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

CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 September 2018

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 and separate annual 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 and separate annual financial statements.

These financial statements of Steinhoff Investments for the financial year ending 30 September 2018 have been prepared in October 2020 under the supervision of the reconstituted board of directors. Following the previously disclosed alleged accounting irregularities that have impacted its parent company, Steinhoff International Holdings N.V. ("Steinhoff N.V." or "Steinhoff") and its subsidiaries, we are unable to confirm that there was a strong control environment prior to the December 2017 events, which occurred 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. 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 subsequently 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 and separate annual 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. 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 announced in December 2017 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 with effect from early 2020.

COVID-19 is a non-adjusting event for the Group in the 2018 Reporting Period and will therefore not have an impact on recognition and measurement of assets and liabilities in the 2018 Reporting Period.

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

The extent and duration of the restrictions on trade remain uncertain and it is too early to determine the exact impact of the COVID-19 pandemic on the future 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.

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 35 within the consolidated annual financial statements.

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

The external auditors are responsible for independently auditing and reporting on the consolidated and separate annual financial statements. The consolidated and separate annual financial statements have been examined by the Company's external auditors and their reports are presented on pages 19 to 27.

The consolidated and separate annual financial statements and other information set out on pages 5 to 18 and 28 to 173, were approved by the board on 30 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 2018 financial year.

Steinhoff Secretarial Services Proprietary Limited
Company secretary

30 October 2020
On behalf of Steinhoff Investment Holdings Limited

The directors submit their report on the consolidated and separate annual financial statements of Steinhoff Investments for the twelve months ended 30 September 2018.

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 operate a number of car dealerships. The Steinhoff Investments Group currently operates in Africa. The Company is incorporated in South Africa and holds investments in and intercompany loans with fellow subsidiaries in the greater Steinhoff N.V. Group both in South Africa and Europe.

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 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. The Company published its audited 2016 consolidated financial statements and audited 2017 consolidated and separate annual financial statements on 2 October 2020. The 2016 separate financial statements were restated as part of the 2017 separate annual financial statements. These financial statements are available on the Group's website on *www.steinhoffinternational.com* .

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 JSE Listing Requirements as Steinhoff Investments has not published interim and final results for several 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 German operations of the Steinhoff N.V. Group. The supervisory board of Steinhoff N.V. advised shareholders on 5 December 2017, that new information had come to light, which related 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.

On 20 October 2020 the JSE imposed a public censure and fines to the value of R13.5 million to the Steinhoff N.V. Group. Refer to note 35 for more detail.

As part of the 2019 audit the auditors appointed for the 2019 financial year, 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 Steinhoff N.V. website: *www.steinhoffinternational.com/sens.php.*

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 2018 Reporting Period are fully set out in the attached consolidated and separate annual financial statements.

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

December 2017 Events

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

Corporate activity

- **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.

- **Shoprite Call Option Agreements**

  On 20 September 2017, the Group listed Pepkor Holdings Limited ("Pepkor Holdings") separately on the JSE. As part of the listing, Pepkor Holdings entered into call option agreements whereby it obtained the right to acquire 128.2 million Shoprite ordinary shares from various parties ("Shoprite transaction"). 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, a subsidiary of Steinhoff Investments. 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.

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

Notwithstanding management's view that the preference shares are void, Steinhoff Africa received R4 billion at the time, for which a liability was raised (refer note 16.9) equal to the preference share investment (refer note 11.2a)) reflecting management's view that they are directly related.

- **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%.

Acquisitions entered into prior to the December 2017 Events

- **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.

- **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.

Material disposals of non core assets to raise funds to repay debt

- **Disposal of PSG interest**
  The Group sold its 25.5% interest in PSG in three tranches during the 2018 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.

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

- **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 R3.9 billion (including outstanding dividends).

- **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.

- **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.

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.

No ordinary shares were issued during the 2018 Reporting Period.

SHAREHOLDING

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

As at the Reporting Date the preference shares were held as follows:

	Shareholders	Shares held	
		Number	%
Public shareholders	2 121	15 000 000	100.00%
Non-public shareholders	0	-	0.00%
	2 121	15 000 000	100.00%

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

SOCGEN ITF PGR CAP HIGH GROWTH	12.6%
FRB ITF ALLAN GRAY STABLE FUND	9.9%
GLOBAL STABLE PORTFOLIO	5.3%
SAASPC PEREGRINE CAPITAL OFFSHORE	5.3%

DIVIDENDS TO SHAREHOLDERS

During the 2018 Reporting Period, Steinhoff Investments declared and paid a dividend to its shareholder, Steinhoff N.V. The dividend of R2.2 billion was made from reserves.

A preference dividend of 427.42 cents per share (2017: 436.38 cents per share) in respect of the period 1 July 2017 to 31 December 2017 (2017: 1 July 2016 to 31 December 2016) was paid on 23 July 2018 (2017: 18 April 2017) to those preference shareholders recorded in the books of the Company at the close of business on 20 July 2018 (2017: 13 April 2017).

A preference dividend of 424.06 cents per share (2017: 429.56 cents per share) in respect of the period 1 January 2018 to 30 June 2018 (2017: 1 January 2017 to 30 June 2017) was paid on 20 August 2018 (2017: 23 October 2017) to those preference shareholders recorded in the books of the Company at the close of business on 17 August 2018 (2017: 20 October 2017).

CONTRACTS

No contracts, other than those disclosed in Note 29, in which directors and officers of the Company had an interest and that significantly affected the affairs or business of the Company, or which could have resulted in a conflict of interest, were entered into during the 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 and separate financial statements. Management carefully considered each subsequent event to assess if any of these events classify as adjusting events. The material events after the 2018 Reporting Period are listed below and are all viewed as non-adjusting events, for the 2018 Reporting Period.

Corporate activity after the reporting date

- **Release of 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. The Company published its audited 2016 consolidated financial statements and audited 2017 consolidated and separate annual financial statements on 2 October 2020. The 2016 separate financial statements were restated as part of the 2017 separate annual financial statements.

- **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 to 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.

Material disposals of non core assets to raise funds to repay debt

- **Disposal of KAP interest**
  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. 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

- **Pepkor Holdings**

  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.

- **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. The carrying amount of the loan was R50 million, resulting in a loss of R25.5 million on settlement.

- **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 Steinhoff Finance Holdings GmbH ("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")**

  Steinhoff International Holdings Proprietary Limited ("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 amount that the Group will be required to pay under the SIHPL CPU is limited to the net asset value of SIHPL before inclusion of the CPU liability.

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 for the 2018 Reporting Period, 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 22: Contingent assets and liabilities and other litigation 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). An update to the settlement proposal was issued on 9 October 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 2018 Reporting Period and will therefore not have an impact on recognition and measurement of assets and liabilities in the 2018 Reporting Period.

GOING CONCERN

In determining the appropriate basis of preparation of the consolidated and separate financial statements, the board of the Company is required to consider whether the Steinhoff Investments Group and Company can continue in operational existence for the foreseeable future. Management has taken into account all available information about the foreseeable future relating to the Steinhoff Investments Group which, 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 22 of these consolidated annual financial statements.

The board draws attention to the critical assumptions and disclosures made throughout these consolidated and separate 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 Group'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:
- At 30 September 2018, the Group's current liabilities exceeded its current assets due to the current liability raised for the SIHPL guarantee for the 2021 and 2022 convertible bonds issued by SFHG. Following the implementation of the global debt restructuring by Steinhoff N.V. Group during August 2019, the SIHPL CPU was classified to non-current liabilities during the 2019 Reporting Period, correcting the liquidity position of the Steinhoff Investments Group, and
- that these material uncertainties, disclosed above, 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 and separate 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 2018 financial year. 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).

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, 71 of 2008 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 period ended 30 September 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 2018 consolidated and separate annual financial statements have been audited by the external auditor, Deloitte & Touche, and their opinion is set out on page 19 to 27.

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 both the consolidated and separate 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 and separate annual 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 in office during the reporting period that resigned prior to the date of this report:			
Stéhan Grobler	Executive		2 February 2018
Mariza Nel	Executive		31 January 2018
Johan Geldenhuys	Executive		31 August 2020
Len Konar	Non-executive		6 March 2018
Theunie Lategan	Non-executive		28 February 2018
Steve Booysen	Independent non-executive		30 August 2019
Heather Sonn	Independent non-executive		18 May 2020

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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Corner of Adam Tas and Devon Valley Road
Stellenbosch
Western Cape
7600

POSTAL ADDRESS
PO Box 122
Stellenbosch
Western Cape
7599

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 2018 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 December 2017. For the 2018 Reporting Period the Audit Committee consisted of the following members.

