(3)**	**(170)**
Disposals		**-**	**(54)**	**-**	**(17)**	**-**	**(71)**
Acquired on acquisition of businesses	25.1	**1 052**	**358**	**-**	**112**	**45**	**1 567**
Eliminated on disposal of businesses		**(2 747)**	**(18 678)**	**-**	**(1 262)**	**(80)**	**(22 767)**
(Impairment)/Reversal of impairment		**(78)**	**(524)**	**-**	**(54)**	**-**	**(656)**
From continuing operations	5.2.1	**26**	**(329)**	-	**(54)**	-	**(357)**
From discontinued operations		**(104)**	**(195)**	**-**	**-**	**-**	**(299)**
Transfer from property, plant and equipment		**-**	**-**	**-**	**-**	**-**	**-**
Net other impact*		**32**	**9 443**	**-**	**(102)**	**(9)**	**9 364**
Exchange differences on translation of foreign operations		**1 156**	**2 201**	**-**	**233**	**9**	**3 599**
Balance at 30 September 2016		**47 963**	**19 706**	**1 532**	**129**	**2**	**69 332**
Cost		**47 991**	**20 348**	**1 532**	**244**	**210**	**70 325**
Amortisation and impairment		**(28)**	**(642)**	**-**	**(115)**	**(208)**	**(993)**
Net book value at 30 September 2016		**47 963**	**19 706**	**1 532**	**129**	**2**	**69 332**
Cost		67 312	45 338	1 519	2 757	94	117 020
Amortisation and impairment		(18 764)	(18 507)	13	(1 536)	(58)	(38 852)
Net book value at 30 June 2015		48 548	26 831	1 532	1 221	36	78 168

* This relates to additional adjustments resulting from the alleged accounting irregularities which cannot be accurately allocated to specific line items within the movement reconciliation.

9. INTANGIBLE ASSETS (continued)

	30 September 2016 Rm	Restated 30 June 2015 Rm
Summary of net carrying value:		
Goodwill	**47 963**	48 548
Indefinite useful life trade and brand names	**19 706**	26 831
Other intangible assets	**1 663**	2 789
	69 332	78 168

Management has identified the following CGU's to which goodwill and trade and brand names have been allocated. These CGU's do not represent a level higher than the operating segments identified in note 3.

	Goodwill		Indefinite life trade and brand names	
	30 September 2016 Rm	Restated 30 June 2015 Rm	30 September 2016 Rm	Restated 30 June 2015 Rm
Goodwill and trade and brand names are considered significant classes of intangible assets to the Group. The carrying amount per CGU is presented below:				
Household goods				
Steinhoff UK Holdings	**-**	388	**-**	-
Conforama	**-**	-	**-**	2 713
Kika-Leiner	**-**	-	**-**	393
Lipo	**-**	-	**-**	164
POCO	**-**	-	**-**	3 315
JWC	**-**	-	**-**	133
Retail Interest	**-**	-	**-**	378
GT Global Trademarks	**-**	-	**-**	62
JD Group	**484**	47	**468**	1 234
Other	**4**	4	**-**	-
General Merchandise				
Pepkor Africa	**34 758**	34 629	**16 918**	15 977
Pepkor Australia	**-**	2 095	**-**	376
Pepkor Europe	**12 560**	11 288	**2 320**	2 086
Automotive	**157**	97	**-**	-
	47 963	48 548	**19 706**	26 831

9.1 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. 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. The majority of the approved budgets cover a three year period, but some businesses also approved budgets covering a five year period.

Where only a three year budget is approved, cash flows beyond the three year period are extrapolated using estimated medium-term growth rates. These growth rates are consistent with the industry and geographic location in which the CGU operates.

9. INTANGIBLE ASSETS (continued)

9.1 Impairment tests (continued)

Significant accounting estimates and judgements (continued)

WACC is a key factor in determining the pre-tax discount rate to be applied to the cash flow projections. The restatements referred to in note 1 have resulted in a decline in the Group's investment rating subsequent to the end of the reporting period. As such, the CGU specific WACC has been adjusted for what the Group estimates the cost of borrowing would have been 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.

The cost of equity has also been adjusted with size premiums, where applicable, to take into account the restated size of each CGU.

The additional key assumptions relating to the impairment testing of the trade names and brands are based on royalty rates applicable to the specific brand based on the industry in which the brand operates and the profitability of the unit.

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		Long term growth rate	
	30 September 2016 Rm	30 June 2015 Rm	30 September 2016 Rm	30 June 2015 Rm	30 September 2016 Rm	30 June 2015 Rm
JD Group	**11.8%**	10.5%	**1 year**	1 year	**4.3%**	5.5%
Pepkor Europe	**8.2%**	8.4%	**3 years**	3 years	**3.0%**	2.5%
Pepkor Africa	**13.7%**	13.2%	**3 years**	3 years	**5.0%**	5.3%

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 period
The approved budget periods take into account management's assumptions of the sales volume, sales price and cost increases expected over the next three to five years. A medium-term growth rate applicable to the industry and geographic location is applied to forecast years 4 and 5, where relevant.

Long term growth rate
This is the 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.

Royalty rates
The royalty rate represents the assumed amount which would be paid to the owner of the intangible asset as a royalty fee, expressed as a percentage of revenue, for the use of the intangible asset. It is necessary to look to the industry in which the brand is operational to determine an appropriate notional royalty rate. The ability of the retailer to pay the royalty was also considered in selecting the royalty rates. The royalty rates used in assessing the value-in-use of the Steinhoff trade names and brand names in Europe and the USA all fall within or below industry standards and vary from 0.25% to 2.0% with the Africa group ranging between 0.25% and 5.0%.

9. INTANGIBLE ASSETS (continued)
9.1 Impairment tests (continued)

Material impairment charges

		Goodwill		Indefinite life trade and brand names	
		30 September 2016 Rm	30 June 2015 Rm	30 September 2016 Rm	30 June 2015 Rm
The (impairment charge)/reversal of impairment from continuing operations during the period relates to the following CGUs:					
JD Group		**37**	(801)	**(329)**	(48)
Pepkor Europe		**(11)**	-	**-**	-
Pepkor Africa	a	**(1)**	-	**-**	-
Other immaterial impairments		**1**	-	**-**	-
		26	(801)	**(329)**	(48)

The reversal of impairment on goodwill recognised relates to adjustments to provisional accounting for business combinations.

a) Sensitivities for Pepkor Africa

Management has adjusted the cash flows of each CGU for entitiy-specific risk factors to arrive at the future cash flows expected to be generated from the CGU.There is no indication based on a reasonable fluctuation in those risk factors that the goodwill is impaired.

10. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Significant accounting estimates

Residual value and useful life of buildings

Management have 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 the independent third party valuers to do their fair valuations taking into account the intercompany rentals as the basis upon which the properties are tested for impairment, unless there was compelling evidence to support an alternate valuation basis at the specific date. It should be noted that the properties were valued on an individual basis and did not assume any portfolio effect.

The valuers have reflected current intercompany rents payable to lease expiry at which point they assumed that each unit will be re-let at their opinion of market rent. The turnovers of the intercompany tenant was considered to assess whether the valuer believe the rents are sustainable to support their opinion of market rent.

ACCOUNTING POLICY

Depreciation

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over the estimate useful lives or in the

• 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

Vehicle rental fleet

The rental fleet of the Group is ultimately sold via the Unitrans Automotive dealerships. At a subsidiary and Group level the rental fleet is recognised as property, plant and equipment while it is used to generate vehicle rental revenue and is transferred to inventories when the vehicle is ready to be sold. The vehicles used as rental fleet is depreciated until it is transferred to inventories.

Assets pledged as security for liabilities

Included in other assets are vehicles relating to the operations of Unitrans Automotive, which were subject to a lien of R2 billion (30 June 2015: R1.5 billion) in respect of the manufacturers' floorplan financing, comprising interest-bearing and interest-free amounts and which are included in trade and other payable (note 18).

Vehicle rental fleet with a book value of R505 million (30 June 2015: R696 million) have been pledged as security for liabilities as set out in note 17.2.

10. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY (continued)

ACCOUNTING POLICY
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.

Management's estimate of residual values of investment properties
The investment properties comprise mainly self-constructed properties in South Africa. These properties have high residual values as a result of the impact of country specific inflation, and the favourable location and use of the properties.

Management's estimate of fair value of investment property
At 30 September 2016, investment property was valued by management at R1 378 million (2015: R1 364 million). The fair valuation of the group's investment has been carried out by Steinhoff Properties. Steinhoff Properties has adequate knowledge and experience to value the properties and therefore an independent valuator was not used. The fair value was based on the income approach whereby the market-related net income of the property is discounted at the market yield for a similar property. The market yields used in the valuation ranged between 9.00% and 11.00% (2015: 9.00% and 12.00%). In estimating the fair value of investment properties, the highest and best use for the majority of the properties is their current use. There has been no change to the valuation technique since the previous period.

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.

10. 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	Vehicle rental fleet Rm	Other assets Rm	Total Rm
Balance at 1 July 2014		427	46 806	393	4 531	1 191	534	1 074	54 956
Additions		167	1 288	360	869	691	1 116	1 306	5 797
Depreciation		-	(142)	(224)	(892)	(416)	(140)	(174)	(1 988)
From continuing operations		-	(9)	(164)	(139)	(38)	(140)	(87)	(577)
From discontinued operations		-	(133)	(60)	(753)	(378)	-	(87)	(1 411)
Disposals		(3)	(105)	(19)	(93)	(22)	(23)	(45)	(310)
Impairment		-	-	-	-	(9)	-	(1)	(10)
From continuing operations		-	-	-	-	-	-	(1)	(1)
From discontinued operations		-	-	-	-	(9)	-	-	(9)
Acquired on acquisition of subsidiaries		-	1 325	2 360	550	21	-	203	4 459
Eliminated on disposal of subsidiaries		-	(30)	-	-	-	-	-	(30)
Reclassification		387	(1 511)	(98)	1 281	494	-	(553)	-
Transfer to intangible assets		-	-	-	-	-	-	(35)	(35)
Transfer to inventories		-	(31)	-	-	(7)	(744)	(7)	(789)
Exchange differences on translation of foreign operations		-	(2 821)	105	(216)	(42)	-	(39)	(3 013)
Balance at 30 June 2015 previously reported		978	44 779	2 877	6 030	1 901	743	1 729	59 037
Restatements		339	(14 473)	(13)	2	171	-	170	(13 804)
Restated balance at 30 June 2015		**1 317**	**30 306**	**2 864**	**6 032**	**2 072**	**743**	**1 899**	**45 233**
Additions		**48**	**3 833**	**1 928**	**1 091**	**465**	**1 525**	**1 007**	**9 897**
Depreciation		**-**	**(391)**	**(1 006)**	**(971)**	**(502)**	**(214)**	**(352)**	**(3 436)**
From continuing operations		**-**	**(40)**	**(864)**	**(271)**	**(43)**	**(214)**	**(219)**	**(1 651)**
From discontinued operations		**-**	**(351)**	**(142)**	**(700)**	**(459)**	**-**	**(133)**	**(1 785)**
Disposals		**(4)**	**(255)**	**(56)**	**(58)**	**(31)**	**(29)**	**(66)**	**(499)**
Impairment		**-**	**-**	**(45)**	**(96)**	**(25)**	**-**	**(31)**	**(197)**
From continuing operations		**-**	**-**	**7**	**(136)**	**(25)**	**-**	**(26)**	**(180)**
From discontinued operations		**-**	**-**	**(52)**	**40**	**-**	**-**	**(5)**	**(17)**
Acquired on acquisition of subsidiaries		**-**	**-**	**244**	**5**	**16**	**-**	**-**	**265**
Eliminated on disposal of subsidiaries		**(420)**	**(37 464)**	**(823)**	**(6 401)**	**(2 384)**	**-**	**(1 392)**	**(48 884)**
Net other impact*		**-**	**(112)**	**21**	**3**	**(2)**	**-**	**146**	**56**
Reclassification		**(67)**	**895**	**152**	**(46)**	**48**	**-**	**(982)**	**-**
Transfer to inventories		**-**	**-**	**-**	**-**	**-**	**(875)**	**-**	**(875)**
Exchange differences on translation of foreign operations		**81**	**6 454**	**51**	**1 145**	**384**	**-**	**257**	**8 372**
Balance at 30 September 2016		**955**	**3 266**	**3 330**	**704**	**41**	**1 150**	**486**	**9 932**

10. 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	Vehicle rental fleet Rm	Other assets Rm	Total Rm
Cost		**955**	**3 392**	**7 046**	**1 309**	**207**	**1 150**	**1 221**	**15 280**
Amortisation and impairment		**-**	**(126)**	**(3 716)**	**(605)**	**(166)**	**-**	**(735)**	**(5 348)**
Net book value at 30 September 2016		**955**	**3 266**	**3 330**	**704**	**41**	**1 150**	**486**	**9 932**
Cost		1 493	34 062	5 997	10 356	6 327	743	3 253	62 231
Amortisation and impairment		(176)	(3 756)	(3 133)	(4 324)	(4 255)	-	(1 354)	(16 998)
Net book value at 30 June 2015		1 317	30 306	2 864	6 032	2 072	743	1 899	45 233

Carrying values of the main components of the other assets per category are: Capital-work-in-progress (2016: R39 million 2015: R1.1 billion), vehicles (2016: R121 million 2015: R269 million) and computer equipment (2016: R258 million 2015: R491 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.

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

* This relates to additional adjustments resulting from the alleged accounting irregularities which cannot be accurately allocated to specific line items within the movement reconciliation.

11. 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.

Long-term interests

The Group's interest in an associate or joint venture includes long-term interests that form part of the Group's net investment. Such long-term interests include ordinary and preference shares and long-term receivables or loans. The long-term interests are akin to an equity investment.

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.

When the Group’s share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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.

If a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss when the equity method is discontinued.

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

When there is a dilution in the Group's shareholding in an investment in 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.

11. INVESTMENTS IN EQUITY ACCOUNTED COMPANIES (continued)

ACCOUNTING POLICY (continued)

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 is 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.

The carrying amount of equity-accounted investments is tested for impairment when impairment indicators are present.

11. 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 where indicated otherwise.

11.1 Detail of equity accounted invesments of the Group

Name of business	Place of business / country of incorporation	Nature of business	% holding 30 September 2016	% holding Restated 30 June 2015	Quoted fair value[1] Rm 30 September 2016	Quoted fair value[1] Rm Restated 30 June 2015	Carrying value Rm 30 September 2016	Carrying value Rm Restated 30 June 2015
Listed								
KAP[2]	South Africa	Diverse industrial and logistics business	**43.0**	43.3	**7 812**	6 087	**4 871**	4 404
PSG[2]	South Africa	Investment company	**25.7**	18.6	**10 872**	7 709	**11 533**	7 552
Unlisted								
POCO[3,4]	Germany	Household good retailer and property	**-**	50	*	*	**-**	474
IEP Proprietary Limited	South Africa	Investment company	**25.0**	-	*	-	**2 587**	-
Van den Bosch Beheer B.V [4]	Netherlands	Manufacturing	**-**	50	*	*	**-**	202
Various other immaterial equity accounted companies	Various	Property, insurance, manufacturing, retail, logistics and financial services	**24.5 - 50.0**	24.5 - 50.0	*	*	**278**	61
							19 269	12 693

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

[2] *Disposed of in the 2018 and 2019 Reporting Periods - refer note 36 for transactions after the reporting period*

[3] *Refers to the POCO property entity, POCO-Domäne Immobilien Holding GmbH which has been an equity accounted investment for all periods presented.*

[4] *Disposed of with the Europe group in 2016.*

** Private equity - no quoted price available*

11. INVESTMENTS IN EQUITY ACCOUNTED COMPANIES (continued)

11.2 Reconciliation of the aggregate carrying values of equity accounted companies

		30 September 2016 Rm	Restated 30 June 2015 Rm
Balance at the beginning of the period		**12 693**	4 128
Additions	11.3	**6 175**	7 851
Acquired on acquisition of subsidiary		**-**	13
Disposals		**(894)**	(8)
Impairments	11.4	**-**	(10)
Share of:			
Profit or loss			
From continuing operations		**1 291**	388
From discontinued operations		**54**	181
Other comprehensive loss		**(5)**	12
Other reserves		**96**	31
Dividends received	30.5	**(324)**	(126)
Other movements		**18**	41
Exchange differences on translation of equity accounted investments		**165**	(10)
Restatement	1	**-**	202
Carrying values of equity accounted companies at the end of the period		**19 269**	12 693

11.3 Additional investments during the period

The material additional investments were as follows:

During the 2016 Reporting Period the Group acquired its interest in IEP for R2.1 billion and recognised a gain on bargain purchase on the acquisition of R333 million (refer note 5.2.6).

During the 2016 Reporting Period the Group acquired 17 million PSG shares previously held by SIHPL for R3.6 billion.

11.4 Significant 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 following investments had impairment indicators present and considerations are discussed below.

PSG

In the 2016 Reporting Period the quoted fair value of the PSG investment was less than the carrying amount. A period-end sum-of-the-parts valuation exceeded the carrying value of the Group's interest in PSG and the investment was not deemed to be impaired.

11.5 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.

11. INVESTMENTS IN EQUITY ACCOUNTED COMPANIES (continued)

11.6 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). Due to the change in the Group's year-end, PSG's interim unaudited results as at 31 August will be disclosed annually.

Where relevant the statements of financial positions of the associates were translated to Rand at spot conversion rate at the end of the Group's Reporting Period and the income statements were translated to Rand at the average conversion rate applicable to the Group's financial year.