	Type	Date of appointment	Date of resignation
Steve Booysen	Chairman		30 August 2019
Len Konar	Member		6 March 2018
Theunie Lategan	Member		28 February 2018

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 2018 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 2018.
- 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 2018 financial year. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. Audit fees are disclosed in Note 4.3.2 to the consolidated annual financial statements.

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

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 2018 financial year, and Mr Mark Holme as the designated auditor was presented and included as a resolution at the annual general meeting pursuant to section 61(8) of the Act. This was his first year as auditor of the Company.

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.

MATTERS AND RISK AREAS PERTAINING TO THE 2018 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:

- 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 opinions set out on page 19 to 27. 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 and separate annual financial statements for the year ended 30 September 2018, and considers that they comply, in all material aspects, with the requirements of the Act and International Financial Reporting Standards. The Audit Committee has therefore recommended the consolidated and separate annual financial statements, for approval to the board. The board has subsequently approved the consolidated and separate annual financial statements.

A Watson
Audit Committee chairman
30 October 2020

Deloitte.

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South Africa

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Registered Auditors
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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 2018

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Steinhoff Investment Holdings Limited and its subsidiaries (the "Steinhoff Investments Group") set out on pages 28 to 150, which comprise the consolidated statement of financial position as at 30 September 2018, 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 Investment Group and its subsidiaries. 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 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 Steinhoff N.V audit in the September to December 2017 timeframe.

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

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 material 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.

Going concern

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

We have been unable to gather sufficient appropriate audit evidence to substantiate management's assumptions, including the material uncertainty as to the ultimate impact of the litigation, claims and regulatory enforcement on the liquidity of the Group. The audit procedures that we performed indicated significant uncertainty relating to the outcome and the timing of the outcome of the material litigation and claims facing the Group, including the recently proposed settlement. We were unable to satisfy ourselves by alternative means concerning the matters described above.

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., the Company and other subsidiaries of the Steinhoff N.V. Group have received several claims, which have been described in basis of preparation (litigation), note 22.3 (Contingent liabilities and other litigation) and note 35 (Events occurring after the reporting period). Although management is unable to estimate the potential cash outflow in the eventuality of unfavourable decisions by the courts, the potential outflows of cash or assets could be considerable and could have an impact on the going concern assumption.

The Group is currently in discussions with various claimants that instituted legal proceedings following the disclosure of the alleged accounting regularities. We draw attention to the fact that the Group has recorded a settlement liability of R9.4 billion in its unaudited interim results for the period ended 31 March 2020. This provision is based on a recent proposal made by management and there is significant uncertainty as to whether this proposal will be accepted by the claimants.

Material uncertainty with respect to taxation effects of the restatements and adjustments

Tax remains a material uncertainty as a consequence of the alleged accounting irregularities. The consequential effects thereof remain uncertain, as described in the basis of preparation.

Management has concluded that material uncertainties remain in respect of the tax treatment of the restatements and adjustments including the various restructurings involving the South African Group. Management highlight that tax audits and investigations are in progress (Note 22.3) as well as the multi-years of un-submitted tax returns, together these create uncertainty regarding the taxation balances. These uncertainties extend to the unrecognised estimated tax losses disclosed in Note 6. Management is currently unable to estimate the potential cash outflow for these tax uncertainties, including the timing thereof. These matters could impact on the ability of the Group to continue as a going concern. We were unable to obtain sufficient and appropriate audit evidence to conclude on our audit of the Group's taxation balances and disclosures.

Material uncertainty with respect to the control conclusion on certain entities and related parties

We draw attention to the "Areas of critical judgements and estimates – Consolidation decisions" where management, in preparing these consolidated financial statements, concluded whether the Group had control over certain entities including Campion and FIHAG. We were unable to obtain sufficient appropriate audit evidence supporting these conclusions, nor could we evaluate whether the appropriate accounting and disclosures are achieved in 2017 and 2018.

In Note 30 "Affiliated Party Transactions", management has also drawn attention to 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, which raises challenges in the application of the related party definition of IAS 24 – Related Party Disclosures and in identifying "the group" for consolidation purposes in terms of IFRS 10 – Consolidated Financial Statements.

Material uncertainty regarding the financial information used for consolidation

We draw attention to the "Areas of Critical Judgments and Estimates – Consolidation decisions BVI"

Management had incomplete financial information regarding BVI and had to make critical accounting estimates and judgements in reaching the consolidation conclusion and determining the balances that had to be consolidated in 2017 and 2018. We were unable to obtain sufficient appropriate audit evidence supporting these conclusions and the balances that were consolidated to evaluate if the appropriate accounting impact and disclosures are presented.

Material uncertainty regarding recoverability of loans to related parties

As at 30 September 2018 and 30 September 2017, the Steinhoff Investments Group carried various material loans receivable from related parties and otherwise connected counterparties, which have been fully impaired. We draw attention to the "Areas of Critical Judgments and Estimates – Recoverability of financial and other assets", which describes the estimates made in respect of determining the impairment of the financial assets. The impairment of the financial assets is a material matter that is subjective and involves estimation by management. We were unable to obtain sufficient appropriate audit evidence supporting these valuations and conclusions.

Material uncertainty in relation to Lancaster preference shares

The Group holds a R4 billion preference share investment in Lancaster 102 Proprietary Limited ("Lancaster") that is repayable after 5 or 7 years (at Lancaster's option) in either October 2022 or October 2024. Additionally, Lancaster holds a R4 billion investment in the Group that is repayable after 3 years in October 2020. It is management's view that the preference shares claimed to be held by Lancaster were neither authorised nor permitted in terms of the memorandum of incorporation and are therefore void. (Refer Note 16.9). A material uncertainty exists as to whether the Group will be required to settle the liability to Lancaster, up to four years before Lancaster is obligated to settle the preference shares held by the Group. The fair value of the Preference Share asset is also highly uncertain and may be impaired. We were unable to obtain sufficient and appropriate audit evidence to support its fair value.

Uncertainty regarding comparability of information

Included in the September 2017 consolidated financial statements are the disposals of certain offshore operations as well as the disposal of certain Brait shares. There is uncertainty as to the split of the realisation of the Foreign Currency Translation Reserve between the 2016 and 2017 financial periods as well as uncertainty as to the appropriate timing of the Brait disposal between the 2016 and 2017 financial periods. Whilst neither of these matters affects the opening or closing statement of financial information, they may impact the comparability of the respective statements of profit or loss.

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 and Separate Annual Financial Statements for the year ended 30 September 2018" 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.

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 consolidated 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.

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.

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 irregularity, described below, in terms of the Auditing Profession Act. We have reported this matter to the Independent Regulatory Board for Auditors. The matter pertaining to the reportable irregularity have been described in note 37 to the consolidated financial statements.

We reported a reportable irregularity regarding Steinhoff Investment Holdings Limited's non-compliance with the JSE Listing Requirements as they relate to timeous financial reporting of listed entities.

The issuance of these annual financial statements effectively resolves the Reportable Irregularity, as far as it pertains to the 2018 reporting period.

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 20 years.

Deloitte & Touche

Deloitte & Touche

Registered Auditor
Per: MH Holme
Partner
30 October 2020

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Steinhoff Investment Holdings Limited

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

Disclaimer of Opinion

We were engaged to audit the separate financial statements of Steinhoff Investment Holdings Limited ("the Company") set out on pages 151 to 172, which comprise the separate statement of financial position as at 30 September 2018, the separate statement of profit or loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes to the separate financial statements, including a summary of significant accounting policies.

We do not express an opinion on the separate financial statements of the Steinhoff Investment Holdings Limited. 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 separate 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 separate 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., through its legal advisor Werksmans Attorneys, engaged PwC to perform an investigation into the alleged accounting irregularities.

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.

Going concern

Management prepared these separate financial statements on the basis that the Company is a going concern. Management included their assessment of the associated uncertainties they identified, in the basis of preparation section, where they highlighted key assumptions they used in preparing the cash flow forecast and going concern assessment of the Company, including the conclusion that no material judgements or fines with respect to litigation and claims facing the Company will become payable during the next 12 months, as well as the material uncertainty as to the ultimate impact of the litigation and claims and regulatory enforcement, on the liquidities of the Company.