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

	IEP	KAP		PSG	
	Year ended 31 December 2016 Rm	Year ended 30 June 2016 Rm	Year ended 30 June 2015 Rm	Year ended 31 August 2016 Rm	Year ended 31 August 2015 Rm
Revenue	**5 710**	**16 047**	15 664	**13 351**	12 288
Investment income	**183**	**44**	55	**1 467**	923
Depreciation and amortisation	**(273)**	**(800)**	(784)	**(412)**	(337)
Interest expense	**(216)**	**(356)**	(344)	**(477)**	(403)
Income tax expense	**(29)**	**(230)**	(361)	**(565)**	(524)
Profit for the period from continuing operations	**1 104**	**1 203**	981	**2 565**	2 578
Loss for the period from discontinued operations	**-**	**(10)**	(51)	**-**	-
Profit for the period	**1 104**	**1 193**	930	**2 565**	2 578
Other comprehensive income for the period	**(33)**	**53**	27	**(144)**	(123)
Total comprehensive income for the period	**1 071**	**1 246**	957	**2 421**	2 455

11. INVESTMENTS IN EQUITY ACCOUNTED COMPANIES (continued)

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

	IEP	KAP		PSG	
	As at 31 December 2016 Rm	As at 30 June 2016 Rm	As at 30 June 2015 Rm	As at 31 August 2016 Rm	As at 31 August 2015 Rm
Non-current assets	**20 242**	**12 328**	10 777	**45 167**	37 335
Current assets					
Cash and cash equivalents	**869**	**2 602**	1 370	**41**	22
Other current assets	**4 125**	**4 009**	3 777	**31 534**	15 383
Total current assets	**4 994**	**6 611**	5 147	**31 575**	15 405
Non-current liabilities:					
Non-current financial liabilities (excluding trade payables)	**(4 800)**	**(4 205)**	(3 134)	**(28 647)**	(23 717)
Other non-current liabilities	**(2 822)**	**(1 460)**	(1 174)	**(762)**	(701)
Total non-current liabilities	**(7 622)**	**(5 665)**	(4 308)	**(29 409)**	(24 418)
Current liabilities:					
Current financial liabilities (excluding trade payables)	**(2 634)**	**(468)**	(331)	**(17 735)**	(2 447)
Other current liabilities	**(2 597)**	**(3 944)**	(3 355)	**(4 312)**	(5 004)
Total current liabilities	**(5 231)**	**(4 412)**	(3 686)	**(22 047)**	(7 451)
Non-controlling interests	**(2 070)**	**(195)**	(169)	**(10 958)**	(9 919)
Net assets	**10 313**	**8 667**	7 761	**14 328**	10 952
% ownership by Group	**25.0%**	**43.0%**	43.3%	**25.7%**	18.6%
Group's share of net assets	**2 578**	**3 725**	3 361	**3 677**	2 037
Adjustment for material transactions and foreign currency translation	**9**	**112**	2	**44**	(175)
Goodwill	**-**	**1 034**	1 042	**7 812**	5 690
Carrying amount of the Group's interest	**2 587**	**4 871**	4 404	**11 533**	7 552

12. INVESTMENTS AND LOANS

		30 September 2016 Rm	Restated 30 June 2015 Rm
Non-current investments and loans			
Available-for-sale financial assets	12.1	**4 474**	4 423
At fair value through profit or loss		**94**	86
Loans at amortised cost	12.2	**1 869**	1 063
		6 437	5 572
Current investments and loans			
Available-for-sale financial assets	12.1	**2 941**	1 599
Loans at amortised cost	12.2	**1**	1 402
		2 942	3 001
Total investments and loans		**9 379**	8 573

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each Reporting Period.

For details of the key assumptions used and the impact of changes to these assumptions see note 20.

Details regarding the material categories of investments and loans is set out below:

12.1 Available-for-sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at fair value through profit or loss, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

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.

Available-for-sale financial assets include the following classes of financial assets:

	30 September 2016 Rm	Restated 30 June 2015 Rm
Listed equity securities	**7 106**	5 736
Unlisted equity securities	**309**	286
	7 415	6 022

Investment in Brait

Included in the listed equity securities as at 30 September 2016 is an amount of R2.9 billion (2015: R1.6 billion) which relates to the Group's 4.9% equity interest in Brait. The investment was disposed to Plum Tree, a subsidiary of the Campion Group during the 2017 Reporting Period.

Refer to note 1.2.3d) for the origin of this transaction.

Investment in Steinhoff N.V. (2015: Steinhoff International Holdings Limited)

The investment in Steinhoff N.V. comprises 49 200 125 (2015: 54 853 837) 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.

Subsequent to the reporting date the value of this investment decreased significantly as a result of the events described in note 36 and in the directors report. The fair values as at 30 September 2016 are not indicative of the amounts the Company could realise in the normal course of business after the reporting date.

12. INVESTMENTS AND LOANS (continued)

12.1 Available-for-sale financial assets

	30 September 2016 Rm	Restated 30 June 2015 Rm
Amounts recognised in profit or loss and other comprehensive income		
Gains/(losses) recognised in other comprehensive income	**420**	(3 870)
Gains recognised in profit or loss as other income, being reclassified from other comprehensive income on derecognition	**(281)**	3 469
	139	(401)

12.2 Loans at amortised cost

Loans and receivables are carried at amortised cost, with interest recognised in profit or loss for the year, using the effective-interest method.

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.

	30 September 2016 Rm	Restated 30 June 2015 Rm
Loans at amortised cost include the following types of loans:		
Unlisted investments	**264**	97
Unlisted preference shares	**70**	65
Interest bearing loans	**1 505**	1 887
Non-interest bearing loans	**31**	416
	1 870	2 465

The major balances of interest-bearing loans relate to the following:

Loans relating to Fulcrum (Wands)

R750 million of the interest bearing loans relate to loans granted to Fulcrum (see note 1.2.7) (2015:nil). These loans are carried at their recoverable amounts.
An impairment of R494 million was recognised in profit or loss for the 2016 Reporting Period (refer note 5.2.2c))

The loan is contractually repayable by November 2018 and bears interest at 1 month JIBAR.

Loans to Entrepo Holdings Proprietary Limited

As at the end of the Reporting Period, the total loan balance amounted to R381 million and consist of two facilities:
- A loan facility of R200 million that carries interest at prime plus 1.85% and is secured by a cession of debtors. Interest is repayable monthly in arrears and the facility is repayable on the third anniversary date of each advance made.
- A loan of R180 million that carries interest at prime plus 4.25% and is secured by a cession of debtors. Interest is repayable monthly in arrears and the loan is repayable in 24 equal monthly instalments from 30 November 2017.

Subsequent to the Reporting Date, the repayment terms of these loans were renegotiated and the full facilities were repaid in August 2018. Refer to note 36.

The other loans and receivables at amortised cost consist of various loans with repayment terms ranging between 1 and 73 months unless called earlier.

13. TRADE AND OTHER RECEIVABLES

	Notes	30 September 2016 Rm	Restated 30 June 2015 Rm
Financial assets			
Non-current trade and other receivables			
Derivative financial assets	20.1	**67**	133
Current trade and other receivables			
Trade receivables		**1 888**	3 540
Instalment sale and loan receivables		**2 002**	1 928
Less: Provision for impairments	20.3	**(506)**	(721)
Net trade, instalment sale and loan receivables		**3 384**	4 747
Receivables due from equity accounted companies	30.5	**16**	111
Other amounts due		**1 666**	2 846
Less: Provision for impairments	20.3	**(19)**	(123)
Derivative financial assets	20.1	**88**	271
		5 135	7 852
Non-financial assets			
Non-current trade and other receivables			
Equalisation of operating lease payments		**14**	17
Current trade and other receivables			
Prepayments		**370**	1 256
Value added taxation receivable		**534**	1 052
		904	2 308
Total			
Non-current trade and other receivables		**81**	150
Current trade and other receivables		**6 039**	10 160
		6 120	10 310

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. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 to 90 days and therefore are all classified as current.

Other receivables

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

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 from their carrying amounts.

Derivatives

Refer to note 19 and 20.1 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, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 20.

14. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group holds the following financial assets and financial liabilities.

14.1 Total financial assets and liabilities

	Notes	At fair value through profit or loss Rm	Available-for-sale financial assets at fair value through other comprehensive income Rm	Financial instruments at amortised cost Rm	Total carrying values Rm
30 September 2016					
Investments and loans	12	**94**	**4 474**	**1 869**	**6 437**
Trade and other receivables	13	**67**	**-**	**-**	**67**
Non-current financial assets		**161**	**4 474**	**1 869**	**6 504**
Trade and other receivables	13	**88**	**-**	**5 047**	**5 135**
Investments and loans	12	**-**	**2 941**	**1**	**2 942**
Intergroup loans and receivables	32	**-**	**-**	**5 938**	**5 938**
Cash and cash equivalents	16	**-**	**-**	**6 581**	**6 581**
Current financial assets		**88**	**2 941**	**17 567**	**20 596**
Intergroup loans and payables	32	**-**	**-**	**(30 321)**	**(30 321)**
Non-current financial liabilities		**-**	**-**	**(30 321)**	**(30 321)**
Current borrowings	17	**-**	**-**	**(19 775)**	**(19 775)**
Intergroup loans and payables	32	**-**	**-**	**(5 824)**	**(5 824)**
Trade and other payables	18	**(848)**	**-**	**(13 953)**	**(14 801)**
Current financial liabilities		**(848)**	**-**	**(39 552)**	**(40 400)**
		(599)	**7 415**	**(50 437)**	**(43 621)**
Restated 30 June 2015					
Investments and loans	12	86	4 423	1 063	5 572
Trade and other receivables	13	133	-	-	133
Non-current financial assets		219	4 423	1 063	5 705
Trade and other receivables	13	271	-	7 581	7 852
Investments and loans	12	-	1 599	1 402	3 001
Intergroup loans and receivables	32	-	-	48	48
Cash and cash equivalents	16	-	-	7 010	7 010
Current financial assets		271	1 599	16 041	17 911
Trade and other payables	18	(236)	-	-	(236)
Intergroup loans and payables	32	-	-	(11 405)	(11 405)
Non-current financial liabilities		(236)	-	(11 405)	(11 641)
Current borrowings	17	-	-	(67 890)	(67 890)
Trade and other payables	18	(66)	-	(32 866)	(32 932)
Intergroup loans and payables	32	-	-	(25 022)	(25 022)
Current financial liabilities		(66)	-	(125 778)	(125 844)
		188	6 022	(120 079)	(113 869)

The Group's exposure to various risks associated with the financial instruments is discussed in note 20. The maximum exposure to credit risk at the end of the Reporting Period is the carrying amount of each class of financial assets mentioned above.

There were no transfers between categories of financial instruments during either period presented.

15. INVENTORIES

	30 September 2016 Rm	Restated 30 June 2015 Rm
15.1 Reconciliation of inventory		
Merchandise and finished goods	**13 383**	27 449
Goods in transit	**1 304**	1 220
Raw materials and other inventories	**130**	451
Inventory before provision	**14 817**	29 120
Less: provision for inventory write downs*	**(1 026)**	(1 489)
Net Inventories	**13 791**	27 631
15.2 Amount of inventories recognised as an expense during the period and included in cost of sales (including write-down to net realisable value)	**174**	143

** Comprises mainly provisions against finished goods and merchandise*

Merchandise and finished goods

Merchandise and finished goods are stated at the lower of cost and net realisable value. 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 of R112 million (2015: R89 million) were recognised as an expense during the period and included in ‘cost of sales’ in profit or loss of continuing operations.

For purposes of calculating EBITDA and financial covenants, the net realisable value write downs of the vehicle rental fleet are included in depreciation.

Inventories carried at net realisable value is immaterial.

Amount of inventories pledged as security for loans and/or payables is immaterial.

16. CASH AND CASH EQUIVALENTS

	Note	30 September 2016 Rm	Restated 30 June 2015 Rm
Current assets			
Cash at bank and in hand		**6 581**	7 010
		6 581	7 010

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 a maturity of three months or less from the date of acquisition and are repayable within 24 hour notice with no loss of interest.

17. INTEREST-BEARING LOANS AND BORROWINGS

17.1 Analysis of closing balance

	Note	30 September 2016 Rm	Restated 30 June 2015 Rm
Secured financing			
Mortgage and term loans		**138**	993
Capitalised finance lease and instalment sale agreements		**579**	4 171
		717	5 164
Unsecured financing			
Bank overdrafts and short-term facilities*		**725**	3 260
Convertible bonds	17.5	**-**	14 447
German loan notes	17.6	**-**	8 654
US note purchase agreements	17.7	**-**	1 755
Steinhoff Services domestic medium-term note programme	17.8	**5 550**	5 494
JD Group domestic medium-term note programme		**-**	1 807
Preference shares: Ainsley Holdings Proprietary Limited	28	**6 085**	6 058
Preference shares: BVI	28	**411**	416
Syndicated loan facilities and term loans	17.9	**6 165**	19 736
Other loans		**122**	1 099
		19 058	62 726
Total interest-bearing loans and borrowings		**19 775**	67 890
Portion payable within 12 months included in current liabilities	17.3	**(19 775)**	(67 890)
Total non-current interest-bearing loans and borrowings		**-**	-

**Included in short-term facilities is the outstanding balance of loans received from Abacus Life Limited and Abacus Insurance Limited, companies in the Campion Group, to the value of R350 million (2015: Rnil).*

17.2 Secured liabilities and assets pledged as security

The mortgages are secured by certain of the Group's freehold land and buildings. Finance lease and instalment sale agreements are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

17.3 Compliance with loan covenants

As a result of the restatements as disclosed in note 1, the Group has not complied with the financial covenants of its borrowing facilities during the 2016 or 2015 Reporting Periods. Refer to note 20.5 for details. As a result all loans are deemed repayable on demand and classified a current.

17.4 Analysis of repayments

The majority of the outstanding debt as at 30 September 2016 was repaid during the 2018 Reporting Period, following the December 2017 events. At the same time Pepkor Holdings managed to successfully refinance their debt in the same period.

As such, the Group's debt profile changed significantly since 30 September 2016 and disclosure of details around the 30 September 2016 debt balances is not considered relevant.

17. INTEREST-BEARING LOANS AND BORROWINGS (continued)

17.5 Convertible and redeemable bonds

	Contractual maturity date	Interest rate %	30 September 2016 Rm	Restated 30 June 2015 Rm
The convertible bonds are convertible into ordinary shares of Steinhoff N.V., at the option of the holder, or repayable at the dates set out below. The conversion rate for each note held, is based on the market price per share at the date of the issue of the notes, but subject to adjustments for reconstructions of equity.				
Convertible bond 2017[1]	26 May 2017	6.38%	**-**	2 378
Convertible bond 2018[1]	31 March 2018	4.50%	**-**	6 408
Convertible bond 2021[1]	30 January 2021	4.00%	**-**	5 661
			-	14 447
The convertible bonds are presented in the statement of financial position as follows:				
Opening balance of liability			**14 447**	24 198
Convertible bonds issued			**16 281**	-
Redemption of convertible bonds			**(42)**	(7)
Conversion of convertible bonds			**(8 150)**	(8 829)
Market implied interest *			**897**	1 558
Coupon interest paid			**(636)**	(998)
Disposal of subsidiary			**(26 774)**	-
Exchange difference on consolidation of foreign subsidiaries			**3 977**	(1 475)
Liability at period end			**-**	14 447

[1] *Guaranteed by SIHPL and Steinhoff N.V.*

** Market implied interest is calculated by applying the effective interest rate to the liability component.*

The initial fair value of the liability portion of the bond was determined using a market interest rate for an equivalent non-convertible bond at the issue date. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders' equity, net of income tax, and not subsequently remeasured.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

The convertible bonds were held by SFHG which was disposed of during the Reporting Period.

17. INTEREST-BEARING LOANS AND BORROWINGS (continued)

	Contractual maturity date	Interest rate %	30 September 2016 Rm	Restated 30 June 2015 Rm
17.6 German loan notes				
The German loan notes comprise various fixed and floating rate notes with varying maturity dates. Details are set out below:				
Five-year floating rate note	17 July 2020	EURIBOR plus 1.25%	-	5 459
Five-year fixed rate note	17 July 2020	1.877%	-	848
Seven-year floating rate note	18 July 2022	EURIBOR plus 1.50%	-	1 248
Seven-year fixed rate note	18 July 2022	2.46%	-	1 038
Ten-year fixed rate note	17 June 2025	3.08%	-	61
			-	8 654
The German loan notes were held by the Steinhoff Europe Group which was disposed of during the Reporting Period.				
17.7 US note purchase agreements				
The Group has entered into a combined cross-currency interest rate swap on the series A, B and C loans. These swaps are designated as cash flow hedges. The notes are carried at amortised cost. Details are set out below:				
Senior notes series B	25 April 2019	EURIBOR plus 3.49%	-	343
Senior notes series C	25 April 2022	EURIBOR plus 3.74%	-	392
Senior notes series D	25 April 2019	5.38%	-	510
Senior notes series E	25 April 2022	5.92%	-	510
			-	1 755
17.8 Steinhoff Services domestic medium-term note programme: senior unsecured[2]				
The Steinhoff Services medium-term note programme comprises listed notes of varying interest rates and maturities as set out below:				
Listed floating rate notes	Various maturities ranging from December 2016 to June 2020	JIBAR plus 1.60% to 2.30%	**4 278**	3 267
Listed fixed rate notes	Various maturities ranging from June 2017 to June 2020	8.75% to 10.16%	**937**	931
Unlisted floating rate notes	November 2016	JIBAR plus 1.70% to 2.40%	**335**	492
Listed floating rate notes repaid during the period			-	504
Unlisted floating rate notes repaid during the period			-	300
			5 550	5 494

[2] *Steinhoff N.V., Steinhoff Investments, Steinhoff Africa, Ainsley Holdings Proprietary Limited and Pepkor have committed themselves as guarantors in respect of the Steinhoff Services note programme. This programme was delisted and settled during the 2018 Reporting Period and all entities were released from the guarantees. Refer note 36.*

17. INTEREST-BEARING LOANS AND BORROWINGS (continued)

17.9 Syndicated loan facilities and term loans

	Contractual maturity date	Interest rate %	30 September 2016 Rm	Restated 30 June 2015 Rm
Revolving multi-currency credit facility	25 June 2019	EURIBOR plus 1.50%	-	9 358
Revolving credit facility	31 March 2016	JIBAR plus 0.65%	-	687
Structured term loan	31 March 2031	Structured rate of 4.10% plus	-	271
Syndicated term loans[3]	Various maturities ranging from March 2018 to March 2020	JIBAR plus 1.65% to 2.00%	**6 165**	6 134
Term loan	31 March 2016	LIBOR plus 2.75%	-	159
Term loan	15 February 2021	LIBOR plus 1.00%	-	52
Term loan	10 May 2018	BBR plus 0.50%	-	284
Term loan	31 January 2017	BBSY	-	57
Term loan	30 June 2024	EURIBOR plus 1.50%	-	316
Term loan	31 August 2021	4.22%	-	79
Term loan	31 December 2021	4.54%	-	75
Term loan	30 September 2015	LIBOR plus 1.40%	-	1 300
Term loan	25 February 2017	BBSY plus 2.25%	-	280
Term loan	3 December 2016	BBSY plus 2.25%	-	327
Term loan	14 March 2017	BBSY plus 2.20%	-	297
Term loan	18 July 2018	BBBR plus 3.20%	-	60
			6 165	19 736

[3] Guaranteed by Steinhoff N.V., SIHPL, SINVH, SAH, Steinhoff Services Limited, Pepkor. The debt was repaid during the 2018 Reporting Period and all entities were released from the guarantee. Refer note 36.

17.10 Fair value

As the majority of the Group's debt is classified as current it includes an element of a demand feature. In terms of IFRS 13, a liability with a demand feature cannot be less than the amount payable on demand, discounted from the first date that the debt could be required to be paid. The fair value would therefore be deemed to be equal to the carrying amount.

17.11 Risk exposures

Details of the Group's exposure to risks arising from borrowings are set out in note 20.

18. TRADE AND OTHER PAYABLES

	Notes	30 September 2016 Rm	Restated 30 June 2015 Rm
Financial liabilities			
Non-current trade and other payables			
Derivative financial liabilities	20.1	**-**	236
Current trade and other payables			
Trade payables		**7 940**	23 569
Payables due to equity accounted companies	30.5	**217**	122
Accruals		**1 113**	2 045
Floorplan creditors		**2 291**	1 739
Other payables and amounts due		**2 328**	5 391
Shareholders for dividends		**64**	-
Derivative financial liabilities	20.1	**848**	66
		14 801	32 932
Non-financial liabilities			
Non-current trade and other payables			
Equalisation of operating lease payments		**620**	733
Current trade and other payables			
Equalisation of operating lease payments		**68**	18
Deferred income		**14**	4 180
Value added taxation payable		**287**	1 517
		369	5 715
Total			
Non-current trade and other payables		**620**	969
Current trade and other payables		**15 170**	38 647
		15 790	39 616

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 19 and 20.1 for details regarding the determination of their fair values and the types of derivatives, respectively.

Deferred income

The majority of the deferred income relates to prepayments made by customers to secure their orders. Revenue is recognised with a corresponding decrease in the liability when the goods are delivered to the customer.

19. 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 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.

19.1 Fair value hierarchy

	Notes	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
30 September 2016					
Financial assets					
Available-for-sale financial assets					
Listed equity securities	12.1	**7 106**	**-**	**-**	**7 106**
Unlisted equity securities	12.1	**-**	**-**	**309**	**309**
At fair value through profit or loss					
Unit trusts		**94**	**-**	**-**	**94**
Trade and other receivables					
Derivative - interest rate swap	20.1	**-**	**67**	**-**	**67**
Derivative - foreign currency forward contracts	20.1	**-**	**88**	**-**	**88**
Total financial assets		**7 200**	**155**	**309**	**7 664**
Financial liabilities					
Trade and other payables					
Derivative - foreign currency forward contracts	20.1	**-**	**(848)**	**-**	**(848)**
Total financial liabilities		**-**	**(848)**	**-**	**(848)**
Restated 30 June 2015					
Financial assets					
Available-for-sale financial assets					
Listed equity securities	12.1	5 736	-	-	5 736
Unlisted equity securities	12.1	-	-	286	286
At fair value through profit or loss					
Unit trusts		86	-	-	86
Trade and other receivables					
Derivative - interest rate swap	20.1	-	133	-	133
Derivative - foreign currency forward contracts	20.1	-	271	-	271
Total financial assets		5 822	404	286	6 512
Financial liabilities					
Trade and other payables					
Derivative - interest rate swap	20.1	-	(236)	-	(236)
Derivative - foreign currency forward contracts	20.1	-	(66)	-	(66)
Total financial liabilities		-	(302)	-	(302)

19. RECOGNISED FAIR VALUE MEASUREMENTS (continued)

19.1 Fair value hierarchy (continued)

The fair value calculation of the financial assets and liabilities was performed at the reporting date. Between the reporting date and the date of this report, the fair values reported may have fluctuated with changing market conditions and therefore the fair values are not necessarily indicative of the amounts the Group could realise in the normal course of business after the reporting date.

The fair value calculation has remained consistent throughout all periods and the Group has not changed its approach to the fair value calculations.

There were no transfers between level 1 and level 2 during the year.

19.2 Valuation techniques

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair values of interest rate swaps are based on broker quotes. Those quotes are tested for reasonability by discounting estimated future cash flows based on the terms and maturity of each contract using market interest rates for a similar instrument at the measurement date.
- The fair values of forward exchange contracts are based on their listed market price, if available. If a listed market price is not available, then the fair value is estimated by discounting the difference between the contractual forward price and current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).
- The fair value of the remaining financial instruments is determined using adjusted quoted prices in an active market, expected cash outflows for expenses and settlement of financial liabilities are determined using the terms of the funding contract as well as the entity's knowledge of the business and how the current economic environment is likely to impact it.

19.3 Fair value measurements using significant unobservable inputs (level 3)

The level 3 investment relates to the 17% investment in the Steinhoff Sikhulasonke Employee scheme ("SSI"). SSI holds Steinhoff shares and has preference share funding through external parties and the Group. The underlying asset being the Steinhoff shares was valued using the listed 30 day VWAP and the unobservable inputs relate to the expected cash outflows of the repayment of the preference share as well as certain expenses within the scheme. The Group calculated the value of its 17% investment as a share in the underlying net asset value of the SSI structure together with the amortised cost of its preference share funding.

This investment was realised subsequent to year-end. Refer note 36.

The finance department of the Group performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. Discussions of valuation processes and results are held between the CFO and the team at least once every three months, in line with the Group's quarterly Reporting Periods.

20. 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 into the December 2017 Events revealed a number of short comings 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.

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 alleged irregularities and the December 2017 Events and have subsequently 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 year regardless of their effectiveness in addressing the risks faced by the Group. Current year 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 transactions • Recognised financial assets and liabilities not denominated in Steinhoff's functional currency	Cash flow forecasting Sensitivity analysis	Forward foreign exchange and foreign currency option contracts
Market risk – interest rate	• Borrowings at variable rates	Sensitivity analysis	Interest rate swaps
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 • Credit rating	• Diversification of bank deposits • 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 is 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 were 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, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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

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 alleged 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 after the December 2017 Events. 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.

20. FINANCIAL RISK MANAGEMENT (continued)

20.1 Derivatives

	30 September 2016 Rm	Restated 30 June 2015 Rm
The Group uses forward exchange contracts to hedge its foreign currency risk against the functional currency of its various global operations. Most of the forward exchange contracts have maturities of less than one year after reporting date. As a matter of policy, the Group does not enter into derivative contracts for speculative purposes. The fair values of such contracts at year-end were:		
Non-current assets		
Trade and other receivables		
Interest rate swap contracts	**67**	133
Total non-current derivative financial instrument assets	**67**	133
Current assets		
Trade and other receivables		
Foreign exchange forward contracts	**88**	271
Total current derivative financial instrument assets	**88**	271
Non-current liabilities		
Trade and other payables		
Interest rate swap contracts	**-**	(236)
Total non-current derivative financial instrument liabilities	**-**	(236)
Current liabilities		
Trade and other payables		
Foreign exchange forward contracts	**(848)**	(66)
Total current derivative financial instrument liabilities	**(848)**	(66)

For information about the methods and assumptions used in determining the fair value of derivatives please refer to note 19.

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

20. FINANCIAL RISK MANAGEMENT (continued)

20.2 Market Risk

20.2.1 Foreign currency risk

The Group's manufacturing and sourcing operating costs and expenses are principally incurred in Chinese yuan, Hungarian forint, Polish zloty, South African rand and US dollars. Its revenue is principally in Australian dollars, euros, Polish zloty, South African rand, Swiss franc, UK pounds and US dollars. 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 taken into consideration.

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

	Euros Rm	US dollars Rm
30 September 2016		
Investments and loans	**-**	**238**
Trade and other receivables	**-**	**14**
Related party loans and receivables	**-**	**-**
Cash and cash equivalents	**58**	**108**
Current borrowings	**-**	**-**
Trade and other payables (financial liabilities excluding financial derivatives)	**(161)**	**(94)**
Pre-derivative position	**(103)**	**266**
Derivative effect	**(271)**	**(369)**
Open position	**(374)**	**(103)**
Restated 30 June 2015		
Investments and loans	10	-
Trade and other receivables	327	99
Related party loans and receivables	-	-
Cash and cash equivalents	123	7
Current borrowings	(28)	(737)
Trade and other payables (financial liabilities excluding financial derivatives)	(719)	(970)
Pre-derivative position	(287)	(1 601)
Derivative effect	8	205
Open position	(279)	(1 396)

20. FINANCIAL RISK MANAGEMENT (continued)

20.2 Market Risk (continued)

20.2.1 Foreign currency risk

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

	Forecast rate [1] 30 September 2016	Forecast rate [1] 30 June 2015	Reporting date spot rate 30 September 2016	Reporting date spot rate 30 June 2015
South African rand				
Euro	**15.8527**	13.1225	**15.4493**	13.5628
US dollar	**14.5933**	12.5700	**13.8426**	12.1211

[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 2015.

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

	30 September 2016 Rm	Restated 30 June 2015 Rm
Through (profit)/loss		
Euro weakening by 2.6% (2015: strengthening by 3.2%) to the rand	**(10)**	9
US dollar weakening by 5.4% (2015: weakening by 3.7%) to the rand	**(6)**	(52)

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.

Foreign exchange contracts

The Group uses forward exchange contracts to hedge its foreign currency risk against the functional currency of its various global operations. Most of the forward exchange contracts have maturities of less than one year after reporting date. As a matter of policy, the Group does not enter into derivative contracts for speculative purposes.

Cash flow hedges

The Group classifies certain of its forward exchange contracts that hedge forecast transactions as cash flow hedges.

	30 September 2016 Rm	30 June 2015 Rm
Fair value loss for the period recognised in other comprehensive income	**951**	113

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.

20. FINANCIAL RISK MANAGEMENT (continued)

20.2 Market Risk (continued)

20.2.2 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 Management's 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 17.

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

	Subject to interest rate movement					
	Variable EURIBOR Rm	Variable JIBAR and SA prime Rm	Variable other Rm	Fixed rate Rm	Non-interest-bearing Rm	Total Rm
30 September 2016						
Non-current financial assets	-	1 454	29	140	4 814	6 437
Current financial assets	-	11 201	586	89	8 631	20 507
Non-current financial liabilities	-	-	-	-	(30 321)	(30 321)
Current financial liabilities	(1 288)	(20 431)	(317)	-	(17 518)	(39 554)
	(1 288)	(7 776)	298	229	(34 394)	(42 931)
Effect of material interest rate swaps	-	67	-	-	(760)	(693)
	(1 288)	**(7 709)**	**298**	**229**	**(35 154)**	**(43 624)**
Restated 30 June 2015						
Non-current financial assets	-	418	-	344	4 810	5 572
Current financial assets	136	4 890	2 893	2 479	7 242	17 640
Non-current financial liabilities	(3 874)	-	-	-	(7 531)	(11 405)
Current financial liabilities	(14 871)	(21 208)	(4 121)	(34 116)	(51 462)	(125 778)
	(18 609)	(15 900)	(1 228)	(31 293)	(46 941)	(113 971)
Effect of material interest rate swaps	2 927	-	21	(3 033)	187	102
	(15 682)	(15 900)	(1 207)	(34 326)	(46 754)	(113 869)

20. FINANCIAL RISK MANAGEMENT (continued)

20.2 Market Risk (continued)

20.2.2 Cash flow and fair value interest rate risk

	Notes	Interest income Rm	Interest expense Rm
30 September 2016			
Financial assets at amortised cost	6	679	-
Financial liabilities not at fair value through profit or loss	6	-	2 536
		679	2 536
Restated 30 June 2015			
Financial assets at amortised cost	6	485	-
Financial liabilities not at fair value through profit or loss	6	-	1 315
		485	1 315

Cross-currency interest rate swap contracts

The Group has entered into a number of cross-currency interest rate swap contracts to effectively convert fixed-interest US dollar borrowings into variable-interest euro borrowings. These swaps were disposed of as part of the disposal of the SFHG group during the Reporting Period.

Sensitivity analysis

The Group is sensitive to movements in the EURIBOR, JIBAR and SA prime rates, 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 2016 Rm	Restated 30 June 2015 Rm
Through profit/(loss)		
EURIBOR - 100 basis point increase	**13**	157
JIBAR and SA prime - 100 basis point increase	**77**	159

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

20.2.3 Other price risks

The Group is exposed to other price risks related to:

Brait share price

The Group holds a 4.9% investment in Brait (refer note 12).

Steinhoff N.V. share price

The investment in Steinhoff N.V. comprises 49 200 125 (2016: 54 853 837) ordinary shares held by various entities in the Group.

Both of these investments are carried at fair value which is measured using the 30-day VWAP as at the Reporting Date, the balances are therefore sensitive to fluctuations in the respective quoted share prices.

Subsequent to the reporting date the value of this investment decreased significantly as a result of the events described in note 36 and in the directors report. The fair values as at 30 September 2016 are not indicative of the amounts the Company could realise in the normal course of business after the reporting date.

20. FINANCIAL RISK MANAGEMENT (continued)

20.3 Credit risk

Potential concentration of credit risk consists principally of short-term cash and cash equivalent investments, trade and other receivables, and loans receivable. 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 2016, 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 reporting date without taking account of the value of any collateral obtained was:

	30 September 2016 Rm	Restated 30 June 2015 Rm
Non-current financial assets	**1 869**	1 063
Current financial assets	**17 567**	16 041
	19 436	17 104
Less: Instalment sale and loan receivables[1]	**(2 002)**	(1 928)
	17 434	15 176

[1] *Included in the trade and other receivables balance are instalment sale and loan receivables. These have been analysed separately, due to the different credit risk relating to these books.*

Ageing of financial assets, excluding instalment sales and loan receivables

	30 September 2016 Rm	30 September 2016 %	Restated 30 June 2015 Rm	Restated 30 June 2015 %
Not past due or impaired	**16 832**	**96.5**	13 673	90.1
Past due 1 to 30 days but not impaired	**201**	**1.2**	396	2.6
Past due 31 to 60 days but not impaired	**78**	**0.4**	83	0.5
Past due more than 60 days but not impaired	**121**	**0.7**	465	3.1
Past due and impaired	**202**	**1.2**	559	3.7
	17 434	**100.0**	15 176	100.0

20. FINANCIAL RISK MANAGEMENT (continued)

20.3 Credit risk (continued)

Credit exposure by class to instalment sale and loans receivables

	Secured Rm	Unsecured Rm	Total Rm
30 September 2016			
Up to date	**26**	**1 512**	**1 538**
Performing	**17**	**282**	**299**
Non-performing	**21**	**144**	**165**
	64	**1 938**	**2 002**
30 June 2015			
Up to date	23	1 509	1 532
Performing	36	205	241
Non-performing	10	145	155
	69	1 859	1 928

The 'classes' have been determined on the basis of the market segment in which the individual trading brand operates:

Secured	Secured against retail product sold
Unsecured	Unsecured in nature and includes revolving credit customer loans

The debtors book has been analysed into the following types of accounts, reflecting the accounts in the following categories:

Up to date	These accounts have no arrears, are therefore up to date and are neither past due nor impaired. An unidentified impairment is raised for these accounts.
Performing	These accounts are in arrears by less than four contractual instalments and are considered to be past due. Arrears are defined as less than 95% of a contractual instalment. An unidentified impairment is raised for these accounts.
Non-performing	These accounts are in arrears by four or more contractual instalments. Arrears are defined as less than 95% of a contractual instalment. An identified impairment provision is raised against accounts that are four or more instalments in arrears.

Risk analysis for up to date accounts

	Secured Rm	Unsecured Rm	Total Rm
30 September 2016			
Low risk	**20**	**1 508**	**1 528**
Medium risk	**6**	**4**	**10**
	26	**1 512**	**1 538**
30 June 2015			
Low risk	**13**	**1 509**	**1 522**
Medium risk	**8**	**-**	**8**
High risk	**2**	**-**	**2**
	23	1 509	1 532

20. FINANCIAL RISK MANAGEMENT (continued)

20.3 Credit risk (continued)

ACCOUNTING POLICY

Impairment of assets carried at amortised cost

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. Subsequent recoveries of amounts previously written off are credited against other expenses.

The movement in the provision of these receivables is as follows:

	30 September 2016 Rm	Restated 30 June 2015 Rm
Movement in provision for bad debts		
Balance at beginning of the period	**(844)**	(890)
Provision raised	**(532)**	(656)
Amounts unused reversed	**76**	76
Amounts used during the period	**464**	1 010
Net acquisition of subsidiaries and businesses	**(388)**	(450)
Disposal of subsidiaries	**391**	26
Exchange differences on consolidation of foreign subsidiaries	**308**	36
Restatement	**-**	4
Balance at end of the period	**(525)**	(844)

20. FINANCIAL RISK MANAGEMENT (continued)

20.3 Credit risk (continued)

Impairment of assets carried at amortised cost

	30 September 2016 Rm	Restated 30 June 2015 Rm
Past due but not impaired		
As at 30 September 2016, trade receivables of R400 million (2015: R944 million) were past due but not impaired. Instalment sales of R165 million (2015: R155 million) were considered non-performing. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:		
Trade receivables		
Up to 3 months	338	604
3 to 6 months	62	340
	400	944

The Group has liens over items sold until full payment has been received from customers. The fair value of collateral held against these loans and receivables is linked to the value of the liens. Furthermore, the Group has credit insurance to cover its exposure to risk on receivables.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. Other than mentioned above the Group does not hold any collateral in relation to these receivables.

20.4 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 manages liquidity risk by monitoring forecast cash flows and by ensuring that adequate borrowing facilities are 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 invest net cash reserves on the financial markets, mainly in short-term instruments linked to variable interest rates.

As a result of the restatements as disclosed in note 1 the Group is in technical breach of all its financial covenants and therefore no longer has access to any undrawn borrowing facilities. Refer to note 17.3 and 20.5.

As discussed in note 36, the Steinhoff Investments Group have repaid majority of the external debt during the 2018 Reporting Period, Pepkor Holdings restructured their external debt financing and the Steinhoff N.V. Group concluded the CVA. The financing restructures resulted in a reduction in the liquidity risk of the Group in the 2018 and 2019 Reporting Periods.

20. FINANCIAL RISK MANAGEMENT (continued)

20.5 Capital risk management

The Group manages its capital to ensure that entities in 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 17, cash and cash equivalents, and equity attributable to owners of Steinhoff Investments, comprising issued ordinary share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The Group's risk management committee reviews the capital structure of the 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 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.