We have been unable to gather sufficient appropriate audit evidence to substantiate management's assumptions, including the material uncertainty as to the ultimate impact of litigation and claims and regulatory enforcement, on the liquidities of the Company. The audit procedures that we performed indicated significant uncertainty relating to the outcome and the timing of the outcome of the material litigation and claims facing the Company, including the recently proposed settlement. We were unable to satisfy ourselves by alternative means concerning the matters described above.

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., the Company and its subsidiaries have received several material claims from investors and vendors, which have been described in the basis of preparation and note 16 (Contingencies). Although management is unable to reliably estimate the potential cash and or asset outflow in the event of unfavourable decisions by the courts, the potential outflows of cash or assets could be material and pervasive and could have an impact on the going concern of the Company's subsidiaries and consequently the Company itself.

Material uncertainty with respect to taxation

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

Emphasis of Matter – Recoverability of financial and other assets

We draw attention to the "Significant judgements and sources of estimation uncertainty" section of the Basis of Preparation which sets out the estimates made in respect of determining the impairment of the loans receivable from and investments in, unconsolidated fellow subsidiaries. The investments and loans are either made directly by the Company, or indirectly, by a subsidiary of the Company. The impairments of the loans and investments are a material matter that is subjective and involves estimation. 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 and Separate Annual Financial Statements for the year ended 30 September 2018" 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 separate financial statements and our auditor's report thereon.

Our opinion on the separate 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 separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate 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 Separate Financial Statements

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

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

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

Our responsibility is to conduct an audit of the Company's separate 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 separate financial statements.

We are independent of Steinhoff Investments Holdings in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.

We 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.

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 irregularity, described below, in terms of the Auditing Profession Act. We have reported this matter to the Independent Regulatory Board for Auditors. The matter pertaining to the reportable irregularity have been described in note 37 to the consolidated financial statements.

We reported a reportable irregularity regarding Steinhoff Investment Holdings Limited's non-compliance with the JSE Listing Requirements as they relate to timeous financial reporting of listed entities.

The issuance of these annual financial statements effectively resolves the Reportable Irregularity, as far as it pertains to the 2018 reporting period.

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 20 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: MH Holme CA (SA)
Partner
30 October 2020

STEINHOFF INVESTMENT HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Notes	2018 Rm	Restated[1] 2017 Rm
Continuing operations			
Revenue	3	**64 347**	57 985
Cost of sales[2]		**(42 027)**	(37 411)
Gross profit		**22 320**	20 574
Other income	4.1	**1 281**	3 009
Distribution expenses[3]	4.3	**(544)**	(397)
Administration expenses[3]	4.3	**(17 972)**	(19 347)
Net other (expenses)/income	4.2	**(5 513)**	(8 125)
Operating loss		**(428)**	(4 286)
Finance costs	5	**(2 298)**	(2 200)
Income from investments	5	**819**	490
Share of profit of equity accounted companies	10.2	**889**	1 353
Loss before taxation		**(1 018)**	(4 643)
Taxation	6.1	**(2 469)**	(1 807)
Loss for the period from continuing operations		**(3 487)**	(6 450)
Discontinued operations			
Profit for the period from discontinued operations	1	**578**	947
Loss for the period		**(2 909)**	(5 503)
Loss attributable to:			
Ordinary shareholders of Steinhoff Investments		**(3 597)**	(6 169)
Preference shareholders of Steinhoff Investments		**127**	130
Non-controlling interests	28	**561**	536
Loss for the period		**(2 909)**	(5 503)
Basic loss per share (cents)			
From continuing operations	7	**(7 590.9)**	(13 177.8)
From discontinued operations	7	**1 050.9**	1 753.7
		(6 540.0)	(11 424.1)
Diluted loss per share (cents)			
From continuing operations	7	**(7 590.9)**	(13 189.6)
From discontinued operations	7	**1 050.9**	1 753.7
		(6 540.0)	(11 435.9)

[1] *Refer to note 1 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.*

[3] *The administration and distribution costs line item has been split and the comparatives restated to enhance disclosure relating to the nature of expenses.*

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

	Notes	2018 Rm	2017 Rm
Loss for the period		**(2 909)**	(5 503)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(438)**	(370)
Income tax on exchange differences on translation of foreign operations		**161**	-
Exchange differences relating to hyperinflation		**69**	-
Income tax on exchange differences relating to hyperinflation		**(27)**	-
Foreign currency translation reserve reclassified to profit or loss on disposal of investments		**54**	-
Fair value reserve reclassified to profit or loss		**3 860**	(322)
Net fair value gain on cash flow hedges		**83**	725
Net fair value loss on assets and liabilities measured at fair value through other comprehensive income		**(6 376)**	(1 266)
Income tax on fair value loss on cash flow hedges and other fair value reserves		**508**	241
Other comprehensive loss of equity accounted companies	10.2	**(11)**	(41)
		(2 117)	(1 033)
Total other comprehensive loss for the period		**(2 117)**	(1 033)
Total comprehensive loss for the period		**(5 026)**	(6 536)
Total comprehensive loss attributable to:			
Ordinary shareholders of Steinhoff Investments		**(4 360)**	(6 280)
Preference shareholders of Steinhoff Investments		**127**	130
Non-controlling interests		**(793)**	(386)
Total comprehensive loss for the period		**(5 026)**	(6 536)

[1] *Refer to note 1 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.

	Ordinary share capital and premium Rm	Retained earnings/ Accumulated losses Rm	Foreign currency translation reserve Rm	Excess of consideration (paid to)/received from non-controlling interest[1] Rm	Sundry reserves[1] 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 30 September 2016	81 863	(23 442)	326	(5 945)	295	53 097	5 013	33	5 046	2 830	60 973
Loss for the period	-	(6 169)	-	-	-	(6 169)	-	130	130	536	(5 503)
Other comprehensive loss for the period	-	-	(382)	-	271	(111)	-	-	-	(922)	(1 033)
Total comprehensive income/(loss) for the period	-	(6 169)	(382)	-	271	(6 280)	-	130	130	(386)	(6 536)
Transactions with the owners in their capacity as owners			-								
Ordinary shares issued, net of transaction costs (note 26)	40 224	-	-	-	-	40 224	-	-	-	-	40 224
Distribution from share premium	(3 067)	-	-		-	(3 067)	-	-	-	-	(3 067)
Preference dividends	-	-	-	-	-	-	-	(130)	(130)	(163)	(293)
Ordinary dividends	-	(15 290)	-	-	-	(15 290)	-	-	-	(110)	(15 400)
Acquisition of subsidiaries with non-controlling interests	-	(40 171)	-	-	-	(40 171)	(131)	-	(131)	61	(40 241)
Other reserves acquired or disposed on restructuring	-	-	330	-	78	408	-	-	-	-	408
Capital contribution on intergroup restructure	-	(1 060)	-		-	(1 060)	-	-	-	-	(1 060)
Transactions with non-controlling interests without change in control	-	-	-	3 590	-	3 590		-	-	12 222	15 812
Attributable share of other reserves relating to equity accounting	-	-	-	-	201	201	-	-	-	-	201
Share-based payments	-	8	-	-	25	33	-	-	-	-	33
Transfers due to share scheme reserve reversals relating to open grants unlikely to vest (note 33)	-	(8)	-		8	-	-	-	-	-	-
Transfers and other reserve movements	-	-	(40)	-	40	-	-	-	-	(4)	(4)
Total equity at 30 September 2017	119 020	(86 132)	234	(2 355)	918	31 685	4 882	33	4 915	14 450	51 050
Loss for the year	**-**	**(3 597)**	**-**	**-**	**-**	**(3 597)**	**-**	**127**	**127**	**561**	**(2 909)**
Other comprehensive loss for the year	**-**	**-**	**(181)**	**-**	**(582)**	**(763)**	**-**	**-**	**-**	**(1 354)**	**(2 117)**
Total comprehensive income/(loss) for the year	**-**	**(3 597)**	**(181)**	**-**	**(582)**	**(4 360)**	**-**	**127**	**127**	**(793)**	**(5 026)**
Transactions with the owners in their capacity as owners			**-**								
Preference dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(128)**	**(128)**	**(393)**	**(521)**
Ordinary dividends paid	**-**	**(2 230)**	**-**	**-**	**-**	**(2 230)**	**-**	**-**	**-**	**(15)**	**(2 245)**
Derecognition of subsidiaries with non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6)**	**(6)**
Acquisition of subsidiaries with non-controlling interests	**-**	**-**	**-**	**653**	**-**	**653**	**-**	**-**	**-**	**-**	**653**
Transactions with non-controlling interests without change in control	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3 053**	**3 053**
Attributable share of other reserves relating to equity accounting	**-**	**-**	**-**	**-**	**15**	**15**	**-**	**-**	**-**	**-**	**15**
Share-based payments	**-**	**-**	**-**	**-**	**28**	**28**	**-**	**-**	**-**	**-**	**28**
Redemption of preference shares	**-**	**-**	**-**	**-**	**-**	**-**	**(3 500)**	**-**	**(3 500)**	**-**	**(3 500)**
Transfers due to share scheme recharge arrangements (note 33)	**-**	**(65)**	**-**	**-**	**65**	**-**	**-**	**-**	**-**	**-**	**-**
Transfers to other reserves upon disposal of subsidiaries and associates	**-**	**319**	**-**	**-**	**(319)**	**-**	**-**	**-**	**-**	**-**	**-**
Transfers and other reserve movements	**-**	**(28)**	**-**	**-**	**-**	**(28)**	**-**	**-**	**-**	**-**	**(28)**
Total equity at 30 September 2018	**119 020**	**(91 733)**	**53**	**(1 702)**	**125**	**25 763**	**1 382**	**32**	**1 414**	**16 296**	**43 473**