Loan covenants

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:
- Net debt to EBITDA ≤ 3.2 times
- Interest cover ≥ 4.5 times
- Issue of financial statements of the Group and certain subsidiary companies within agreed periods

The Group has recalculated its financial covenant calculations based on the restated results and financial position of the Group and have not complied with these covenants at 30 September 2016 or 30 June 2015.

The Group breached the financial statement covenant subsequent to year-end due to the late publication of most Group financial statements.

Due to various guarantees and cross-guarantees issued by various companies within the Group, every borrowing listed in note 17 was immediately repayable as a result of the breach of the financial covenants and therefore classified as current.

No remedies or renegotiation of terms were finalised before the end of the Reporting Period. The Group repaid the majority of the debt during the 2018 Reporting Period. Refer to note 36 for events after the Reporting Period.

The carrying amount of the loans payable in default as well as the terms are disclosed in note 17.

20. FINANCIAL RISK MANAGEMENT (continued)

20.5 Capital risk management (continued)

	30 September 2016 Cents	30 June 2015 Cents
Distribution to shareholders		
Dividend in specie to ordinary shareholder		
On 1 April 2016, Steinhoff Investments distributed its shares in SFHG to Steinhoff N.V. as a dividend in specie. The value of the dividend in specie was based on the investment value in the records of Steinhoff Investments. As the investment was fully impaired in the restated 2015 results the distribution was made at a nil value.	**-**	-
Distribution to Steinhoff Investments' preference shareholders		
A preference dividend of 396 cents per share (2015: 384 cents per share) in respect of the period 1 July 2015 to 31 December 2015 (2015: 1 July 2014 to 31 December 2014) was paid on 18 April 2016 (2015: 20 April 2015) to those preference shareholders recorded in the books of the company at the close of business on 15 April 2016 (2015: 17 April 2015).	**396.0**	384.0
A preference dividend of 424 cents per share (2015: 378 cents per share) in respect of the period 1 January 2016 to 30 June 2016 (2015: 1 January 2015 to 30 June 2015) was paid on 17 October 2016 (2015: 19 October 2015) to those preference shareholders recorded in the books of the company at the close of business on 14 October 2016 (2015: 16 October 2015).	**424.0**	378.0

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.

21. EMPLOYEE BENEFITS

		30 September 2016			30 June 2015		
	Notes	Current Rm	Non-current Rm	Total Rm	Current Rm	Non-current Rm	Total Rm
Leave obligations	21.1	**301**	**-**	**301**	842	-	842
Post-retirement medical benefits		**-**	**74**	**74**	72	75	147
Performance-based bonus accrual	21.3	**288**	**485**	**773**	314	-	314
Indemnity provision[2]	21.4	**-**	**-**	**-**	13	630	643
Other[1]		**41**	**(28)**	**13**	54	286	340
Defined pension benefits[2]	21.2						
Conforama France Pension Fund	35.1	**-**	**-**	**-**	22	619	641
Homestyle Pension Fund	35.1	**-**	**-**	**-**	53	-	53
Other		**-**	**-**	**-**	6	270	276
Total liability		**630**	**531**	**1 161**	1 376	1 880	3 256

[1] *Included in other are provisions relating to 13th cheque or holiday pay and severance pay.*
[2] *Significant decrease due to disposal of subsidiary*

21.1 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 entire amount 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.

Leave that is expected to be taken or paid within the next 12 months amounted to R301 million (2015: R842 million).

21.2 Pension plans

Defined pension benefits

Various defined benefit plans are in operation throughout the Group with the Conforama France Pension Fund and the Homestyle Group comprising the most material plan assets and liabilities. The assets of these schemes are held in administered trust funds separate from the Group's assets. Certain of the funds have surpluses, which have not been recognised as the employer is not entitled to any of the surpluses or unutilised reserves.

Both of these funds were deconsolidated when SFHG was distributed to Steinhoff N.V. during the Reporting Period.

Defined contribution plans

The Group also operates a number of defined contribution plans which receive fixed contributions from Group companies. The Group's legal or constructive obligation for these plans is limited to the contributions.

The expense recognised in the current period in relation to these contributions was R244 million (2015: R171 million).

21. EMPLOYEE BENEFITS (continued)

21.3 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.

	Rm
Balance at 1 July 2014	285
Accrual raised	176
Amounts unused reversed	(13)
Amounts utilised	(109)
Reclassification between categories	(25)
Balance at 30 June 2015	**314**
Accrual raised	**797**
Amounts unused reversed	**(57)**
Amounts utilised	**(734)**
Acquired at acquisition of subsidiary	**192**
Eliminated on disposal of subsidiary	**(11)**
Exchange differences on consolidation of foreign subsidiaries	**(65)**
Reclassification from accruals	**337**
Balance at 30 September 2016	**773**

21.4 Indemnity provision

The indemnity provision is based on Austrian law, where every employee has the right to receive an indemnity if retrenched or retired. A provision is therefore raised due to the present legal obligation to settle such amounts.

22. PROVISIONS

	Notes	30 September 2016 Current Rm	30 September 2016 Non-current Rm	30 September 2016 Total Rm	30 June 2015 Current Rm	30 June 2015 Non-current Rm	30 June 2015 Total Rm
Dilapidation, onerous lease and onerous contract provisions	22.1	**217**	**117**	**334**	932	643	1 575
Warranty provisions	22.2	**-**	**-**	**-**	123	229	352
Legal claims	22.3	**-**	**-**	**-**	-	2 287	2 287
Contingent liability	22.4	**-**	**922**	**922**	1 733	-	1 733
Gross incurred but not reported reserve and unearned premiums		**198**	**9**	**207**	241	13	254
Other	22.5	**658**	**65**	**723**	545	31	576
		1 073	**1 113**	**2 186**	3 574	3 203	6 777

	Dilapidation, onerous lease and onerous contract provisions Rm	Warranty provisions Rm	Legal claims Rm	Contingent liability Rm	Gross incurred but not reported reserve and unearned premiums Rm	Other Rm	Total Rm
Movement in provisions							
Balance at 1 July 2014	1 580	386	-	349	296	205	2 816
Provision raised	181	185	-	-	(68)	408	706
Amounts unused reversed	(352)	(7)	-	-	(56)	(220)	(635)
Amounts utilised	(271)	(193)	-	(192)	82	(111)	(685)
Acquisition of subsidiaries and businesses	251	1	-	1 598	-	78	1 928
Exchange differences on consolidation of foreign subsidiaries	(63)	(24)	-	(22)	-	193	84
Balance at 30 June 2015 as previously reported	**1 326**	**348**	**-**	**1 733**	**254**	**553**	**4 214**
Restatements	249	4	2 287	-	-	23	2 563
Restated balance at 30 June 2015	**1 575**	**352**	**2 287**	**1 733**	**254**	**576**	**6 777**
Provision raised	**291**	**204**	**-**	**-**	**(86)**	**802**	**1 211**
Amounts unused reversed	**(6)**	**(9)**	**-**	**-**	**(66)**	**(249)**	**(330)**
Amounts utilised	**(517)**	**(168)**	**-**	**(676)**	**105**	**(205)**	**(1 461)**
Acquisition of subsidiaries and businesses	**184**	**4**	**-**	**-**	**-**	**800**	**988**
Derecognition of subsidiaries	**(721)**	**(461)**	**(2 836)**	**-**	**-**	**865**	**(3 153)**
Reclassification from accruals	**1**	**-**	**-**	**-**	**-**	**129**	**130**
Net other impact*	**(724)**	**-**	**-**	**(158)**	**-**	**(1 960)**	**(2 842)**
Exchange differences on consolidation of foreign subsidiaries	**251**	**78**	**549**	**23**	**-**	**(35)**	**866**
Balance at 30 September 2016	**334**	**-**	**-**	**922**	**207**	**723**	**2 186**

* This relates to additional adjustments resulting from the alleged accounting irregularities which cannot be accurately allocated to specific line items within the movement reconciliation.

22. PROVISIONS (continued)

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.

22.1 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.

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.

Provision for unfavourable legally binding contracts where the terms of the contract are unfavourable, based on market-related rates.

22.2 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.

22.3 Legal claims

A payment of R2.2 billion made to Seifert in December 2016 relating to the Conforama dispute as detailed in note 1.2.3c).

The remainder of the legal claims provision balance relates to various immaterial legal claims.

22.4 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 possible supplier settlements, customer claims and legal disputes. Refer to note 24 for details of business combinations.

22.5 Other provisions

Other provisions include the amounts under insurance contracts and when there is a present 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. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

23. COMMITMENTS, CONTINGENCIES AND GUARANTEES

	30 September 2016 Rm	Restated 30 June 2015 Rm
23.1 Capital expenditure		
Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:		
Contracts for capital expenditure authorised	**809**	575
Capital expenditure authorised but not contracted for	**385**	1 535

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

Subsequent to the reporting date the majority of capital expenditure was suspended due to the Group's liquidity constraints.

23.2 Non-cancellable operating leases

The Group leases various offices, warehouses and retail stores under non-cancellable operating leases 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 are payable as follows:

	30 September 2016 Rm	Restated 30 June 2015 Rm
Next year	**4 524**	6 411
Within two to five years	**10 394**	14 718
Thereafter	**2 314**	5 731
Total	**17 232**	26 860

Balances denominated in currencies other than rand were converted at the closing rates of exchange ruling at 30 September 2016 and 30 June 2015.

Rental expense recognised in profit or loss during the period relating to operating leases amounted to R5.1 billion (2015: R1.6 billion). Refer to note 5.3.6 and 5.3.7.

23.3 Contingent liabilities and other litigation

Taxation

There is uncertainty regarding future taxes as a result of the impact of the alleged accounting irregularities as well as a number of ongoing tax audits and investigations. Details are provided in note 7.

23. COMMITMENTS, CONTINGENCIES AND GUARANTEES (continued)

23.3 Contingent liabilities and other litigation (continued)

Legal claims

The contractual claims discussed below were received by the relevant parties during the 2018 to 2020 Reporting Periods. They are all being defended. As these claims are based on the claimants' view that the financial reports for periods prior to 2017 provided to them were misleading, it is deemed that the claims received are, in terms of IAS 10, adjusting events.

The majority of these claims were not brought directly against the Company, but against the Steinhoff N.V. Group. As SIHPL formed part of the Steinhoff Investments Group from 2017 onwards, the claims against SIHPL are also included below as they may impact the future of the Steinhoff Investments Group.

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 from 2019)

- 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 Tekkie Claimants ("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 opposed such joinder and consolidation. The Consolidation sought by the Tekkie Claimants was granted.

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") instituted a claim against Steinhoff N.V. and SIHPL on 26 April 2018 for the cancellation of subscription agreements based on alleged misrepresentation and seeking 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. Conservatorium has been granted leave to intervene.

  Proceedings are ongoing.

23. COMMITMENTS, CONTINGENCIES AND GUARANTEES (continued)

23.3 Contingent assets and liabilities and other litigation (continued)

Legal claims (continued)

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 seeking the cancellation of subscription agreements based on alleged misrepresentation and seeking 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. a claim by Wiesfam against Steinhoff N.V. for restitution of the assets distributed by SIHPL to Steinhoff N.V. in terms of a scheme of arrangement.

  Proceedings are ongoing.

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 the 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 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") 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 alleged misrepresentations, and damages in the amount of R740 million.

- The claims arise pursuant to the conclusion of 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 13 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

- In proceedings initiated before the District Court of Amsterdam, 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. Steinhoff N.V. filed a submission with preliminary motions on 18 June 2020, Hamilton initiated separate proceedings in the Western Cape High Court claiming damages of R14 billion plus interest.

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.

23. COMMITMENTS, CONTINGENCIES AND GUARANTEES (continued)

23.3 Contingent assets and liabilities and other litigation (continued)

Legal claims (continued)

Francois Johan Malan vs SIHPL

- Malan instituted action proceedings in June 2020 claiming damages in the amount of R13.2 million arising from alleged misrepresentations in published financial statements.

Peter Andrew Berry vs SIHPL

- Berry instituted action proceedings in June 2020 claiming damages in the amount of R92.3 million arising from alleged misrepresentations in published financial statements.

Andre Frederick Botha vs SIHPL

- Botha instituted action proceedings in June 2020 claiming damages in the amount of R13.2 million arising from alleged misrepresentations in published financial statements.

Warren Wendell Steyn vs SIHPL

- Steyn instituted action proceedings in June 2020 claiming damages in the amount of R13.2 million arising from alleged misrepresentations in published financial statements.

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 N.V., 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. On 23 September 2020, the Amsterdam District Court ruled that Thibault shall be allowed to intervene in the Dutch Conservatorium Claim.

23. COMMITMENTS, CONTINGENCIES AND GUARANTEES (continued)

23.3 Contingent assets and liabilities and other litigation (continued)

Legal claims (continued)

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.

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 (Cronje et al), 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. On 26 June 2020, De Bruyn's application for certification was dismissed by the Johannesburg High Court. De Bruyn was ordered to pay the costs of the respondents who has opposed the application, including the costs of two counsel, where two counsel were employed.

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

Litigation Settlement Proposal

The above legal claims (excluding the claims from the Competition Commission) the Steinhoff N.V. Group faces are complex, multi-jurisdictional claims initiated by multiple parties relating to the alleged accounting irregularities announced in December 2017. Various proceedings have been commenced against the Company, its holding company and SIHPL in the Netherlands, Germany and South Africa. Not all claimants have sought to quantify their alleged damages at the outset of proceedings, but the combined claims of those that have sought to do so are in excess of ZAR136 billion (€7 billion at a ZAR/Euro rate of ZAR19.5). In addition to proceedings against Steinhoff N.V. Group entities, claims have also been made against, amongst others, former directors and officers of Steinhoff N.V. Group entities.

All claims are being disputed in ongoing litigation proceedings and there remains uncertainty as to the outcome of all of those legal proceedings. If all such claims were ultimately established in the amounts asserted, it is clear that the net asset value of the Steinhoff N.V. Group would fall far short of the amount required to satisfy them in full. In such circumstances, liquidation proceedings would ensue which would, in the Group's view, materially impair the value of assets available for distribution and adversely affect the timing and amount of the claimants' recoveries relative to the proposed settlement.

23. COMMITMENTS, CONTINGENCIES AND GUARANTEES (continued)

23.3 Contingent assets and liabilities and other litigation (continued)

Litigation Settlement Proposal (continued)

Per the SENS announcement on 27 July 2020, the Group has formulated proposed settlement amounts for various claimant groups in light of the characteristics of, and risks affecting, their claims, the Group's ability to continue trading and to maximise the asset values available to it, and the likely outcomes for claimants if the Group was unable to do so and liquidation ensued. The proposed settlement terms also have regard to the adverse impact of the COVID–19 pandemic on the value of the Group's underlying businesses and the effect of currency movements.

The proposed terms of the settlement provide for payments materially in excess of the permission granted by financial creditors in 2019 and will require fresh consent from financial creditors. The financial creditors are being asked to make additional concessions including the extension to the maturity of their loans to the Group.

The Group's settlement proposal is made on the basis that it does not represent an admission of any liability in respect of any of the various claims made against any member of the Group or any directors, officers, employees or advisers, past or present.

Settlement proposal details

The detailed terms of the proposal ("**Settlement Term Sheet**") can be found on the Company's website at the following web-address: https://www.steinhoffinternational.com/settlement-litigation-claims.php.

The terms of the proposal reflect key features of the parties' respective claims, including:

- the legal basis for the claim;
- the laws of the jurisdiction in which the claim is brought;
- the nature and extent of the loss claimed;
- legal uncertainties affecting the claim and recoverability of loss; and
- the financial position of the Steinhoff entity against which the claim arises.

The terms of the settlement proposal are, in summary, as follows:

- Market purchase claimants ("MPC"):
  The Steinhoff N.V. Group will settle eligible Steinhoff N.V. MPCs and SIHPL MPCs for a total settlement consideration amount of €266 million.

  This settlement consideration will be paid 50 per cent in cash funded from the South African sub-group and 50 per cent in shares of Pepkor Holdings ("PPH shares"), settled at a deemed price per share of ZAR15. No lock up restriction on sale of the PPH shares is required in respect of PPH shares issued to the MPC claimants. Steinhoff N.V. estimates that approximately up to 173 million PPH shares (or 4.6 per cent of the total PPH issued share capital) will be transferred to MPC claimants as a result of the settlement.

  In addition, in order to facilitate recoveries to market purchase claimants the Group is considering making available an amount of up to €30 million to pay in respect of certain fees, costs and work undertaken by the active claimant groups ("ACGs") on the terms to be specified in the settlement documents. The specific terms of the proposal remain under consideration.

- Steinhoff N.V. contractual claims:
  Contractual claims against the Steinhoff N.V. Group will be settled at the same relative recovery rate as the MPCs against the Steinhoff N.V. Group. The Steinhoff N.V. Group estimates the total amount to be required to settle such contractual claimants to be in the region of €104 million. Such settlement consideration will also be paid 50 per cent in cash and 50 per cent in PPH shares settled at a deemed price per share of ZAR15. Consistent with the proposal in relation to the market purchase claimants settled by Steinhoff N.V., no lock up restriction on sales is required in respect of PPH shares allocated to Steinhoff N.V. Group contractual claimants.

  The Steinhoff N.V. Group estimates that up to 67 million PPH shares (or 1.8 per cent of the total PPH issued share capital) will be transferred to Steinhoff N.V. Group contractual claimants.

23. COMMITMENTS, CONTINGENCIES AND GUARANTEES (continued)

23.3 Contingent assets and liabilities and other litigation (continued)

Litigation Settlement Proposal (continued)

- SIHPL contractual claims:
  SIHPL will settle the claims made against it by contractual claimants from its own resources. SIHPL contractual claims (other than claims by Thibault and Wiesfam) will be settled for a total amount of approximately ZAR1.5 billion (€76 million at a ZAR/euro rate of 19.5). The claims of Thibault and Wiesfam will be settled for a proportionally lower recovery rate in the total nominal amount of approximately ZAR7.9 billion (€406 million at a ZAR/euro rate of 19.5). The settlement consideration will also be paid 50 per cent in cash and 50 per cent in PPH shares at a deemed price per share of ZAR15. Subject as follows, SIHPL contractual claimants will be required to agree to lock up PPH shares allocated to them for 180 days from the effective date of settlement.

  In respect of the SIHPL contractual claimants BVI and Cronje & others who are current employees and managers of PPH, SIHPL proposes that their settlement consideration be entirely in the form of PPH shares at a deemed settlement price of ZAR13.5 per share, provided they agree to a three year lock up restriction of sale of those PPH shares from the effective date of the settlement.

  The Steinhoff N.V. Group estimates that approximately 345 million PPH shares (or 9.3 per cent of the total PPH issued share capital) will be transferred to SIHPL contractual claimants assuming BVI and Cronje & others take up their option to be paid entirely in PPH shares.

- Non-qualifying claims
  No specific proposal is being made for the settlement of other claims, and the Steinhoff N.V. Group or SIHPL will continue to defend them on the basis that any liability in respect of the same is denied. If any such claim against the Steinhoff N.V. Group ultimately succeeds, it will be entitled to settlement consideration at the same rate as MPC and contractual claims against the Steinhoff N.V. Group. If any such claim against SIHPL ultimately succeeds, it will be entitled to payment in full.

- Claim verification & disputes:
  The Steinhoff N.V. Group is contemplating establishing a new Dutch stichting foundation together with supporting arrangements in South Africa (for South African claimants) to act as the Steinhoff Recovery Foundation ("SRF"). The purpose of the SRF will be to administer and distribute the settlement consideration paid by, or on behalf of, the Steinhoff N.V. Group. It will be governed by a board of newly appointed directors with majority independence from the Steinhoff N.V. Group. Claimants will be required to submit their claims for verification prior to receiving settlement payments. SRF will retain Computershare to assist it to administer and verify claims prior to payment of the settlement consideration.

- Financial creditors:
  The Steinhoff N.V. and SIHPL financial creditors holding contingent payment undertakings ("CPUs") (other than creditors holding Hemisphere International Properties B.V. CPUs), will not be eligible to receive any distribution as part of the proposed settlement in respect of their contractual claims under the Steinhoff N.V. CPUs and the SIHPL CPUs. Instead, they will be asked to provide their consent for the proposed global settlement and to waive any tortious (delictual) claims they may have against the Group, D&O insurers and auditors. In addition, the financial creditors will be asked for a consent to extend the maturity date of the CPUs and the underlying debt obligations by 18 months to 30 June 2023 with an option for a further 6 months extension on the approval of a lower CPU creditor voting threshold. As part of these arrangements, effective from implementation of the proposed settlement the Steinhoff N.V. Group will provide security to its CPU creditors over its shares in SINVH and over any outstanding loan claim payable by SINVH to Steinhoff N.V. This extension is an important component of the overall settlement and of the continuation of the stable platform for the Steinhoff N.V. Group. To the extent necessary, the Group will consider English law schemes of arrangement to implement the consent required. Otherwise, the Steinhoff N.V. financial creditors will retain their contractual rights against Steinhoff N.V. and SIHPL under the terms of the CPUs.

- Post settlement Pepkor Holdings:
  Pepkor Holdings: The Steinhoff N.V. Group estimates that the settlement will result in Steinhoff continuing to hold in excess of 50 per cent of PPH shares.

23. COMMITMENTS, CONTINGENCIES AND GUARANTEES (continued)

23.3 Contingent assets and liabilities and other litigation (continued)

Litigation Settlement Proposal (continued)

- Implementation and conditionality:
  The detailed terms of the proposal ("Settlement Term Sheet") can be found on the Group's website at the following web-address: https://www.steinhoffinternational.com/.

  The competing stakeholder interests, the financial position of Steinhoff and the complex multi-jurisdictional nature of the litigation make implementation of the proposed settlement uniquely challenging. The Steinhoff N.V. Group has therefore been considering a number of options to achieve the necessary certainty and finality required by the Steinhoff N.V. Group and stakeholders.

  One of the options currently available to Steinhoff to implement the global settlement is by a composition plan which will be submitted in draft form ("ontwerp van akkoord") immediately on the filing of the request for a Suspension of Payments ("surseance van betaling") procedure in the Netherlands by the Steinhoff N.V. Group and a pre-prepared compromise plan pursuant to section 155 of the Companies Act in South Africa by SIHPL. The Steinhoff N.V. Group and SIHPL continue to consider appropriate settlement mechanisms to supplement and/or replace such implementation procedures.

  Steinhoff N.V. has the right, at its option, to settle the settlement consideration in a greater portion, or in full amount, in cash and in accordance with the Settlement Term Sheet.

  In addition to achievement of the necessary levels of support by claimants to the Group's proposal, the settlement will be conditional on, among other things:
  - Consent of the Group's financial creditors under the terms of the Group's restructured debt financings. A request for consent from the Group's financial creditors will be launched shortly.
  - Consent of the South African Reserve Bank in respect of certain elements of the proposal and to facilitate the funding of the settlement proposal.

  There is no current indication as to whether those consents will be forthcoming.

  The Group's settlement proposal is made on the basis that it does not represent an admission of any liability in respect of any of the various claims made against any member of the Group or any directors, officers, employees or advisers, past or present.

Guarantees and other collateral

Steinhoff Africa provided a guarantee to the FSB ("susequently renamed to FSCA") of R200 million with regards to the sale of the JD Insurance in the event that the insurance business requires additional funding to meet its obligations. The guarantee is effective for 5 years from 1 March 2016. JD Insurance was fully SAM (Solvency Assessment and Management) compliant, our assessment is that it is unlikely that SAH would need to perform under this guarantee. The obligations in terms of this guarantee was waived in November 2018.

24. CASH FLOW INFORMATION

24.1 Cash generated from operations

	Notes	Fifteen months ended 30 September 2016 Rm	Twelve months ended 30 June 2015 Rm
Operating (loss)/profit			
Continuing operations		**9 298**	5 381
Discontinued operations		**11 684**	8 583
Adjusted for non-cash adjustments included in continuing and discontinued operations:			
Debtors cost		**647**	3 282
Depreciation and amortisation	9 & 10	**3 665**	2 222
Net reversal of impairment of loans receivable and other related provisions	5.2.2	**(5 339)**	-
Fair value gain on financial instruments	4.3.5	**(72)**	(504)
Impairments from continuing operations	5.2.1	**680**	786
Goodwill		**(26)**	801
Intangible assets		**383**	49
Property, plant and equipment		**180**	1
Other		**143**	(65)
Impairments from discontinued operations	2.2.1	**595**	35
Goodwill		**104**	22
Intangible assets		**195**	4
Property, plant and equipment		**17**	9
Other		**279**	-
Inventories written down to net realisable value and movement in provision for inventories		**626**	377
Net (gain)/loss on disposal and scrapping of property, plant and equipment, vehicle rental fleet and intangible assets	5.2.4 & 2.2.2	**(8)**	103
Gain on disposal and part disposal of investments	5.2.5	**(184)**	(3 214)
Gain on bargain purchase	5.2.6	**(333)**	-
Share-based payment expense		**808**	393
FCTR reclassified to profit or loss	5.2.3 & 2.4	**2 821**	-
Fair value and cashflow hedging reserve reclassified to profit or loss		**(4 454)**	-
Net other impact*		**(7 745)**	-
Other non-cash adjustments		**(26)**	(63)
Cash generated before working capital changes		**12 663**	17 381
Working capital changes			
(Increase)/decrease in inventories		**(2 581)**	1 133
Decrease in trade and other receivables		**30 568**	2 763
Decrease/(increase) in assets held for sale		**2 152**	(268)
Movement in net derivative financial liabilities/assets		**157**	(223)
Decrease in liabilities held for sale		**(999)**	(190)
Decrease in non-current and current provisions		**(3 263)**	(813)
Decrease in share sheme settlement provisions		**(396)**	(310)
Increase in non-current and current employee benefits		**678**	39
(Decrease)/increase in trade and other payables		**(1 214)**	5 537
Net changes in working capital		**25 102**	7 668
Cash generated from operations		**37 765**	25 049

* This relates to additional adjustments resulting from the alleged accounting irregularities which cannot be accurately allocated to specific line items.

25. 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 local regulatory requirements to be capitalised or in terms of IAS 32. 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.

25. BUSINESS COMBINATIONS (continued)

25.1 The fair value of assets and liabilities assumed at date of acquisition

	Iliad Note 25.2 Rm	Other Note 25.3 Rm	Total 30 September 2016 Rm
Assets			
Intangible assets	424	91	515
Property, plant and equipment	161	104	265
Investments and loans	-	3	3
Deferred taxation assets	73	(19)	54
Cash on hand	159	311	470
Liabilities			
Interest-bearing loans and borrowings	(10)	(148)	(158)
Deferred taxation liability	(89)	-	(89)
Bank overdraft and short-term facilities	-	(1)	(1)
Working capital	137	230	367
Existing non-controlling interests	-	(158)	(158)
Group's share of total assets and liabilities	855	413	1 268
Goodwill attributable to acquisition	486	566	1 052
Total consideration	1 341	979	2 320
Cash on hand at date of acquisition	(159)	(311)	(470)
Net cash outflow on acquisition of subsidiaries	1 182	668	1 850

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. Goodwill is not deductible for tax purposes.

25.2 Acquisition of Iliad

Effective January 2016, Steinhoff acquired 100% of the voting rights of Iliad for a purchase price of R1.3 billion paid in cash. The acquisition represents a consolidation in the DIY category aimed at establishing a large-scale DIY business capable of competing with the larger DIY companies in the South African market.

Revenue of R3.3 billion and gross profit of R917 million have been included in the consolidated statement of profit or loss as at 30 September 2016.

The revenue and gross profit of the combined entity for the current reporting period calculated as though the acquisition date had been at the beginning of the annual reporting period would have been R4.4 billion and R1.2 billion respectively.

25.3 Other acquisitions during the year

Other immaterial acquisitions made during the year are set out below.

The revenue and net profit of these operations have been included in the Group's consolidated statement of profit or loss for the period ended 30 September 2016 from their dates of acquisition.

	Country of incorporation	Date of acquisition	Ownership %	Total purchase price paid Rm
Impuls Küchen (Household goods: Europe)	Germany	July 2015	100	369
Extreme Digital (Household goods: Europe)	Hungary	January 2016	50.5	311
Other				299
				979

25. BUSINESS COMBINATIONS (continued)

25.4 The fair value of assets and liabilities assumed at date of acquisition

		Restated Pepkor Note 25.5 Rm	Other Rm	Restated Total 30 June 2015 Rm
Assets				
Intangible assets		18 434	5	18 439
Property, plant and equipment		4 263	144	4 407
Investments in equity accounted companies		38	-	38
Investments and loans		452	-	452
Deferred taxation assets		321	31	352
Cash on hand		1 902	30	1 932
Liabilities				
Interest-bearing loans and borrowings		(3 647)	-	(3 647)
Deferred taxation liability		(3 464)	-	(3 464)
Current interest-bearing loans and borrowings		(469)	(342)	(811)
Bank overdraft and short-term facilities		(657)	-	(657)
Working capital		1 682	(26)	1 656
Existing non-controlling interests		(9)	-	(9)
Total assets and liabilities acquired		18 846	(158)	18 688
Less: Non-controlling interests' portion of assets	-	(1 468)	-	(1 468)
Group's share of total assets and liabilities	-	17 378	(158)	17 220
Goodwill attributable to acquisition		45 551	360	45 911
Goodwill attributable to share price increase	-	2 432	-	2 432
Total consideration	-	65 361	202	65 563
Cash on hand at date of acquisition	-	(1 902)	(30)	(1 932)
Purchase price settled through loan account	-	(50 256)	(9)	(50 265)
Purchase price settled through issue of shares	-	-	-	-
Net cash outflow on acquisition of subsidiaries	-	13 203	163	13 366

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. Goodwill is not deductible for tax purposes.

The fair value of assets and liabilities assumed of Pepkor were provisional and were finalised within twelve months after the date of the acquisitions. The restatements relating to the finalisation of the purchase price allocations are detailed in note 1.1.

25.5 Acquisition of Pepkor

The fair value of the ordinary shares issued as part of the consideration paid for Pepkor was measured using the 30-day VWAP of Steinhoff's ordinary shares on the acquisition date. The valuation is a level 1 input , based on the fair value hierarchy.

The increase in the Steinhoff share price between the initial Pepkor purchase agreement and the accounting recognition date gave rise to an additional consideration recognised for accounting purposes.

The fair value of the non-controlling interest in Pepkor was recognised at the proportionate share of net asset value. This non-controlling interest was acquired in a subsequent transaction on 20 April 2015.

Revenue of R12 199 million and net profit after taxation of R1 135 million have been included in the consolidated statement of profit or loss as at 30 June 2015.

26. NATURE AND PURPOSE OF RESERVES

Share capital and share premium

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

Accumulated loss

Retained earnings/accumulated loss comprise distributable reserves or losses 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 is 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.

Equity component of convertible and redeemable bonds

Bonds which are convertible to share capital, where the number of shares to be issued does not vary with changes in their fair value, are accounted for as compound financial instruments. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of the proceeds. The equity component of the convertible bonds is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognised in profit or loss is calculated using the effective-interest method.

Foreign currency translation reserve

Foreign exchange differences arising on translation of foreign operations are recognised in other comprehensive income and aggregated in the foreign currency translation reserve ("FCTR"). 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 recycled 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 recycled 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 FCTR. 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 34. 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 available-for-sale financial assets, cash flow hedge reserves and actuarial gains or losses recognised on the measurement of the defined benefit plans.

27. ORDINARY SHARE CAPITAL

	30 September 2016 Number of shares	30 June 2015 Number of shares
27.1 Authorised		
Ordinary shares of R0.005 each	**101 000 000**	101 000 000
27.2 Issued		
Balance at beginning of the period	**48 425 009**	15 647 500
Shares issued during the period	**100**	32 777 509
Balance at the end of the period	**48 425 109**	48 425 009

27.3 Issued

	30 September 2016 Share capital Rm	30 June 2015 Share capital Rm	30 September 2016 Share premium Rm	30 June 2015 Share premium Rm
Balance at beginning of the period	*	*	**78 279**	13 046
Shares issued during the year net of transaction costs	*	*	**3 582**	65 233
Distribution	**-**	-	**2**	-
Total issued ordinary share capital and share premium	*	*	**81 863**	78 279

** 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.

27.4 Unissued shares

	30 September 2016 Number of shares	30 June 2015 Number of shares
Total unissued shares	**52 574 891**	52 574 991

28. PREFERENCE SHARE CAPITAL

28.1 Authorised

	Classification of preference shares			30 September 2016	30 June 2015	30 September 2016	30 June 2015
	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 0.1 South African rand cents each	Non-redeemable	Discretionary	Equity	**495 000 000**	495 000 000	*	*
Steinhoff Africa Holdings Proprietary Limited							
Class A perpetual preference shares (par value ZAR0.01)	Non-redeemable	Discretionary	Equity	**2 000**	2 000	*	*
Class B perpetual preference shares of no par value	Redeemable	Discretionary	Financial liability	**2 000**	2 000	*	*
Cumulative redeemable preference shares (par value ZAR0.01)	Redeemable	Discretionary	Financial liability	**2 000**	2 000	*	*
Ainsley Holdings Proprietary Limited							
Cumulative, redeemable preference shares of no par value	Redeemable	Discretionary	Financial liability	**60 000**	60 000	*	*
Business Venture Investments 1499 Proprietary Limited (RF)							
Cumulative, redeemable preference shares of no par value	Redeemable	Non-discretionary	Financial liability	**7 850**	7 820	*	*

** Amount less than R500 000.*

28. PREFERENCE SHARE CAPITAL (continued)

28.2 Issued

	Notes	30 September 2016 Number of shares	30 June 2015 Number of shares	30 September 2016 Rm	Restated 30 June 2015 Rm
Classified as equity					
Steinhoff Investment Holdings Limited[1]					
In issue at the beginning and end of the period		**15 000 000**	15 000 000	**1 583**	1 607
Steinhoff Africa Holdings Proprietary Limited (class A perpetual preference shares)[2]					
In issue at the beginning of the period		**1 000**	1 333	**1 490**	1 963
Shares redeemed during the period		**-**	(333)	**-**	(500)
Net movement in dividends accrued but not yet declared or paid				**20**	27
In issue at the end of the period		**1 000**	1 000	**1 510**	1 490
Steinhoff Africa Holdings Proprietary Limited (class B perpetual preference shares)[2,5]					
In issue at the beginning of the period		**2 000**	-	**2 033**	-
Shares issued during the period		**-**	2 000	**-**	2 000
Net movement in dividends accrued but not yet declared or paid				**31**	33
In issue at the end of the period		**2 000**	2 000	**2 064**	2 033
Total issued preference stated share capital classified as equity		**15 003 000**	15 003 000	**5 157**	5 130
Classified as liabilities					
Ainsley Holdings Proprietary Limited[3,6]					
In issue at end of the period	17	**60 000**	60 000	**6 085**	6 058
Business Venture Investments 1499 Proprietary Limited (RF)[4,7]					
In issue at end of the period	17	3 550	3 550	**411**	416

28. PREFERENCE SHARE CAPITAL (continued)

28.2 Issued

	30 September 2016	Restated 30 June 2015
Summary of preference shares in issue		
Preference share capital and premium	**5 013**	5 013
Owned by preference shareholders of Steinhoff Investments	**1 550**	1 550
Owned by preference shareholders of Steinhoff Africa	**3 463**	3 463
Accumulated profit/loss attributable to preference shareholders of Steinhoff Investments	**33**	57
Non-controlling interest (note 29)	**111**	60
Liabilities	**6 496**	6 474
	11 653	11 604

[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 preferences shares issued by Steinhoff Africa were fully redeemed during the 2018 Reporting Period. Refer to events occuring after the Reporting Period in note 36.

[3] **Terms of issued Ainsley Holdings Proprietary Limited preference shares**

These preference shares earn dividends on the issue price at the rate of 69% of the SA prime lending rate. These preference shares were redeemed during the 2018 Reporting Period.

[4]**Terms of issued Business Venture Investments 1499 Proprietary Limited (RF) preference shares**

These 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. These preference shares have a redemption date of 1 July 2020, however these shares were not redeemed at this date.

[5]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.

[6]Guaranteed by Steinhoff N.V., SIHPL and Pepkor Holdings. All guarantees were cancelled at the redemption of the shares.

[7]Guaranteed by Pepkor Holdings.

29. NON-CONTROLLING INTERESTS

Non-controlling interest: Preference shares

Preference shares classified as equity are attributable to shareholders other than Steinhoff Investments' 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.