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

[1] Excess of consideration (paid to)/received from non controlling interest has been included as a separate category in the Reporting period and the prior Reporting Period balances have been adjusted to provide comparative figures. This reserve was included in Sundry reserves in the prior Reporting Period.

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 2018

	Notes	2018 Rm	2017 Rm
ASSETS			
Non-current assets			
Goodwill	8	**42 541**	42 693
Intangible assets	8	**18 512**	19 939
Property, plant and equipment	9	**7 280**	8 884
Investment property	9	**1 424**	1 227
Investments in equity accounted companies	10	**6 957**	20 719
Investments and loans	11	**4 954**	5 845
Deferred taxation assets	6.3	**1 466**	1 855
Trade and other receivables	12	**57**	25
		83 191	101 187
Current assets			
Inventories	14	**12 869**	13 675
Trade and other receivables	12	**6 076**	5 770
Taxation receivable		**409**	216
Intergroup loans and receivables	31	**294**	323
Investments and loans	11	**-**	278
Cash and cash equivalents	15	**6 484**	5 593
		26 132	25 855
Assets and disposal groups classified as held-for-sale	34	**9 847**	-
		35 979	25 855
Total assets		**119 170**	127 042
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital and premium	26	**119 020**	119 020
Other reserves	25	**(1 524)**	(1 203)
Accumulated losses	25	**(91 733)**	(86 132)
Total ordinary equity attributable to owners of Steinhoff Investments		**25 763**	31 685
Preference share capital and premium	27	**1 382**	4 882
Accumulated profit attributable to preference shareholders	27	**32**	33
Total equity attributable to preference shareholders of Steinhoff Investments		**1 414**	4 915
Non-controlling interests	28	**16 296**	14 450
Total equity		**43 473**	51 050
Non-current liabilities			
Borrowings	16	**19 518**	-
Employee benefits	20	**91**	113
Deferred taxation liabilities	6.3	**4 315**	4 983
Provisions	21	**564**	750
Trade and other payables	17	**545**	633
Intergroup loans and payables	31	**-**	4 558
		25 033	11 037
Current liabilities			
Trade and other payables	17	**11 930**	14 814
Taxation payable		**683**	600
Intergroup loans and payables	31	**4 350**	734
Employee benefits	20	**905**	1 018
Provisions	21	**277**	874
Borrowings	16	**27 552**	46 915
		45 697	64 955
Liabilities directly associated with assets classified as held-for-sale	34	**4 967**	-
		50 664	64 955
Total equity and liabilities		**119 170**	127 042

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 2018

	Notes	2018 Rm	Restated* 2017 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	23	**4 621**	9 521
Dividends received	5, 10 & 29	**237**	830
Ordinary dividends paid	23.3	**(2 245)**	(18 467)
Preference dividends paid	23.3	**(585)**	(293)
Interest received	5	**570**	410
Interest paid	5	**(2 110)**	(2 404)
Taxation paid		**(2 125)**	(2 144)
Net cash outflow from operating activities		**(1 637)**	(12 547)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment and investment property[1]	9	**(2 520)**	(3 097)
Additions to intangible assets	8	**(72)**	(85)
Proceeds on disposal of property, plant and equipment and intangible assets		**153**	92
Acquisition of subsidiaries and businesses, net of cash on hand at acquisition	24	**(412)**	(1 070)
Disposal of businesses		**6**	(1 613)
Acquisition of additional investment in equity accounted companies*		**-**	(767)
Proceeds on disposal of investments in equity accounted companies		**16 080**	-
KAP	10.2	**3 639**	-
PSG	10.2	**12 417**	-
Other	10.2	**24**	-
Loans to equity accounted companies*		**(8)**	(86)
Loans advanced to related parties*		**(2 313)**	(2 907)
Receipts from related party loans receivable*		**-**	1 211
Payments for other investments and loans*		**(6 186)**	(1 679)
Proceeds from other investments and loans*		**1 043**	5 405
Other		**2**	-
Net cash inflow/(outflow) from investing activities		**5 773**	(4 596)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of preference share equity		**(3 500)**	-
Transactions with non-controlling interests		**3 674**	15 807
Repayment of loans from related parties*		**(1 481)**	(4 341)
Proceeds from loans from related parties*		**582**	3 741
Repayment of borrowings*	23.2	**(21 063)**	(3 443)
Proceeds from borrowings*	23.2	**19 988**	4 511
Debt raising fees paid		**(110)**	-
Net cash (outflow)/inflow from financing activities		**(1 910)**	16 275
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**2 226**	(868)
Effects of exchange rate translations on cash and cash equivalents		**(78)**	(120)
Cash and cash equivalents at beginning of the period	15	**5 593**	6 581
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**7 741**	5 593
Reconciliation of Cash and Cash Equivalents at end of period			
Cash and cash equivalents	15	**6 484**	5 593
Cash and cash equivalents included in assets held-for-sale	34	**1 257**	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**7 741**	5 593

[1] *Additions to property, plant and equipment have been adjusted for non-cash additions to vehicle rental fleet which is primarily financed.*

** Comparatives have been adjusted to reflect the cashflow movements on a gross basis and to provide more detailed cashflow movements. Refer to note 23.4 for more detail.*

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 2018 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 operates in Africa.

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.

BASIS OF PREPARATION

Statement of compliance

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

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 lower of carrying amount and fair value less cost of disposal; and
- accounting for Angolan operations for which hyper-inflationary accounting is applied.

Going concern

In determining the appropriate basis of preparation of the consolidated and separate financial statements, the board of the Company is required to consider whether the Steinhoff Investments Group and Company 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, 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 22 of these consolidated annual financial statements.

The board draws attention to the critical assumptions and disclosures made throughout these consolidated and separate 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 Group'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.

BASIS OF PREPARATION (continued)

Going concern (continued)

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:

- At 30 September 2018, the Group's current liabilities exceeded its current assets due to the current liability raised for the SIHPL guarantee for the 2021 and 2022 convertible bonds issued by SFHG. Following the implementation of the global debt restructuring by Steinhoff N.V. Group during August 2019, the SIHPL CPU was classified to non-current liabilities during the 2019 Reporting Period, correcting the liquidity position of the Steinhoff Investments Group, 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 and separate financial statements.

Presentation and functional currency

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

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
Campion		No	Note 30
	Fulcrum Financial Services	No	Note 30
	Wands Investments Proprietary Limited,	No	Note 30
	including its subsidiaries Century Capital		Note 30
	and FGI Holdings		Note 30
	Abacus Insurance and Abacus Life	No	Note 30
	Southern View Finance SA Holdings	No	Note 30
	Plumtree	No	Note 30
Fihag	Geros B, Geros FS	No	Note 30

BASIS OF PREPARATION (continued)
Areas of critical judgements and estimates (continued)

JUDGEMENTS (continued):			Note reference
• Consolidation decisions (continued)			
Other	BVI	Yes	

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.

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 employer as opposed to BVI having to sell Steinhoff shares to fund the settlement.

BVI was set up solely on behalf of the employee shareholders who would benefit from the growth of the Pepkor Group and later the Steinhoff 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 or as a result of its exposure to variable returns linked to the funding and guarantees provided.