29.1 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 2016	30 June 2015	30 September 2016	30 June 2015	30 September 2016	Restated 30 June 2015
	%	%	Rm	Rm	Rm	Rm
JD Group Limited[1] (note 28.2)	**-**	13	**-**	(293)	**-**	713
BVI	**91**	97	**80**	-	**2 495**	2 737
POCO[2]	**-**	75	**-**	-	**-**	3 883
Individually immaterial subsidiaries with non-controlling interests			**290**	65	**224**	216
			370	(228)	**2 719**	7 549
Preference shares classified as equity (note 28.2)			**322**	-	**111**	60
Total non-controlling interests			**692**	(228)	**2 830**	7 609

Any non-controlling interests recognised by the subsidiaries are included in the balances above.

[1] The non-controlling interest in JD Group was bought out on 6 July 2015.

[2] The investment in POCO was held by the SFHG group which was disposed of during the reporting period.

[3] Included in immaterial subsidiaries with non-controlling interests is Pepkor, which had an 8% non-controlling interest for the period 31 March 2015 to 20 April 2015. On 20 April 2015, Steinhoff bought out the non-controlling interest by issuing 86.6 million ordinary share. The buyout resulted in a premium paid on acquisition of non-controlling interest of R4.7 billion accounted for in the premiums or discounts on changes in non-controlling interests reserve.

29. NON-CONTROLLING INTERESTS (continued)

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.

Treatment of non-controlling interest upon loss of control

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, or transferred directly to accumulated losses.

If the Group retains no interest the carrying value of the non-controlling interest is disposed of 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.

29.2 Material transactions with non-controlling interests

On 30 September 2015 Steinhoff's effective interest in POCO increased from 25% to 50%, resulting in a decrease in non-controlling interest from 75% to 50%, as the majority of Pohlmann's interest in LiVest was swapped for Steinhoff shares. Refer to note 1.2.3b for more detail.

29. NON-CONTROLLING INTERESTS (continued)

29.3 Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests:

	JD Group 30 June 2015 Rm
The summarised financial information below represents amounts before intragroup eliminations and consolidation entries.	
Non-current assets	7 219
Current assets	11 290
Non-current liabilities	(863)
Current liabilities	(12 117)
Revenue	33 455
Loss for the year	(2 302)
Loss attributable to owners of the parent	(2 327)
Profit attributable to the non-controlling interests	25
Loss for the year	(2 302)
Total comprehensive loss attributable to owners of the parent	(2 330)
Total comprehensive income attributable to the non-controlling interests	25
Total comprehensive loss for the year	(2 305)
Net inflow from operating activities	1 540
Net outflow from investing activities	(144)
Net inflow from financing activities	(1 119)
Net cash inflow	277

	BVI	
	30 September 2016 Rm	30 June 2015 Rm
The summarised financial information below represents amounts before intragroup eliminations and consolidation entries.		
Non-current assets	**92**	**3 981**
Current assets	**36**	**3**
Non-current liabilities	**(375)**	**(617)**
Current liabilities	**(72)**	**-**
Revenue	**-**	**-**
(Loss)/profit for the year	**(2 916)**	**2 319**
(Loss)/profit attributable to owners of the parent	**(2 916)**	**2 319**
(Loss)/profit attributable to the non-controlling interests	**-**	**-**
(Loss)/profit for the year	**(2 916)**	**2 319**

30. RELATED-PARTY TRANSACTIONS

As part of the ongoing investigations after the December 2017 Events, 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.

Refer to note 1 for restatements. 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. Refer to note 5.2.2.

The Group assessed whether it controlled the following companies and whether these companies are related parties to the Group during the periods presented:

Critical judgements

GT Branding

Refer to note 1.2.2a for details regarding the origin of this transaction. Furthermore, Management assessed it controlled the GT Branding Group and therefore consolidated the GT Branding Group for all periods under review, as a result of the substance over form treatment of all the brands and trademarks owned by the GT Branding Group. The GT Branding group is not considered a material subsidiary during either period presented. Upon consolidation of the GT Branding group, all intergroup transactions and balances were eliminated.

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 set out below:

Christo Wiese related and affiliated entities

Christo Wiese was previously a non-independent Supervisory board member and Chairman of Steinhoff N.V. and considered to be key management personnel of the Group 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 Wiese. Instances of deficient disclosure in the Group's historical financial statements were however identified with relation to transactions entered into between the Group and Christo Wiese or for the benefit of Christo Wiese. These disclosure deficiencies are in terms of transactions entered into with Christo Wiese that were not previously presented as transactions with a related party.

Based on information available and Management's understanding of the various transactions entered into by the Group, 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
- Cream Magenta 140 Proprietary Limited
- Metcap 14 Proprietary Limited
- Myrtledare Corp Inc
- Toerama Proprietary Limited

30. RELATED-PARTY TRANSACTIONS (continued)

Markus Jooste related and affiliated entities

Markus Jooste was the Steinhoff N.V. group CEO, and therefore key management personnel 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 and/or his close family members are believed to have a direct or indirect interest or special relationship:

- Upington Investments Holdings B.V.
- Kluh Investments Proprietary Limited, a subsidiary of Fihag Finanz und Handels AG
- Erfvest Properties Proprietary Limited
- The Brood Proprietary Limited

Bruno Steinhoff and Angela Kruger-Steinhoff related and affiliated entities

Bruno Steinhoff and Angela Kruger-Steinhoff were members of the Steinhoff N.V. Supervisory Board until February 2018 and August 2019, respectively.

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 Bruno Steinhoff and/or Angela Kruger-Steinhoff during the periods presented:

- Bruno Steinhoff Beratungs- und Verwaltungs GmbH
- Steinhoff Familienholding GmbH

South African Properties

Certain sale transactions during 2007 relating to properties in South Africa with Erfvest Properties Proprietary Limited and The Brood Proprietary Limited that may have resulted in a conflict of interest involving key management of the Group at the time which were not previously disclosed but which did not result in adjustments to prior year numbers.

Upington Investment Holdings B.V.

Upington's ownership at a point in time:

- Approximately 90% by Christo Wiese (indirectly through other wholly owned Christo Wiese companies) and
- The remaining 10% held indirectly by the following former Steinhoff N.V. Management Board members: Markus Jooste, Danie van der Merwe, Ben la Grange and the following former directors of Steinhoff Investments: Stéhan Grobler and Mariza Nel.

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.

The transactions not adjusted as part of the restatements 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.

Steinhoff N.V. Group

Refer to note 32 for balances and transactions with the Steinhoff N.V. Group and note 12 for the investment in Steinhoff N.V. shares held by various subsidiaries of the Steinhoff Investments Group.

30. RELATED-PARTY TRANSACTIONS (continued)

30.1 Directorate

The below reflects the board of directors in office during the Reporting Period as well as any changes to the board of directors up until 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
Moira Moses	Appointed: 29 October 2018
Hugo Nelson	Appointed: 30 August 2019
Alex Watson	Appointed: 29 October 2018

Directors who resigned after the Reporting Period but prior to the date of this report

Steve Booysen	Resigned: 30 August 2019
HJK Ferreira	Resigned: 30 September 2016
Johan Geldenhuys	Appointed: 2 February 2018, Resigned 31 August 2020
Stéhan Grobler	Resigned: 2 February 2018
Len Konar	Resigned: 6 March 2018
Theunie Lategan	Appointed: 30 September 2016, Resigned: 28 February 2018
Mariza Nel	Appointed: 30 September 2016, Resigned: 31 January 2018
Heather Sonn	Appointed: 30 September 2016, Resigned: 18 May 2020

Details relating to directors' emoluments, shareholding in the company and interest of directors are disclosed in note 33.

30.2 Compensation of key management personnel

	Fifteen months ended 30 September 2016 Rm	Twelve months ended 30 June 2015 Rm
Short-term employee benefits	**61**	48
Share-based payments - related expense	**22**	24
	83	72

Refer to note 33 for detailed remuneration disclosures.

30.3 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:

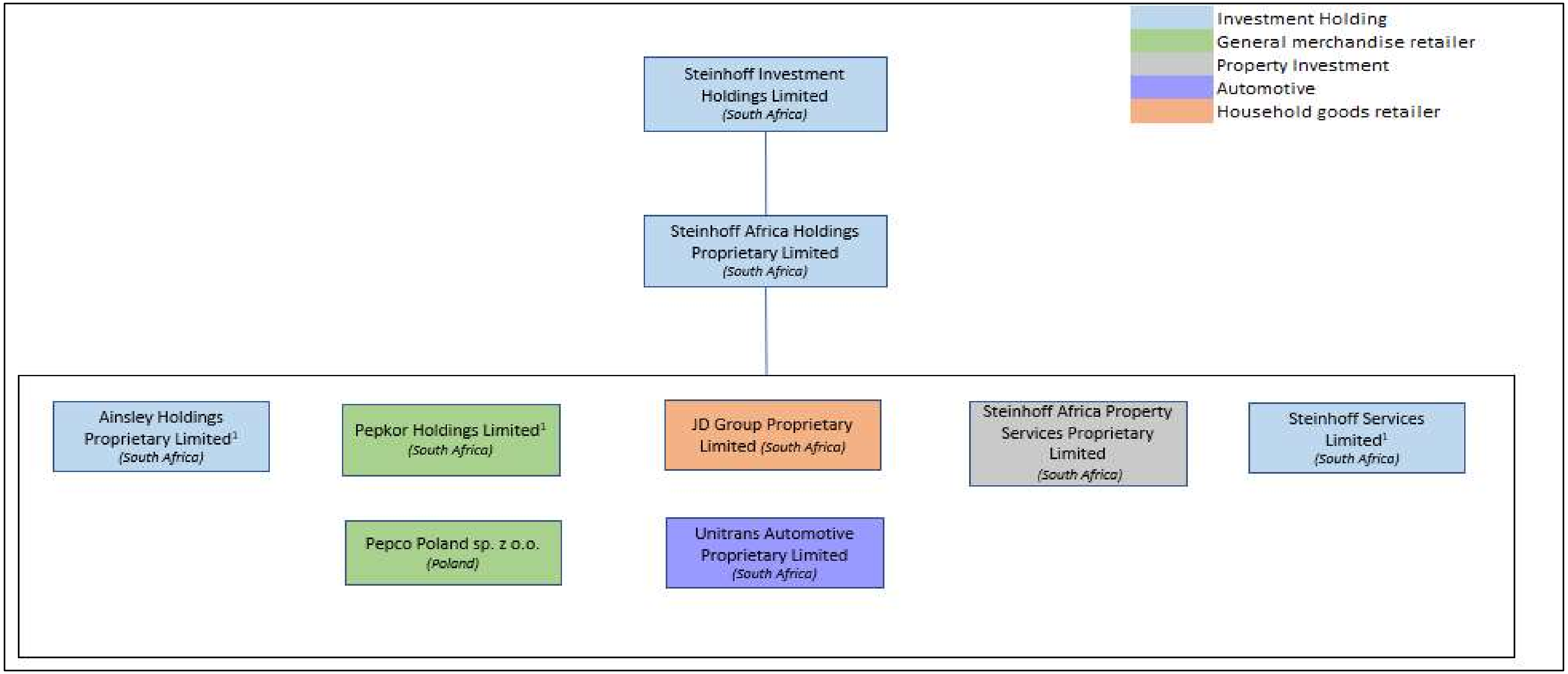
- Hoffman Inc. (of which Stéhan Grobler is a partner) provided legal services to group companies and total fees and reimbursed expenses to the firm amounted to approximately R11 million (2015: R9 million).
- Hoffman Inc. rented office space from the Group for an annual amount of approximately R638 000.
- MJD Aviation Partnership Services (of which Markus Jooste is a partner) provided aviation services to the Group.
- Transaction with Shoprite entails the rental of store from Shoprite, and sale of products to Shoprite by Flash and Building Materials.

30. RELATED-PARTY TRANSACTIONS (continued)

30.4 Material subsidiaries

The Steinhoff Investments Group's principal subsidiaries at 30 September 2016 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 Steinhoff Investments Group as at 30 September 2016, and the proportion of ownership interests held equals the voting rights held by the Steinhoff Investments Group. The country of incorporation or registration is also their principal place of business.

Principal subsidiaries are those identified by management as contributing materially to the consolidated results or financial position of the Steinhoff Investments Group.



The above structure does not indicate direct interests in subsidiaries and unless otherwise indicated, subsidiaries are wholly owned.

[1] *Investment entities with external debt and owners of the equity accounted investments*

30. RELATED-PARTY TRANSACTIONS (continued)

30.5 Trading transactions

The following is a summary of material transactions and balances outstanding at year-end in relation to transactions with related parties. For transactions and balances with the greater Steinhoff N.V. group, refer to note 32.

	Notes	Sales by Group Rm	Purchases by Group Rm	Net admin or management fees received /(paid) by Rm	Net rent received/ (paid) by Group Rm	Rebates received by Group Rm	Net settlement discount received/ (paid) by Group Rm	Net finance cost received /(paid) by Group Rm	Dividends received by Group Rm	Receivables due to the Group Rm	Payables due by the Group Rm
Fifteen months ended 30 September 2016											
Equity accounted companies											
KAP Industrial Holdings Limited and its subsidiaries	a	**494**	**(709)**	**51**	**3**	**32**	**5**	**(2)**	**157**	**16**	**(217)**
PSG Group Limited		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**167**	**-**	**-**
Other equity accounted companies	b	**-**	**(8)**	**-**	**-**	**-**	**-**	**8**	**-**	**-**	**-**
		494	**(717)**	**51**	**3**	**32**	**5**	**6**	**324**	**16**	**(217)**
Fifteen months ended 30 June 2015											
Equity accounted companies											
KAP Industrial Holdings Limited and its subsidiaries	a	376	-	56	34	-	-	19	125	111	(122)
PSG Group Limited		-	-	1	-	-	-	-	75	-	-
Other equity accounted companies	b	-	-	-	-	-	-	-	-	-	-
		376	-	57	34	-	-	19	200	111	(122)

Notes

a Transactions mainly relates to purchases from PG Bison, a subsidiary of KAP by the Pepkor building materials segment and purchases from Restonic, a subsidiary of KAP, by the Pepkor furniture, appliances and electronics segment. Furthermore, dividends are received as and when they are declared by the companies. 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 the Africa property group.

30.6 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.

31. AFFILIATED-PARTY TRANSACTIONS

During the Investigation, following the December 2017 Events, the Group identified entities with which material transactions occurred, but were not assessed as to be IAS 24 related parties. Control assessments have been performed on these entities in accordance with IFRS 10. Key elements considered during these assessments were the Group's right to variable returns from the investee, the Group's ability to direct the relevant activities of the investee and the Group's ability to use its power to affect the returns from its involvement from the investee.

Management considered the nature and quantum of the transactions with these affiliated parties and have provided voluntary disclosure where Management deem it relevant in this note.

Refer to note 1.2 for critical judgements relating to the Campion, Talgarth and Fihag Groups. The transactions with these groups are presented in this note. Also refer to the Basis of Preparation for entities included in the Campion group with which the Group had transactions during the Reporting Period.

Further critical judgements relating to current year transactions and critical judgements not disclosed elsewhere in the financials are disclosed within this note.

Critical judgement

IAS 24 provides guidance in identifying related parties and transactions with related parties. Management have applied the requirements of IAS 24 in understanding the relationships with various ostensibly independent third parties. Management have used all available information to assess whether entities within the four principal groups that were not consolidated, are related parties, when applying the principles of IAS 24. Management concluded that such entities did not meet the definition of a related party. Where information procured suggests that transactions with such affiliated parties are on a non-arm’s length basis management have provided disclosure thereof.

Sunnyside and Sutherland UK ("SSUK")

Critical judgement

Refer to note 1.2.5a regarding the origins of these transactions. There remains uncertainty with respect to the relevant activities of these entities, which are part of the Campion Group, which could extend beyond transactions with the Group, although it appears that the purpose of the entities was to hold Steinhoff shares. There is insufficient evidence to suggest that the Group can control the activities of the entities in the absence of holding voting rights. The Group is exposed to variable returns from SSUK as a result of funding provided, although it is noted a loan agreement was only put in place after the repayment of the first loan that was granted. Subsequent loans were not covered by this agreement and therefore lacked economic substance. Management has concluded that the Group does not control these entities. Despite not consolidating these entities the shares held by SSUK were recognised as treasury shares, together with the related share based payments arising from transactions with these entities. Refer to note 1.2.5a and note 32.2 Share-based payment expenses relating to share funding transactions.

Geros

Geros Financial Services Proprietary Limited (“Geros FS”), a subsidiary of Geros Beteiligungsverwaltungs GmbH (“Geros B”), a subsidiary of Fihag Finanz Und Handelsaktiengesellschaft (“Fihag”) at some point in time, acquired two debtors books and a 70% interest in Blake and Associate Holdings Proprietary Limited (“Blake”) from the Group for R300 million and R163.1 million respectively during 2013. The acquisition was funded by the Group through the Group's loan to Top Global whereby Top Global advanced a loan to Geros B, to the value of R450.3 million. No formal loan agreements have been identified.

On 15 December 2014, Geros FS placed a R40 million deposit with the Group due to an arrangement with the Steinhoff treasury department, no formal terms were agreed on the deposit.

Critical judgement

Management also considered whether it controlled Geros B and Geros FS. There is insufficient evidence to suggest that the Group can control the activities of the entities in the absence of holding voting rights. Management have considered the nature of their relationship with Geros B and Geros FS and have concluded that the Group does not control these entities as it does not have the power to affect the variable returns despite the Group's exposure to variable returns as a result of funding provided. No formal funding agreements with Top Global or the Fihag Group have been identified and therefore the loan was deemed irrecoverable and fully impaired.

31. AFFILIATED-PARTY TRANSACTIONS (continued)

Fihag

Management also considered whether it controlled Fihag. Although there are some indicators suggesting Steinhoff might control Fihag since it indirectly facilitated certain transactions on behalf of the Group and the Group was exposed to funding provided indirectly to Fihag through its loan to Top Global, no conclusive information exists to confirm that Steinhoff does in fact control Fihag. In addition, management does not have access to the financial information of Fihag to be able to consolidate it. Management therefore accounted for the transactions involving Fihag to reflect the substance of the underlying transactions and Group's exposure.

Formal Investments Limited ("Formal")

Formal, a company closely related to a business partner of Markus Jooste, manages some of the Group's UK properties in exchange for an agent's commission amounting to 10% of the rental charged. The amount is not considered material to the Group.

Triton B

Refer to note 1 for background on Triton.

The Group recognised three annual contributions from Triton B.

The following contributions were paid in cash to the Group: R150 million in 2014, R285 million in 2015, R142 million in 2016.

Critical judgement

The contributions received in 2014 and 2015 had no impact on the restated net asset value at 1 July 2015 as the contributions were received in cash with no obligation to refund these amounts. Management expects that the contributions were funded either through profits on disposal of Steinhoff shares or indirectly through loans provided by other Group entities to outside parties, which have already been impaired elsewhere by the Group.