The Group consolidated BVI for both periods presented.

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

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.

• Classification and completeness of related parties and affiliated parties	Notes 29 & 30

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

• Recoverability of financial and other assets

Financial assets

The recoverability of loans and assets with counterparties have been assessed and where 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 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. 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**
• Fulcrum Group	Notes 4.2.2 & 11
• SFHG Group	Note 4.2.2
Other assets	
Impairment of investment in equity accounted private companies	Note 10

BASIS OF PREPARATION (continued)
Areas of critical judgements and estimates (continued)

JUDGEMENTS (continued):	Note reference
• Treatment of transactions involving Steinhoff shares funded by the Group	

Substance of transaction akin to an option

Management had to apply judgment in respect of certain share funding transactions where the terms did not stipulate that the funding was with recourse only to the shares. In these cases, management has considered the substance of the arrangements and deemed it appropriate to treat such funding as only having recourse to the shares, since it was provided specifically for the purchase of shares. In certain instances only proceeds from the sale of shares were used to settle such loans and the only significant asset held by the debtor was the shares. The transactions are treated as in-substance options in respect of the Steinhoff shares, in some cases triggering a share based payment expense. Measuring the share based payment involved a number of estimates and judgements in respect of both the classification as cash or equity settled and the determination of the inputs of the valuation model.

Exercise date of options

In certain instances a number of share funding transactions occurred with a specific party. Management has considered each advance of funds separately. Where the financing related to a specific advance has been repaid, management has concluded that the in-substance option has been settled and the shares are released and no longer treated as treasury shares. Management has assumed that repayment of the earliest advance takes place first.

The details of funded share purchase arrangements are referenced below:

Transaction	Financial year	Note reference
Town Investments	2017	Note 30

• Presentation of liabilities	Note 16

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 was 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.

During the 2018 Reporting Period, the majority of the Steinhoff Investments Group's debt has been repaid and Pepkor has obtained external refinancing with new agreed terms.

• Recognition and measurement of provisions	Note 21
• Correct classification and completeness of contingent liabilities	Note 22
• Correct classification and completeness of liabilities and events occurring after the reporting period	Note 22 & 35
• Recognition of investment as equity accounted companies	Note 10

ESTIMATES	Note reference
• Estimation of uncertain tax positions	Note 6
• Estimation of future taxable profits in support of recognition of deferred taxation assets	Note 6
• Estimation of inputs into discounted cash flow models relating to the impairment of goodwill	Note 8
• Estimation of inputs into discounted cash flow models relating to the impairment of intangible assets	Note 8
• Estimation of the useful life of intangible assets	Note 8
• Estimation of the recoverable amount and fair value of properties	Note 9
• Estimation of the useful life and residual values of buildings	Note 9
• Estimation of fair value of identifiable assets and liabilities impacting the measurement of goodwill in a business combination.	Note 24
• Estimation of vesting conditions relating to share-based payments	Note 33

BASIS OF PREPARATION (continued)

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. DISCONTINUED OPERATIONS

Segments classified as discontinued operations in the 2018 Reporting Period

Automotive

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

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

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

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

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

Disposals during the 2017 Reporting Period

Pepkor Europe

The investment in Pepkor Europe was disposed of as part of a group restructuring to the SFHG group effective 1 April 2017.

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

The above disposal/intergroup restructure 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 disposal above, the Steinhoff Investments Group has recognised the gain/loss on disposal as a capital contribution in retained earnings.

The businesses discussed above are presented as discontinued operations in accordance with IFRS 5. Comparative information in the Consolidated Statement of Profit or Loss has been restated accordingly.

ACCOUNTING POLICY

Inter-company transactions between continuing and discontinued operations

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

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

1. DISCONTINUED OPERATIONS (continued)

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

	30 September 2017		
	Previously reported Rm	Adjusted for new discontinued operations Rm	Continuing operations Rm
Revenue	77 967	(19 982)	57 985
Cost of sales	(54 762)	17 351	(37 411)
Gross profit	23 205	(2 631)	20 574
Other income	3 498	(489)	3 009
Distribution expenses	(397)	-	(397)
Administration expenses	(21 876)	2 529	(19 347)
Net other (expenses)/income	(8 167)	42	(8 125)
Operating loss	(3 737)	(549)	(4 286)
Finance costs	(2 382)	182	(2 200)
Income from investments	600	(110)	490
Share of profit of equity accounted companies	1 353	-	1 353
Loss before taxation	(4 166)	(477)	(4 643)
Taxation	(1 946)	139	(1 807)
Loss from continuing operations	(6 112)	(338)	(6 450)
Profit from discontinued operations	609	338	947
Loss for the period	(5 503)	-	(5 503)
Loss from continuing operations attributable to:			
Ordinary shareholders of Steinhoff Investments	(6 778)	(338)	(7 116)
Preference shareholders of Steinhoff Investments	130	-	130
Non-controlling interests	536	-	536
Loss for the period	(6 112)	(338)	(6 450)

1. DISCONTINUED OPERATIONS (continued)

1.2. STATEMENT OF PROFIT OR LOSS FOR DISCONTINUED OPERATIONS

	Notes	2018 Rm	2017 Rm
Revenue		23 340	27 121
Cost of sales		(20 221)	(21 298)
Gross profit		3 119	5 823
Other income		538	521
Administration expenses		(2 288)	(4 969)
Net other (expenses)/income		(628)	(41)
Impairments	1.2.1	(619)	-
Loss on disposal of property, plant and equipment, intangible assets and scrapping of vehicle rental fleet	1.2.2	(9)	(9)
Net loss on sale or partial sale of investments		-	(32)
Operating profit		741	1 334
Finance costs		(161)	(204)
Income from investments		59	129
Profit before taxation		639	1 259
Taxation		(61)	(312)
Profit for the period		578	947
Profit from discontinued operations attributable to:			
Ordinary shareholders of Steinhoff Investments		578	947
Non-controlling interests		-	-
Profit for the period		578	947

1.2.1 Impairment

	2018 Rm	2017 Rm
Goodwill	(332)	-
Intangible assets	(168)	(2)
Property, plant and equipment	(119)	2
	(619)	-

	2018 Rm	2017 Rm
1.2.2 Loss on disposal of property, plant and equipment, intangible assets and scrapping of vehicle rental fleet	(9)	(9)
1.2.3 Loss on sale and partial sale of investments	-	(32)

1. DISCONTINUED OPERATIONS (continued)

1.3 PRESENTATION OF DISCONTINUED OPERATIONS IN THE STATEMENT OF CASH FLOWS

	2018 Rm	2017 Rm
Cash flows from discontinued operations		
Net cash (outflow)/inflow from operating activities	(221)	1 010
Net cash outflow from investing activities	(645)	(2 171)
Net cash inflow from financing activities	1 366	305
Net cash inflow/(outflow)	500	(856)

1.4 SEGMENTAL INFORMATION RELATING TO DISCONTINUED OPERATIONS

Segmental revenue from discontinued operations

	2018 Rm	2017 Rm
Automotive	23 340	19 982
Pepkor Europe	-	7 139
Net external revenue from discontinued operations*	23 340	27 121

** Revenue between discontinued operations have been eliminated*

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

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

	2018 Rm	2017 Rm
EBITDA reconciles to the operating profit per statement of profit or loss from discontinued operations as follows:		
Operating profit from discontinued operations	741	1 334
Depreciation and amortisation	198	412
Other material expenses	628	41
Intergroup eliminations with continuing operations	(667)	46
EBITDA per segment reporting from discontinued operations	900	1 833
Automotive	900	872
Pepkor Europe	-	961
EBITDA from discontinued operations as presented	900	1 833

1. DISCONTINUED OPERATIONS (continued)

1.4 SEGMENTAL INFORMATION RELATING TO DISCONTINUED OPERATIONS (continued)

Operating profit adjusted for material items ("EBIT")

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

	2018 Rm	2017 Rm
EBIT reconciles to the operating profit per statement of profit or loss from discontinued operations as follows:		
Operating profit from discontinued operations	741	1 334
Other material expenses	628	41
Intercompany eliminations with continuing operations	(667)	46
EBIT per segment reporting from discontinued operations	702	1 421
Automotive	702	637
Pepkor Europe	-	784
EBIT from discontinued operations as presented	702	1 421

2. SEGMENT INFORMATION

The Steinhoff Investments 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 decisions 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 Automotive business which was disclosed as a separate reportable segment in the 2017 consolidated annual financial statements has been classified as a discontinued operation in the 2018 Reporting Period (refer note 1).

The Steinhoff Investments Group has disclosed the following reportable segments in respect of the 2018 Reporting Period.

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

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

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

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

2. 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. Sales between segments are made on an arm's length basis.

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

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

Segment revenue from continuing operations

	2018 Rm	Restated[1] 2017 Rm
Pepkor Holdings	64 168	57 850
Corporate and Treasury Services	34	14
Africa Properties	145	121
	64 347	57 985

Revenues from external customers - by geography

The Company is domiciled in South Africa. The Steinhoff Investments Group operates within Africa. The amount of its revenue from external customers is presented below based on the geographies that contribute materially to the Steinhoff Investments Group's revenue.

	2018 Rm	Restated[1] 2017 Rm
South Africa	**56 766**	55 693
Rest of Africa	**7 581**	2 292
	64 347	57 985

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

2. 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 before depreciation and amortisation adjusted for material items ("EBITDA")

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

Segment expenses include distribution expenses and administration expenses.

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

EBITDA reconciles to the operating loss per statement of profit or loss as follows:

	Notes	2018 Rm	Restated[1] 2017 Rm
Operating loss per statement of profit or loss		**(428)**	(4 286)
Depreciation and amortisation	4.3.1	**1 154**	974
Other material expenses	4.2	**5 513**	8 125
Intergroup eliminations with discontinued operations		**667**	(46)
EBITDA per segment reporting		**6 906**	4 767
EBITDA per segment:			
Pepkor Holdings		**7 571**	6 890
Corporate and Treasury Services		**(916)**	(2 280)
Africa Properties		**251**	157
		6 906	4 767

2. SEGMENT INFORMATION (continued)

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 depreciation, amortisation and net other income/(expenses) included in note 4.2.

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

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

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

	Notes	2018 Rm	Restated[1] 2017 Rm
Operating loss per statement of profit or loss		**(428)**	(4 286)
Other material expenses	4.2	**5 513**	8 125
Intergroup eliminations with discontinued operations		**667**	(46)
EBIT per segment reporting		**5 752**	3 793
EBIT per segment:			
Pepkor Holdings		**6 437**	5 930
Corporate and Treasury Services		**(923)**	(2 288)
Africa Properties		**238**	151
		5 752	3 793

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

Impairments recognised per segment

	Notes	2018 Rm	2017 Rm
Impairments recognised	4.2.1	**83**	209
Impairments recognised per segment:			
Pepkor Holdings		**20**	7
Corporate and Treasury Services		**-**	23
Africa Properties		**63**	179
		83	209

Segmental assets

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

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

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

2. SEGMENT INFORMATION (continued)

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

	2018 Rm	2017 Rm
Total assets per statement of financial position	**119 170**	127 042
Less: Cash and cash equivalents	**(6 484)**	(5 593)
Less: Investments in equity accounted companies	**(6 957)**	(20 719)
Less: Long-term investments and loans	**(4 954)**	(5 845)
Less: Short-term investments and loans	**-**	(278)
Less: Intergroup loan and receivables	**(294)**	(323)
Less: Assets classified as held-for-sale	**(9 847)**	-
Segmental assets	**90 634**	94 284
Segmental assets:		
Pepkor Holdings	**86 765**	82 819
Corporate and Treasury Services	**384**	583
Africa Properties	**3 485**	4 233
Automotive*	**-**	6 649
	90 634	94 284

** The Automotive segment was classified as a disposal group held-for-sale in 2018 and therefore no segmental assets are provided for the 2018 Reporting Period. Refer to note 34.*

Segmental non-current assets

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 Steinhoff Investments Group's non-current assets.

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

	2018 Rm	2017 Rm
Total non-current assets per statement of financial position	**83 191**	101 187
Less: Deferred taxation assets	**(1 466)**	(1 855)
Less: Long-term investments and loans (financial assets)	**(4 954)**	(5 845)
Less: Derivative financial instruments	**-**	-
Segmental non-current assets	**76 771**	93 487
Segmental non-current assets		
Africa	**76 771**	93 487
	76 771	93 487

3. REVENUE

	Notes	2018 Rm	Restated[1] 2017 Rm
The Steinhoff Investments Group derives the following types of revenue:			
Merchandise sales		62 985	56 864
Financial services revenue (Finance charges, initiation fees, insurance income)		663	547
Other revenue		699	574
Total revenue from continuing operations		**64 347**	57 985

[1] *Refer to note 1 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.

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). Finance charges are recognised by reference to daily principle outstanding and the effective interest rate implicit in the agreement.

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

	Notes	2018 Rm	Restated[1] 2017 Rm

4.1 OTHER INCOME

The material items included in other income relate mainly to commissions received on ancillary services provided by Pepkor.

4.2 NET OTHER EXPENSES/(INCOME)

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.

4.2.1 Impairment

	Notes	2018 Rm	Restated[1] 2017 Rm
Intangible assets	8	**-**	4
Property, plant and equipment*	9	**83**	205
		83	209

* Majority of the impairments to property, plant and equipment in the periods presented were recognised after external valuations performed on buildings indicated that the carrying value exceeded the market value.

4.2.2 Impairment/(reversal of impairment) of financial assets

	2018 Rm	Restated[1] 2017 Rm
a) Impairment of intergroup loans	**2 271**	9 711
Loans with the SFHG group as well as specific loan with Steinhoff N.V. were assessed and deemed not to be recoverable, as a result the loans were fully impaired.		
b) Fulcrum look through	**-**	(85)
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.		
c) Other loans and receivables	**1**	-
	2 272	9 626

4.2.3 Cumulative other comprehensive income reclassified to profit or loss

	2018 Rm	Restated[1] 2017 Rm
Foreign currency translation reserve reclassified to profit or loss on disposal of associate	**54**	-
Fair value reserve of available-for-sale financial assets reclassified to profit or loss - permanent impairment*	**4 016**	-
	4 070	-

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

	2018 Rm	Restated[1] 2017 Rm
4.2.4 Gain on disposal of property, plant and equipment, intangible assets and scrapping of vehicle rental fleet	**4**	52

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

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

4.2 NET OTHER EXPENSES/(INCOME) (continued)

	Notes	2018 Rm	Restated[1] 2017 Rm
4.2.5 (Gain)/loss on sale and partial sale of investments including fair value gains reclassified to profit or loss on disposal			
Gain on disposal of Brait Investment		**-**	(1 831)
(Gain)/loss on disposal of PSG		**(376)**	44
(Gain)/loss on disposal of KAP		**(1 304)**	40
Gain on deemed acquisition of IEP		**-**	(10)
Gain on disposal of Sikhulasonke		**(176)**	-
Other		**32**	(15)
		(1 824)	(1 762)
4.2.6 Fees relating to forensic investigation, advisory and restructure of the businesses		**908**	-

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

TOTAL NET OTHER EXPENSES/(INCOME)		**5 513**	8 125

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

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

4.3 DISTRIBUTION AND ADMINISTRATION EXPENSES

	Notes	2018 Rm	Restated[1] 2017 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:			
4.3.1 Depreciation and amortisation			
Depreciation	9	**1 069**	889
Amortisation	8	**85**	85
		1 154	974
Included in distribution and administration expenses		**1 154**	974
		1 154	974
4.3.2 Auditor's remuneration			
Audit fees expensed		**52**	46
Audit fees for 2018 includes accrual for audit fees expected at 30 September 2018.			
4.3.3 Employee benefit expenses			
Salaries and wages		**8 267**	7 088
Share-based payments - equity-settled		**61**	58
Contributions to defined benefit plans (post-retirement benefit expenses)		**88**	78
Contributions to defined contribution plans (post-retirement benefit expenses)		**91**	87
		8 507	7 311
4.3.4 Net foreign exchange gains			
Net loss/(gain) on forward exchange contracts		**255**	(259)
Net (gain)/loss on conversion of monetary assets - realised		**(4)**	277
Net loss on conversion of monetary assets - unrealised		**576**	2 219
		827	2 237