The 2016 contribution is included in accounts receivable as at 30 September 2016. The receivable was recovered shortly after the 2016 Reporting Period and is therefore deemed recoverable as at 30 September 2016.

31. AFFILIATED-PARTY TRANSACTIONS (continued)

The following is a summary of transactions after the restatements per note 1 have been taken into account to provide disclosure relating to ongoing transactions with the affiliated parties:

	Notes	Sales by Group Rm	Net operating expenses recovered /(paid) by Group Rm	Other income received by Group Rm	Finance costs paid by Group Rm	Interest received by Group Rm	Receivables due to the Group Rm	Payables due by the Group Rm	Loans payable by the Group Rm
Fifteen months ended 30 September 2016									
Campion Group (note 1)	a	572	438	-	(65)	84	19	(85)	(336)
Triton B (note 1)		-	-	142	-	-	142	-	-
Geros FS		-	-	-	(5)	-	-	-	(60)
		572	438	142	(70)	84	161	(85)	(396)

Refer to note 12 for details regarding loan receivables with entities of the Campion Group

Notes

a Sales by the Group are primarily related to Pepkor, through its internal financial administration service operations (Capfin call center and Van As debt collectors), provides administration and collection service to Cencap related to the JD consumer credit and Capfin loans provided to Pepkor customers in return for a fee. The Capfin call center and Van As debt collectors were purchased from Campion during October 2016.

32. INTERGROUP BALANCES AND TRANSACTIONS

	30 September 2016 Rm	30 June 2015 Rm
32.1 Intergroup loans and receivables		
Non-current		
SFHG Group	**11 057**	-
SFHG Group - impairment	**(11 057)**	-
	-	-
Current		
SFHG Group*	**377**	-
SIHPL	**5 560**	37
Steinhoff International Share Trust	**1**	11
	5 938	48
	5 938	48
32.2 Intergroup loans and payables		
Non-current		
SIHPL	**(30 321)**	(11 405)
	(30 321)	(11 405)
Current		
SFHG Group	**(1 265)**	-
SIHPL	**-**	(25 022)
Steinhoff N.V.	**(4 559)**	-
	(5 824)	(25 022)
	(36 145)	(36 427)

** Included in the amount receivable from the SFHG Group is an amount receivable from TG Sourcing Services. The loan granted arose from the transfer of cash by the Group in order to fund the settlement of group payables. The receivable was repaid in cash subsequent to year-end and was therefore deemed to be recoverable.*

The interest-bearing portions of the intergroup loans bear interest as determined from time to time with reference to various market-related interest rates, and repayment terms are determined on a continued basis.

SIHPL have agreed not to call on their respective loans until December 2017.

32.3 Intergroup transactions

	Notes	Fifteen months ended 30 September 2016 Rm	Twelve months ended 30 June 2015 Rm
Interest received			
SIHPL		185	182
		185	182
Finance cost paid			
SFHG Group		13	-
SIHPL		116	245
		129	245
Dividends received			
SIHPL		5	5
		5	5
Administration and management fees received			
SFHG Group		350	-
		350	-

Refer to note 20.5 for the description of the dividend in specie declared to Steinhoff N.V. during the 2016 Reporting Period.

33. REMUNERATION REPORT

33.1 Remuneration of the board of directors

	Basic remuneration R'000	Company directors' fees[1] R'000	Pension and other contributions[2] R'000	Annual bonus R'000	Strategic bonus R'000	Deferred bonus paid[3] R'000	Total remuneration and fees R'000
Fifteen months ended 30 September 2016							
Executive directors							
Piet Ferreira[4]	**8 726**	**-**	**674**	**6 750**	**5 000**	**6 667**	**27 817**
Stéhan Grobler	**9 924**	**-**	**506**	**6 750**	**5 000**	**6 667**	**28 847**
Non-executive directors[5]							
Steve Booysen	**-**	**1 058**	**-**	**-**	**-**	**-**	**1 058**
Len Konar	**-**	**1 908**	**-**	**-**	**-**	**-**	**1 908**
Theunie Lategan[6]	**-**	**930**	**-**	**-**	**-**	**-**	**930**
Heather Sonn[6]	**-**	**545**	**-**	**-**	**-**	**-**	**545**
Total remuneration	**18 650**	**4 441**	**1 180**	**13 500**	**10 000**	**13 334**	**61 105**
Twelve months ended 30 June 2015							
Executive directors							
Piet Ferreira	5 399	788	488	9 360	6 667	-	22 702
Stéhan Grobler	5 511	788	361	9 360	6 667	-	22 687
Non-executive directors[5]							
Steve Booysen	-	1 244	-	-	-	-	1 244
Len Konar	-	1 662	-	-	-	-	1 662
Total remuneration	10 910	4 482	849	18 720	13 334	-	48 295

[1] *Directors' fees of executive directors for the 2016 financial year were paid with basic remuneration.*

[2] *Other company contributions mainly include company contributions to the medical aid and pension schemes as well as expense allowances.*

[3] *Annual and strategic bonus payments may be deferred at the discretion of the Remuneration Committee of Steinhoff N.V. The terms of deferral are agreed upon on an annual basis.*

[4] *Resigned 30 September 2016.*

[5] *Fees received for serving on the Supervisory Board of Steinhoff N.V.*

[6] *Appointed 30 September 2016*

33. REMUNERATION REPORT (continued)

33.2 Steinhoff N.V. share rights

	Offer date	Conditional vesting date	Number of rights as at 30 June 2015	Number of rights exercised during the year	Number of rights awarded during the year[2]	Number of rights as at 30 September 2016	Value of rights exercised during the year[1] R'000
Board of directors as at Reporting Date							
Piet Ferreira	December 2012	December 2015	393 250	(393 250)	-	-	30 280
	December 2013	March 2017	442 919	-	-	442 919	-
	December 2014	March 2018	203 370	-	-	203 370	-
	March 2016	March 2019	-	-	166 978	166 978	-
			1 039 539	**(393 250)**	**166 978**	**813 267**	**30 280**
Stéhan Grobler	December 2012	December 2015	393 250	(393 250)	-	-	30 280
	December 2013	March 2017	442 919	-	-	442 919	-
	December 2014	March 2018	203 370	-	-	203 370	-
	March 2016	March 2019	-	-	166 978	166 978	-
			1 039 539	**(393 250)**	**166 978**	**813 267**	**30 280**
Mariza Nel	December 2012	December 2015	229 396	(229 396)	-	-	17 663
	December 2013	March 2017	278 565	-	-	278 565	-
	December 2014	March 2018	135 580	-	-	135 580	-
	March 2016	March 2019	-	-	123 687	123 687	-
			643 541	**(229 396)**	**123 687**	**537 832**	**17 663**
Total share rights of directors at the Reporting Date			**2 722 619**	**(1 015 896)**	**457 643**	**2 164 366**	**78 223**

[1] *The market price of share rights exercised was R77.00.*

[2] *The fair value of the share rights granted on 1 March 2016 was €4.55 per share.*

[3] *Resigned effective 30 September 2016.*

[4] *Granted prior to being appointed as a director of Steinhoff Investment.*

The 2014 and 2016 schemes were assessed and deemed unlikely to vest at the Reporting Date, subsequently these share rights were forfeited in the 2018 and 2019 financial years, respectively.

Refer to note 34 for more detail regarding the conditions to exercise the rights.

33. REMUNERATION REPORT (continued)

33.3 Interest in Steinhoff Investments share capital

	30 September 2016		30 June 2015	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Executive directors				
Stéhan Grobler	**-**	**4 200**	1	4 200
Piet Ferreira[1]	**-**	**-**	1	-
	-	**4 200**	2	4 200

[1] *Resigned on 30 September 2016*

34. SHARE-BASED PAYMENTS

34.1 EMPLOYEE SHARE SCHEME

SIHPL implemented a long term employee share incentive scheme ("Steinhoff N.V. Share Right Scheme"). Following the scheme of arrangement, whereby Steinhoff N.V. acquired the entire issued share capital of SIHPL and SIHPL shareholders received one share in Steinhoff N.V. for each SIHPL share transferred, 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 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.

Equity-settlement

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. The fair value is measured at grant date and is expensed over the period during which the employees are required to provide services in order to become unconditionally entitled to the equity instruments. The fair value of the instruments granted is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted. The amount recognised as an expense is adjusted to reflect the actual number of deferred delivery shares and the share rights that vest, except where forfeiture is only due to share prices not achieving the threshold for vesting.

Considering the Steinhoff N.V. Group's restated results in the 2017 Reporting Period, which included the 2016 restated period, management revised previous estimates of the number of shares that will ultimately vest for each open grant. All expenses arising from the open grants were therefore reversed. The share rights in terms of the 2014 and 2016 grants were forfeited subsequent to year-end.

Total expenses arising from the employee share-based payments of R168 million (2015: R197 million) were recognised in profit or loss as part of employee benefit expense. Refer to note 5.3.3.

Set out below are summaries of share rights granted under the plan:

	30 September 2016 Number of rights	30 June 2015 Number of rights
The number of share rights outstanding is:		
Outstanding at the beginning of the period	**32 235 368**	35 885 136
Exercised during the period	**(9 146 627)**	(10 913 405)
Forfeited during the period[1]	**(1 392 705)**	(753 404)
Granted during the period	**9 448 325**	8 017 041
Disposal of subsidiary companies	**(15 566 120)**	-
Outstanding at the end of the period	**15 578 241**	32 235 368

[1] *Certain divisions and individuals did not meet performance targets for the share vesting and forfeited their share rights relating to these grants.*

34. SHARE-BASED PAYMENTS (continued)

34.1 EMPLOYEE SHARE SCHEME (continued)

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./Steinhoff International Holdings Limited's daily closing share price over a rolling three-year period.

	2016 grant	2014 grant	2013 grant
Fair value of share rights and assumptions:			
Fair value at grant date	€4.55	ZAR53.76	ZAR37.78
Share price at grant date	€4.92	ZAR58.00	ZAR40.42
Expected volatility	26.05%	24.39%	26.33%
Dividend yield	2.57%	2.57%	2.32%
Risk-free interest rate	8.16%	6.45%	6.72%
Date of grant	1 March 2016	1 December 2014	1 December 2013
Conditional date of vesting	1 March 2019	1 March 2018	22 February 2017
Exercise price	-	-	-

Refer to note 33.2 for the interests of the board of directors in the Steinhoff N.V. share right scheme.

34.2 SHARE SCHEME SETTLEMENT PROVISION

Options granted under the Steinhoff Executive Share Right Scheme are subject to a recharge arrangement whereby the company is required to pay Steinhoff N.V. the subscription price of shares granted to employees, equivalent to the quoted market price of such shares on the vesting date when the shares are secured by the company for delivery to the employees less the option subscription price payable by the employees.

This share scheme settlement arrangement does not impact on profit or loss, as the share scheme settlement provision is raised through equity.

The fair value of the share scheme settlement provision is determined based on the Monte Carlo model. The fair value of the provision is remeasured at each reporting date and at settlement date. The model inputs at 30 September 2016 were as follows:

	2015/2016 grant	2014 grant		2013 grant	
	2016	2016	2015	2016	2015
Share price at reporting date	**€5.08**	**€5.08**	R76.99	**€5.08**	R76.99
Fair value at reporting date	**€4.78**	**€4.94**	R72.61	**€4.96**	R74.05
Term	**29 months**	**17 months**	29 months	**2 months**	17 months
Volatility	**31.1%**	**31.1%**	20.9%	**31.1%**	20.9%
Dividend yield	**2.6%**	**2.2%**	2.5%	**13.1%**	2.8%
Risk-free interest rate	**7.4%**	**7.3%**	7.1%	**7.3%**	6.7%

Fair value of Share Scheme Settlement provision

	Fifteen months ended 30 September 2016 Rm	Twelve months ended 30 June 2015 Rm
Balance at beginning of the period	1 192	897
Increase in fair value	262	947
Share scheme settlement paid to Steinhoff	(667)	(538)
Disposal of subsidiary companies	(383)	-
Exchange differences on consolidation of foreign subsidiaries	75	-
Restatement	-	(114)
Balance at end of the period	479	1 192

35. DEFINED PENSION BENEFITS

35.1 The financial details of the different funds and the effect on the Group's consolidated financial statements are:

	Conforama France Pension 30 June 2015 Rm	Homestyle Pension Fund 30 June 2015 Rm
The amount included in the consolidated statement of financial position arising from the entity's obligation in respect of its defined benefit plans are as follows:		
Present value of funded defined benefit obligations	**(641)**	(1 365)
Fair value of plan asset	**-**	1 312
Net liability arising from defined benefit obligations	**(641)**	(53)
Components of defined benefit cost recognised in total comprehensive income		
Total service cost	**(32)**	-
Net interest expense	**(15)**	(2)
Other expenses	**-**	(14)
Components of defined benefit cost recognised in profit or loss	**(47)**	(16)
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	**(14)**	36
Remeasurement gains/(losses) arising from changes in:		
Demographic assumptions	**-**	-
Financial assumptions	**(37)**	(51)
Experience adjustments	**2**	2
Components of defined benefit cost recognised in other comprehensive income	**(49)**	(13)
	(96)	(29)
Movements in the present value of the defined benefit obligations		
Opening defined benefit obligations	**(631)**	(1 342)
Current service cost	**(32)**	-
Net interest expense	**(15)**	(54)
Remeasurement gains/(losses) arising from changes in:		
Demographic assumptions	**-**	-
Financial assumptions	**(37)**	(51)
Experience adjustments	**2**	2
Past service cost	**4**	(6)
Acquired on acquisition of subsidiary company	**(3)**	-
Benefits paid	**27**	149
Exchange differences on consolidation of foreign subsidiaries	**44**	(63)
Closing defined benefit obligations	**(641)**	(1 365)
Movements in the fair value of the plan assets		
Opening fair value of plan assets	**37**	1 280
Interest income	**-**	52
Return on plan assets (excluding amounts included in net interest expense)	**(14)**	36
Employer contributions	**24**	46
Other expenses	**-**	(14)
Settlements	**(18)**	-
Benefits paid	**(27)**	(149)
Exchange differences on consolidation of foreign subsidiaries	**(2)**	61
Closing fair value of plan assets	**-**	1 312

35. DEFINED PENSION BENEFITS (continued)

35.1 The financial details of the different funds and the effect on the Group's consolidated financial statements are:

	Conforama Pension Fund 30 June 2015 Rm	Homestyle Pension Fund 30 June 2015 Rm
The major categories of plan assets are:		
Equities/diversified growth fund	-	824
Bonds	-	486
Cash	-	2
Total market value of assets	-	1 312
The principal assumptions used for the purposes of the actuarial valuations are:		
Discount rate	**2.0%**	3.9%
Expected rates of salary increase	**2.0%**	n/a
Inflation	**2.0%**	3.2%

Both of these pension funds were held by entities within the SFHG group that was disposed of during the 2016 Reporting Period, therefore no disclosures were provided for 2016.

36. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There is a significant period of time between the reporting date and the date of authorising these consolidated financial statements. Management carefully considered each subsequent event to assess whether any of these events classify as adjusting events. Events not considered adjusting subsequent events are not included in this note. The base currency of the below-mentioned events has been converted to the reporting currency by using the average exchange rate of the period in which the event occurred.

December 2017 Events

- The December 2017 Events have all had a profound impact on the Steinhoff N.V. Group and its stakeholders.

Corporate activity after the reporting date

- **Steinhoff Africa Retail ("STAR"), now called Pepkor Holdings Limited ("Pepkor Holdings") listing**
  On listing the Pepkor Holdings group separately on the JSE on 20 September 2017, the Steinhoff Group sold a portion of its shares in Pepkor Holdings to non-controlling interests and raised R16.4 billion from this transaction. A dividend in the amount of R15.2 million was declared to the holder of the ordinary shares in the company on 20 September 2017 as part of the listing.

- **Call Option Agreements**

  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.

- **Lancaster preference shares**
  As part of the proposed Shoprite transaction, Lancaster 102 Proprietary Limited ("Lancaster 102"), 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 transaction 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 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.

  Notwithstanding management's view that the preference shares are void, Steinhoff Africa received R4 billion at the time, for which a liability was raised in the 2018 Reporting Period.

- **Suspension of preference shares**
  Due to the non-submission of the consolidated annual financial statements for the year ended 30 September 2017 by Steinhoff Investments, preference shares with a capital value of R1.5 billion, which are listed on the JSE, was suspended by the JSE effective 1 March 2018. The Company has continued to pay dividends in respect of the preference shares, irrespective of the suspension.

- **Downgrade of credit rating**
  On 28 December 2017, following the December 2017 Events, Moody's Investors Service ("Moody's") downgraded certain of the Group's ratings.

- **Release of 2019 consolidated and separate annual financial statements of the Steinhoff Investments Group**
  On 29 May 2020, the Steinhoff Investments Group released the 2019 consolidated and separate financial statements ahead of the 2016 to 2018 consolidated and separate financial statements in order to provide the market with the most recent financial information as soon as was practically possible.

- **Disposal of investment in Steinhoff Sikhulasonke Investment (RF) Proprietary Limited ("SSI")**
  SSI completed a share buy-back of its shares held by Steinhoff Investments in November 2017. Total proceeds received by Steinhoff Investments amounted to R219 million.

- **Disposal of Attacq and Hammerson**
  On 13 December 2017, the Group disposed of its investment in Hammerson PLC and Attacq Limited for R44.1 million and R50.2 million, respectively.

36. EVENTS OCCURRING AFTER THE REPORTING PERIOD (continued)

- **Pepkor Holdings accelerated bookbuild - 2018**
  200 million shares in Pepkor Holdings were sold through an accelerated bookbuild in April 2018 for R3.75 billion resulting in the Group's interest in Pepkor Holdings being reduced from 77% to 71%.

- **Termination of agreements with Century Capital and acquisition of FGI Holdings**
  On 23 November 2018, Pepkor announced that it agreed to terminate its existing commercial relationship with Century Capital, in a phased approach. Under the current commercial agreements, Century Capital, a subsidiary of Wands, is responsible for the funding of credit books that provide credit to customers of JD consumer credit and unsecured personal loans, Capfin loans, using the Pep and Ackermans retail footprint. Wands carries the credit risk related to these financial services. Pepkor, through its internal financial administration service operations, provides administration and collection services to Century Capital related to the JD consumer credit and Capfin loans provided to Pepkor customers in return for a fee. Pepkor considered its options and decided not to pursue the acquisition of the credit books owned by Century Capital, but will instead build its own credit books. With regard the existing credit books, commercial agreements were renegotiated, granting Pepkor the right to continue the collection of the Century Capital owned loan books for the run-down period of the books, up to a maximum period of three years and render the outsourced services at a market-related fee. Pepkor further agreed to purchase 100% of the issued shares in FGI from Wands for a purchase price of approximately R150 million. FGI provides insurance products via its subsidiaries under the Abacus brand to Pepkor customers and contains highly regulated liquid assets.