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

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

4.3 DISTRIBUTION AND ADMINISTRATION EXPENSES (continued)

	Notes	2018 Rm	Restated[1] 2017 Rm
4.3.5 Fair value (gains)/losses (excluding forward exchange contracts)			
Fair value adjustment on financial assets through profit or loss		**(196)**	260
4.3.6 Operating lease charges - properties			
Rental of properties	22.2	**3 538**	3 027
4.3.7 Operating lease charges - other			
Leases of plant, equipment, vehicles and other	22.2	**38**	29
4.3.8 Other distribution and administration expenses		**4 596**	5 860
TOTAL DISTRIBUTION AND ADMINISTRATION EXPENSES FROM CONTINUING OPERATIONS		**18 516**	19 744
Distribution expenses		544	397
Administrations expenses		17 972	19 347
TOTAL DISTRIBUTION AND ADMINISTRATION EXPENSES FROM CONTINUING OPERATIONS		**18 516**	19 744

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

5. FINANCE COSTS AND INCOME FROM INVESTMENTS

	Finance costs Rm	Finance income Rm	Net income/(cost) Rm
30 September 2018			
Dividends received	**-**	**306**	**306**
Finance costs and income			
(Bank overdrafts)/Cash and cash equivalents	**(145)**	**449**	**304**
Loans	**(1 907)**	**16**	**(1 891)**
Other	**(246)**	**48**	**(198)**
	(2 298)	**819**	**(1 479)**
Restated[1]			
30 September 2017			
Dividends received	-	193	193
Finance costs and income			
(Bank overdrafts)/Cash and cash equivalents	(125)	196	71
Loans	(1 882)	115	(1 767)
Intragroup	(17)	(59)	(76)
Other	(176)	45	(131)
	(2 200)	490	(1 710)

[1] *Refer to note 1 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.

6. TAXATION

Steinhoff Investments is a South African tax resident.

For periods ending 30 September 2017 and 2018 the corporate taxation rate in South Africa is 28%. Capital gains is taxed at 22.4%.

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.

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.

Significant accounting estimates

Uncertain tax positions

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

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

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

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

Recoverability of deferred 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.

6. TAXATION (continued)

6.1 Income tax expense recognised in profit or loss

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

	Notes	2018 Rm	Restated[1] 2017 Rm
Current tax			
Income tax			
Current period		**1 394**	642
Prior year adjustments		**165**	102
Capital gains tax		**204**	2
Withholding tax		**160**	116
		1 923	862
Deferred taxation			
Originating and reversing temporary differences - current period		**476**	934
Adjustments relating to prior period		**70**	11
		546	945
Total tax from continuing operations		**2 469**	1 807
Components of the tax expense from discontinued operations			
Current tax		**176**	232
Deferred taxation		**(115)**	80
		61	312
Total taxation (income)/expense recognised in profit or loss		**2 530**	2 119

[1] *Refer to note 1 for restatements as a result of classifying certain businesses as discontinued operations.*

6. TAXATION (continued)

6.1 Income tax expense recognised in profit or loss

Reconciliation of rate of taxation

	Notes	2018 Rm	2017 Rm
Loss before income tax from continuing operations		**(1 018)**	(4 643)
Profit before income tax from discontinued operations		**639**	1 259
		(379)	(3 384)
South African standard rate of taxation at 28%		**(106)**	(948)
Effect of different statutory taxation rates of subsidiaries in other jurisdictions		**(23)**	(124)
Withholding taxes		**326**	112
Effect of non-deductible expenses and tax exempt income[1]		**2 340**	2 221
Utilisation of previously unrecognised tax losses and temporary differences		**(129)**	(156)
Unrecognised tax losses		**234**	1 232
Effect of profit of equity accounted companies		**(249)**	(379)
Prior year adjustments		**231**	131
Other reconciling items		**(94)**	30
Total taxation expense recognised in profit or loss		**2 530**	2 119

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

6.2 Tax payable and receivable

The taxation receivable and payable balances are disclosed on the face of the consolidated statement of financial position.

6. TAXATION (continued)

6.3 Deferred tax assets and liabilities

	Assets 2018 Rm	Assets 2017 Rm	Liabilities 2018 Rm	Liabilities 2017 Rm	Net 2018 Rm	Net 2017 Rm
Recognised deferred tax assets and liabilities attributable to the following categories:						
Intangible assets and goodwill	**(14)**	(25)	**(4 056)**	(4 374)	**(4 070)**	(4 399)
Property, plant and equipment	**177**	116	**(85)**	(77)	**92**	39
Provisions	**478**	659	**18**	6	**496**	665
Share-based payments	**65**	(2)	**(44)**	-	**21**	(2)
Taxation losses	**418**	627	**7**	7	**425**	634
Investment in associate*	**-**	-	**(168)**	-	**(168)**	-
Fair value reserve adjustment on available-for-sale assets*	**-**	22	**-**	(554)	**-**	(532)
Unrealised foreign currency gain*	**6**	100	**-**	-	**6**	100
Operating leases*	**158**	177	**-**	-	**158**	177
Other*	**178**	181	**13**	9	**191**	190
Balance at end of the period	**1 466**	1 855	**(4 315)**	(4 983)	**(2 849)**	(3 128)

** 'Other' has been split out in order to provide more detailed disclosure. Comparatives have been adjusted accordingly.*

	Note	2018 Rm	2017 Rm
Reconciliation of movement in deferred tax liability			
Balance at beginning of period		**(3 128)**	(2 488)
Deferred tax of businesses acquired	24.1	**27**	(140)
Deferred tax of subsidiaries derecognised		**-**	218
Amounts charged directly to other comprehensive income:			
Cash flow hedging reserve and fair value reserves		**508**	241
Exchange differences on translation of foreign operations, including hyperinflation		**134**	-
Amounts charged directly to equity:			
Share based payment and other reserves		**7**	41
Current year charge			
From continuing operations	6.1	**(546)**	(945)
From discontinued operations	6.1	**115**	(80)
Transferred to held-for-sale assets or liabilities		**34**	-
Exchange differences on translation of foreign operations		**1**	25
Other movements		**(1)**	-
Balance at end of the year		**(2 849)**	(3 128)

	2018 Rm	2017 Rm
Unrecognised deferred taxation assets		
Deferred taxation assets have not been recognised in respect of the following items:		
Unrecognised taxation losses	**6 612**	5 304

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.

	2018 Rm	2017 Rm
Taxation losses		
Recognised estimated taxation losses available for offset against future taxable income	**1 454**	2 266

6.4 Expiry profile of taxation losses

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

7. LOSS 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.

	2018 Cents	Restated[1] 2017 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 loss per share		
From continuing operations	**(7 590.9)**	(13 177.8)
From discontinued operations	**1 050.9**	1 753.7
Basic loss per share	**(6 540.0)**	(11 424.1)
Diluted loss per share		
From continuing operations	**(7 590.9)**	(13 189.6)
From discontinued operations	**1 050.9**	1 753.7
Diluted loss per share	**(6 540.0)**	(11 435.9)

Headline earnings/(loss) per share

Headline earnings/(loss) is an additional earnings/(loss) number that is permitted by IAS 33: Earnings per Share (IAS 33). The starting point is earnings/(loss) as determined in IAS 33, excluding separately identifiable remeasurements, net of related taxation (both current and deferred) and related non-controlling interests other than remeasurements specifically included in headline earnings/(loss). This number is required to be reported by the Johannesburg Stock Exchange ("JSE"), where the Group is listed, and is defined by Circular 4/2018 Headline Earnings.

Separately identifiable remeasurements are those where the applicable IFRS explicitly requires separate disclosure of the operating and/or the platform remeasurement in the consolidated financial statements. No adjustments would be permitted on the basis of voluntary disclosure of gains or earnings/(losses) (or components of these).