- **Pepkor Holdings accelerated bookbuild - 2020**
  On 23 June 2020, Pepkor Africa announced a non-preemptive placement of up to 172.5 million ordinary shares in the authorised but unissued share capital of Pepkor Africa to certain institutional investors, representing up to 4.95% of Pepkor Africa's existing issued ordinary shares. The placement was a precautionary measure to strengthen Pepkor Africa's financial flexibility and liquidity position in light of the COVID-19 pandemic and resulting macroeconomic pressure. In addition to other cash-saving initiatives already undertaken by Pepkor Africa, the placement further increased the resilience of Pepkor Africa's balance sheet, and enhanced its liquidity profile, should a more negative macroeconomic scenario materialise.

  On 24 June 2020, Pepkor Africa announced the successful completion of this bookbuild, having placed the full 172.5 million shares at R11.00 per share, representing a discount of 6%, and raising R1.9 billion. Steinhoff Investments did not participate in this transaction, reducing its effective shareholding in Pepkor Africa from c.71% to c.68%.

- **Disposal of The Building Company**
  On 4 August 2020, Pepkor Africa released a voluntary announcement advising that they had entered into a sale and purchase agreement with Cashbuild Limited for the disposal of the entire issued share capital of Pepkor Africa's wholly owned subsidiary, The Building Company Proprietary Limited.

- **IEP 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. This transaction closed on 15 May 2020.

Acquisitions entered into prior to the December 2017 Events

- **Tekkie Town Proprietary Limited ("Tekkie Town")**
  On 29 August 2016, Steinhoff N.V. concluded an agreement to acquire Tekkie Town in South Africa. Competition Commission approval was obtained. The acquisition became effective during February 2017.

- **Capfin call center and Van As debt collectors**
  On 1 October 2016, the Pepkor group acquired Capfin and Van As from Wands Investments, an entity deemed to be affiliated to the Group, for a total purchase price of R471 million.

- **Acquisition of SIHPL**
  As part of a group restructure, Steinhoff Investments acquired SIHPL (the ultimate holding company of the Group until December 2015 when it became a sister company of the Steinhoff Investments Group), from Steinhoff N.V. on 1 July 2017 for a purchase price of R37 billion settled through the issue of 6 574 897 Steinhoff Investments shares.

36. EVENTS OCCURRING AFTER THE REPORTING PERIOD (continued)

- **Acquisition of Building Supply Group ("BSG")**
  On 1 October 2017, Steinbuild (a subsidiary of Pepkor) acquired 100% of BSG (BSG is the parent company of the MacNeil, Tiletoria and Brands-4-Africa groups) for R645 million. The acquisition has been approved by the relevant regulatory authorities;

- **Acquisition of Lazarus Ford and Action Ford groups**
  The acquisitions of the Lazarus Ford and Action Ford groups (with dealerships in South Africa) were approved by the South African Competition Commission in November 2017 and January 2018, respectively. Purchases were made by replacing a shareholder loan of R10.6 million in cash and a purchase price of R96 million paid in cash.

Material disposals prior to the December 2017 Events

- **Disposal of Pepkor Europe**
  On 1 April 2017, the Group disposed of Pepkor Europe to the SFHG group for R6.9 billion on loan account as part of a restructure of the greater Steinhoff N.V. group. The loss on disposal of R10.6 billion was recognised directly in equity as it relates to a common control transaction.

Material disposals of non-core assets subsequent to the December 2017 Events to raise funds to repay debt

- **Disposal of PSG interest**
  The Group sold its 25.5% interest in PSG in three tranches after year-end for total net cash proceeds of R12.4 billion. The majority of these shares sold in December 2017 and January 2018.

- **Disposal of KAP interest**
  The Group reduced its 43% interest in KAP to 26% in March 2018 through an accelerated bookbuild for R3.64 billion proceeds . The investment in KAP continued to be recognised as an investment in an associate. In March 2019 a further accelerated bookbuild was approved whereby the remaining shares in KAP were disposed of for R4.73 billion proceeds.

- **Disposal of Unitrans Automotive**
  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 a 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.

- **Disposal of Africa Properties**
  With effect from March 2019, the Group has commenced a process to dispose of its remaining property portfolios in Africa. Process remains ongoing, therefore the financial effects cannot be estimated at this stage.

Debt paid and/or restructured and settlement of loans receivable

The Group repaid the majority of external debt during the 2018 Reporting Period, resulting in the cancellation of all guarantees relating to the external debt.

- **Steinhoff Services**
  The Steinhoff Services domestic medium-term note programme was delisted from the JSE and the principal value of c. R7.6 billion was repaid during the 2018 Reporting Period and all guarantors were released.

- **Steinhoff Africa**
  The Steinhoff Africa Syndicated term loan facilities of c.R6 billion were repaid in full during the 2018 financial year.

  Steinhoff Africa redeemed both the issued Class A and Class B Preference shares during the 2018 Reporting Period at a redemption price of R2.4 billion.

- **Ainsley**
  The preference shares in issue by Ainsley were redeemed during the 2018 Reporting Period for R6 billion.

36. EVENTS OCCURRING AFTER THE REPORTING PERIOD (continued)

- **Pepkor Holdings**
  Pepkor successfully concluded their debt refinancing of shareholder funding amounting to c.R16 billion on 23 May 2018 and repayment of the Group's South African debt;

  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.

- **Entrepo Holdings Proprietary Limited and STAID Investments Proprietary Limited**
  The loan to STAID Investments Proprietary Limited of R76 million was repaid in February 2018.

  The Entrepo Holdings Proprietary Limited R200 million loan facility repayment terms were renegotiated on 6 December 2017 and it was agreed that the facility would be repaid in 10 monthly instalments of R20 million each from 31 May 2019. The full facility was repaid in August 2018.

  The Entrepo Holdings Proprietary Limited R180 million loan repayment terms were renegotiated on 6 December 2017 and it was agreed that the loan would be repaid in 8 monthly instalments of R12.5 million each from 30 September 2018. The loan was repaid in full in August 2018.

- **Brenner Brands Proprietary Limited**
  On 10 February 2020 the board resolved that the Group accepts payment of R24.5 million as full settlement for the outstanding loan to Brenner Brands Proprietary Limited. Payment was received on 1 July 2020.

CVA Process

Factors including the withdrawal of undrawn facilities, closure of bank accounts, termination of the cash pooling arrangements between the European group subsidiaries and ratings downgrades had the combined effect of creating enormous liquidity constraints within the Steinhoff N.V. group. The various announcements and press coverage together with the inability to produce audited accounts at entity level, because of the ongoing forensic investigation, resulted in additional supplier and credit insurance pressure on the Group's operating companies. On 30 November 2018, two of Steinhoff N.V.'s subsidiaries which account for most of the Steinhoff N.V. group's financial creditors, Steinhoff Europe AG ('SEAG") and SFHG, launched company voluntary arrangements ("CVAs"). The CVAs seek to implement the restructuring plan set out in the agreement entered into between SEAG, SFHG and the creditor groups to create an extended period of time to ensure fair treatment across the various creditor groups, allow management to focus on delivering value at the Group's operating businesses, and achieving a deleveraging of the Steinhoff N.V. group and a detailed assessment of all contingent litigation claims, which became effective on 20 July 2018 (the "Lock-Up Agreement"). The steps to be implemented pursuant to each of the CVAs included amendments to the corporate holding structure, revised corporate governance across the European holding companies and the restructuring of the existing financial indebtedness including the issuance of new debt by certain newly incorporated Luxembourg companies.

In particular, the restructuring steps that have been implemented pursuant to each of the CVAs seek:

i. to revise the terms of the Steinhoff N.V. group's principal European debt instruments, and the guarantees of such debt instruments, to provide a common set of covenants and security packages and a maturity date set sufficiently in advance (being 31 December 2021);

ii. as a result of those maturity dates, to afford the Steinhoff N.V. group the opportunity to seek to improve the value of its assets for the benefit of its creditors and avoid a situation whereby SEAG's and SFHG's assets would be realised in a distressed scenario, potentially reducing any returns to SEAG's or SFHG's creditors and other stakeholders;

iii. through the revised debt terms, to improve the Steinhoff N.V. group's liquidity position by providing that the interest accruing on the new debt pursuant to the restructuring will be payment in kind ("PIK"), rather than in cash;

36. EVENTS OCCURRING AFTER THE REPORTING PERIOD (continued)

iv. The PIK rate applicable to the New Lux Finco 1 Debt will be 10% per annum. The PIK rates applicable to the New Lux Finco 2 Debt will be:
a. 10% per annum in relation to a "Super Senior Facility Loan";
b. 7.875% per annum in relation to a "Facility A1 Loan" or a "Facility B1 Loan"; and
c. 10.75% in relation to a "Facility A2 Loan" or a "Facility B2 Loan".
Such PIK interest rates may increase in the event that certain creditor approved nominees are not appointed to the Supervisory Board of Steinhoff N.V. in due course;

v. The new SEAG debt facility contains provisions that regulate the steps to be taken if the new SEAG HoldCo decides to undertake a material asset disposal outside of a default scenario. If that material asset disposal also requires a shareholder vote by the Steinhoff N.V. shareholders, the matter will be put to the Steinhoff N.V. shareholders. If the Steinhoff N.V. shareholders do not vote in favour of the sale there is a requirement that within approximately 75 days the SEAG debt is repaid in amount equal to the net proceeds that would have been obtained on the proposed sale. If Steinhoff N.V. does not raise the required funds within the required time to make the prepayment an event of default under the new debt facilities will occur. For more details users of the financial statements are referred to the CVA proposals and the new SEAG finance documentation. The CVA proposals, together with certain supporting documentation, can be downloaded free of charge at www.steinhoffinternational.com/restructuring-documents.php.

vi. To implement (or provide the framework to implement) revised corporate governance across the European holding companies in order to supplement and support the functions and specifications of those holding companies including the appointment of new directors to certain companies within the SEAG Group and the establishment of a litigation working group; and

vii. The debt instruments contain numerous other events of default.

Meetings of the creditors and members of SEAG and SFHG were held on 14 December 2018 at which the CVAs were approved by the requisite majorities. Various conditions were required to be satisfied prior to implementation of the restructuring. On 13 August 2019, Steinhoff N.V. announced the succesfull implementation of the CVAs. On successful implementation of the CVAs, the SEAG and SFHG debt was reclassified to long-term interest-bearing loans and borrowings.

Contingent Payment undertaking ("CPU")
SIHPL serves as co-guarantor for the 2021 and 2022 convertible bonds issued by SFHG. Although SIHPL does not form part of the Steinhoff Investments Group as at 30 September 2016, the CPU is relevant to the future of the Group as SIHPL was acquired during the 2017 Reporting Period.

Failures by SFHG and Steinhoff N.V. to comply with the terms of both the SFHG 2021 convertible bonds trust deed and the SFHG 2022 convertible bonds trust deed, and cross-defaults triggered by similar events of default in the Group's other financing arrangements, resulted in a number of events of default under each of the SFHG 2021 convertible bonds trust deed and the SFHG 2022 convertible bonds trust deed.

These events led to the 2021 and 2022 convertible bond trustees on behalf of the bondholders notifying SFHG that the 2021 and 2022 convertible bonds had, as a consequence of the default events, become immediately due and payable and that SIHPL is liable to pay amounts due (c. EUR1.58 billion) under the 2021 and 2022 convertible bonds trust deeds as if it was the sole principal debtor.

The terms of the SIHPL CPU were agreed in principle by SIHPL and creditors under the 2021 and 2022 convertible bonds at a commercial level as part of the global restructuring negotiations that took place during the second quarter of 2018 and which culminated in the signing of the Lock-up Agreement on 11 July 2018.

Under the terms of the Lock Up Agreement term sheet, the creditors under the 2021 and 2022 convertible bonds offered to provide SFHG as primary obligor and Steinhoff N.V. and SIHPL as co-guarantors under the 2021 and 2022 convertible bonds with the following:
- an extension of the final repayment date to 31 December 2021;
- a new covenant package reflecting the post December 2017 position of SIHPL; and
- a reset of interest payable under the 2021 and 2022 convertible bonds on a non-cash pay basis.

The obligations of SIHPL under the 2021 and 2022 convertible bonds were restated under an instrument referred to as a "contingent payment undertaking" (the "SIHPL CPU").

36. EVENTS OCCURRING AFTER THE REPORTING PERIOD (continued)

Under the SIHPL CPU, SIHPL undertook to use reasonable endeavours to make a cash pay out in the region of 25 per cent 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 there are significant contingent claims that could rank pari passu with other (including disclosed) unsecured claims of SIHPL, including any contingent or non-notified claims that may be proved at a future date.

Whilst considering 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 SIHPL 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 decision to pay has been made under the SIHPL CPU.

Declaration and payment of preference dividends

- The following preference dividends were declared and paid by Steinhoff Investments after the 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 January 2016 to 30 June 2016	Monday, 17 October 2016	424
1 July 2016 to 31 December 2016	Tuesday, 18 April 2017	436.68
1 January 2017 to 30 June 2017	Monday, 23 October 2017	429.56
1 July 2017 to 31 December 2017	Monday, 23 July 2018	427.42
1 January 2018 to 30 June 2018	Monday, 20 August 2018	424.06
1 July 2018 to 31 December 2018	Monday, 29 April 2019	418.09
1 January 2019 to 30 June 2019	Monday, 14 October 2019	419.34
1 July 2019 to 31 December 2019	Monday, 30 March 2020	416.91
1 January 2020 to 30 June 2020	Monday, 21 September 2020	356.78

Litigation

- A number of contractual claims have been initiated against the Group after the 2016 Reporting Period. They are all being defended. 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.

  Refer to note 23 for more detail on these claims.

- On 27 July 2020, Steinhoff N.V., the ultimate holding company, and SIHPL, the former ultimate holding company, announced the terms of a proposed settlement to conclude the ongoing and disputed legal claims and pending litigation proceedings arising from the legacy accounting issues first announced in December 2017. The settlement is subject to financial creditor and regulatory consents, as well as support from eligible claimants, and is subject to final implementation.

COVID-19

- At the time of writing, there is widespread global uncertainty associated with the COVID-19 pandemic, 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 2016 Reporting Period and will therefore not have an impact on recognition and measurement of assets and liabilities in the 2016 Reporting Period.

Shareholding in Steinhoff N.V. by directors in service as at the date of this report:

	Number of shares held directly and indirectly
Louis du Preez	5 165
Theodore de Klerk	194 270
	199 435

37. OTHER INFORMATION

New Accounting Pronouncements

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

IFRS 2	Share-based Payment: Classification and measurement of share-based payment transactions	1 January 2018
IFRS 3	Amendment to definition of a Business Combination	1 January 2020
IFRS 4	Insurance Contracts: Interaction of IFRS 4 and IFRS 9	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 10	Consolidated Financial Statements: Investment entities: Applying the consolidation exception	1 January 2016
IFRS 11	Joint arrangements: Investment entities: Applying the consolidation exception	1 January 2016
IFRS 12	Disclosure of Interests in Other Entities: Investment entities: Applying the consolidation exception	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IAS 1	Presentation of Financial Statements: Disclosure initiative	1 January 2016
IAS 7	Statement of Cash Flows: Disclosure initiative	1 January 2017
IAS 12	Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
IAS 27	Separate Financial Statements: Equity method in separate financial statements	1 January 2016
IAS 28	Investments in Associates: Investment entities: Applying the consolidation exception	1 January 2016
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2020
Annual Improvements to IFRSs 2012-2014 Cycle		1 January 2016

At the date of this report all of the above standards and interpretations applicable to the Group have been adopted. Only the implementation of IFRS 9 and IFRS 16 had a material impact on the financial statements.

Impact on adoption of IFRS 9

The Group adopted IFRS 9: Financial Instruments ("IFRS 9") during the 2019 Reporting Period, using the retrospective approach with no restatement of prior period reported results. On adoption of IFRS 9, the Group recognised a decrease in retained earnings of R82 million.

Impact on adoption of IFRS 16

The Group adopted IFRS 16: Leases ("IFRS 16") during the 2020 Reporting Period, using the modified retrospective approach with no restatement of prior period reported results. This had a material impact on the Group's statutory results for the 2020 interim reporting period, reducing earnings before taxation from continuing operations by R356 million and negatively impacting headline earnings per share from continuing operations.

The adoption of IFRS 16 on 1 October 2019 resulted in an decrease in net assets of R2.4 billion.

38. REPORTABLE IRREGULARITIES

Deloitte & Touche have reported the following reportable irregularities to the Independent Regulatory Board for Auditors in South Africa:

- That alleged accounting irregularities have been highlighted by a criminal and tax investigation relating to the Germany operations of the Steinhoff N.V. Group. The supervisory board of Steinhoff N.V. advised shareholders on 5 December 2017, that new information has come to light, which relates to alleged accounting irregularities requiring further investigation. These matters, if proven correct, could significantly affect the fair presentation of prior years' annual financial statements of both Steinhoff N.V. Group as well as Steinhoff Investments Group, which may require restatement based on the outcome of the further investigations; and
- Non-compliance with JSE Listing Requirements relating to the timeous financial reporting of listed entities.

The board of directors have responded to the potential reportable irregularities raised by stating that PwC was retained by the Group's legal advisors to conduct an independent investigation into past financial years in order to identify the magnitude of the alleged accounting irregularities, the financial years affected and the roles played by individuals within the Steinhoff N.V. Group relating to the irregularities. On 15 March 2019, Steinhoff N.V. published an overview of the forensic investigation report prepared by PwC.

The board of directors indicated that the Company remained committed to resolve the non-compliance with the JSE Listing Requirements as soon as possible in order to serve the interests of all stakeholders.

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AUDITORS:
Deloitte & Touche

COMPANY SECRETARY:
Steinhoff Secretarial Services Proprietary Limited

SOUTH AFRICAN SPONSOR:
PSG Capital Proprietary Limited

SOUTH AFRICAN TRANSFER SECRETARIES:
Computershare Investor Services Proprietary Limited