	2018 Cents	Restated[1] 2017 Cents
From continuing operations	**(4 375.0)**	(16 178.0)
From discontinued operations	**2 077.9**	1 809.3
Headline loss per share	**(2 297.1)**	(14 368.8)
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	**(4 374.9)**	(16 189.6)
From discontinued operations	**2 077.9**	1 809.0
Diluted headline loss per share	**(2 297.0)**	(14 380.6)

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

7. LOSS PER SHARE (continued)

RECONCILIATIONS OF DENOMINATOR AND NUMERATOR

7.1 Weighted average number of ordinary shares

	Notes	2018 Million	2017 Million
Issued ordinary shares at beginning of the period	26.2	**55**	48
Effect of shares issued during the period		**-**	6
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		**55**	54
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share and diluted headline earnings/(loss) per share		**55**	54

7.2 Basic loss and headline earnings/(loss) attributable to owners of Steinhoff Investments

	Notes	Continuing operations Rm	Discontinued operations Rm	Total Rm
30 September 2018				
Basic loss for the year attributable to owners of Steinhoff Investments		**(4 175)**	**578**	**(3 597)**
Adjusted for remeasurement items	7.4	**1 769**	**565**	**2 334**
Headline loss attributable to owners of Steinhoff Investments		**(2 406)**	**1 143**	**(1 263)**
30 September 2017				
Basic earnings for the year attributable to owners of Steinhoff Investments		(7 116)	947	(6 169)
Adjusted for remeasurement items	7.4	(1 504)	30	(1 474)
Adjusted for remeasurement items of equity accounted companies		(116)	-	(116)
Headline loss attributable to owners of Steinhoff Investments		(8 736)	977	(7 759)

7.3 Diluted earnings and diluted headline earnings/(loss) attributable to owners of Steinhoff Investments

	Notes	Continuing operations Rm	Discontinued operations Rm	Total Rm
30 September 2018				
Basic loss for the year attributable to owners of Steinhoff Investments		**(4 175)**	**578**	**(3 597)**
Diluted loss attributable to owners of Steinhoff Investments		**(4 175)**	**578**	**(3 597)**
Adjusted for remeasurement items	7.4	**1 769**	**565**	**2 334**
Diluted headline loss attributable to owners of Steinhoff Investments		**(2 406)**	**1 143**	**(1 263)**
30 September 2017				
Headline loss attributable to owners of Steinhoff Investments		(7 116)	947	(6 169)
Dilutive adjustments on earnings		(6)	-	(6)
Diluted loss attributable to owners of Steinhoff Investments		(7 122)	947	(6 175)
Adjusted for remeasurement items	7.4	(1 504)	30	(1 474)
Adjusted for remeasurement items of equity accounted companies		(116)	-	(116)
Diluted headline loss attributable to owners of Steinhoff Investments		(8 743)	977	(7 766)

7. LOSS PER SHARE (continued)

RECONCILIATIONS OF DENOMINATOR AND NUMERATOR (continued)

7.4 Remeasurement items as defined by the HEPS circular

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.

		30 September 2018		30 September 30 September 2017	
	Notes	Gross of taxation and non-controlling interests Rm	Net of taxation and non-controlling interests Rm	Gross of taxation and non-controlling interests Rm	Net of taxation and non-controlling interests Rm
Continuing operations					
Impairment	4.2.1	**83**	**65**	209	209
Intangible assets		**-**	**-**	4	4
Property, plant and equipment		**83**	**65**	205	205
Foreign currency translation reserve and fair value reserves of available-for-sale financial assets reclassified to profit or loss	4.2.3	**4 070**	**3 506**	-	-
Loss on disposal of property, plant and equipment, intangible assets and scrapping of vehicle rental fleet	4.2.4	**4**	**3**	52	48
Loss/(gain) on sale and partial sale of investments	4.2.5	**(1 824)**	**(1 805)**	(1 762)	(1 761)
		2 333	**1 769**	(1 501)	(1 504)
Discontinued operations					
Impairment		**619**	**556**	-	-
Goodwill		**332**	**332**	-	-
Intangible assets		**168**	**131**	2	2
Property, plant and equipment		**119**	**93**	(2)	(2)
Loss on disposal of property, plant and equipment, intangible assets and scrapping of vehicle rental fleet		**9**	**9**	9	7
Loss on sale and partial sale of investments		**-**	**-**	32	23
		628	**565**	41	30

8. 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 24 for the accounting policy applied to business combinations.

Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Calculation of 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 asset measured at cost less accumulated amortisation and impairment losses.

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.

8. INTANGIBLE ASSETS (continued)

Significant accounting estimates and judgements

Useful life of intangible assets

Software and ERP systems

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

Indefinite useful life intangible assets

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

Trade and brand names

The 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

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

8. INTANGIBLE ASSETS (continued)

			Indefinite useful life				
			Trade and	Dealership	Software and	Other	
		Goodwill	brand names	agreements	ERP systems	intangibles	Total
	Notes	Rm	Rm	Rm	Rm	Rm	Rm
Balance at 30 September 2016		47 963	19 706	1 532	129	2	69 332
Additions		-	-	-	84	-	84
Amortisation		-	(3)	-	(96)	(1)	(100)
From continuing operations	4.3.1	-	(3)	-	(81)	(1)	(85)
From discontinued operations		-	-	-	(15)	-	(15)
Disposals		-	-	-	(1)	-	(1)
Acquired on acquisition of businesses		2 607	743	39	31	-	3 420
Eliminated on disposal of businesses		(7 205)	(2 196)	-	(76)	-	(9 477)
Impairment		-	-	-	(4)	(2)	(6)
From continuing operations	4.2.1	-	-	-	(4)	-	(4)
From discontinued operations	1.2.1	-	-	-	-	(2)	(2)
Transfer from property, plant and equipment		-	-	-	174	-	174
Exchange differences on translation of foreign operations		(672)	(123)	-	-	1	(794)
Balance at 30 September 2017		**42 693**	**18 127**	**1 571**	**241**	**-**	**62 632**
Additions		**-**	**-**	**-**	**72**	**-**	**72**
Amortisation		**-**	**-**	**-**	**(81)**	**(4)**	**(85)**
From continuing operations	4.3.1	**-**	**-**	**-**	**(81)**	**(4)**	**(85)**
From discontinued operations			**-**	**-**	**-**	**-**	**-**
Disposals		**-**	**-**	**-**	**-**	**-**	**-**
Acquired on acquisition of businesses	24.1	**180**	**72**	**-**	**5**	**19**	**276**
Eliminated on disposal of businesses		**-**	**-**	**-**	**-**	**-**	**-**
Impairment		**(332)**	**-**	**(168)**	**-**	**-**	**(500)**
From continuing operations		**-**	**-**	**-**	**-**	**-**	**-**
From discontinued operations	1.2.1	**(332)**	**-**	**(168)**	**-**	**-**	**(500)**
Transfer to discontinued operations and assets held-for-sale		**-**	**-**	**(1 403)**	**-**	**-**	**(1 403)**
Transfer from property, plant and equipment		**-**	**-**	**-**	**61**	**-**	**61**
Balance at 30 September 2018		**42 541**	**18 199**	**-**	**298**	**15**	**61 053**
Cost		**43 395**	**18 840**	**-**	**1 301**	**36**	**63 572**
Amortisation and impairment		**(854)**	**(641)**	**-**	**(1 003)**	**(21)**	**(2 519)**
Net book value at 30 September 2018		**42 541**	**18 199**	**-**	**298**	**15**	**61 053**
Cost		42 618	18 784	1 571	634	6	63 613
Amortisation and impairment		75	(657)	-	(393)	(6)	(981)
Net book value at 30 September 2017		42 693	18 127	1 571	241	-	62 632

8. INTANGIBLE ASSETS (continued)

	2018 Rm	2017 Rm
Summary of net carrying value:		
Goodwill	**42 541**	42 693
Indefinite useful life trade and brand names	**18 199**	18 127
Other intangible assets	**313**	1 812
	61 053	62 632

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 2.

	Goodwill		Indefinite life trade and brand names	
	2018 Rm	2017 Rm	2018 Rm	2017 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:				
Corporate and treasury services	**4**	4	**-**	-
Pepkor Holdings	**42 537**	42 458	**18 199**	18 127
Automotive*	**-**	231	**-**	-
	42 541	42 693	**18 199**	18 127

** The Automotive segment has been classified as held-for-sale at the end of the 2018 Reporting Period. Refer to Note 34.*

8.1 Impairment test

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.

WACC is a key factor in determining the pre-tax discount rate to be applied to the cash flow projections. The Group's liquidity constraints resulted in a decline in the Group's investment rating during 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.

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

8. INTANGIBLE ASSETS (continued)

8.1 Impairment test (continued)

Significant accounting estimates and judgements (continued)

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

	Pre-tax discount rate		Approved budget period		Long term growth rate	
	2018 Rm	2017 Rm	2018 Rm	2017 Rm	2018 Rm	2017 Rm
Pepkor Holdings[1]	**16.4% to 16.9%**	**13.4% to 16.8%**	**5 years**	3 years	**5.0% to 6.0%**	5.0% to 6.0%

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

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

Approved budget 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.

[1] This is a combination of the Pepkor Group's goodwill models. During the 2018 Reporting Period Pepkor Holdings also adopted a five year model, consistent with the rest of the Group. Pepkor Holdings historically applied ten year value-in-use models.

Material impairment charges

	Goodwill		Indefinite life trade and brand names	
	2018 Rm	2017 Rm	2018 Rm	2017 Rm
Discontinued operations				
Automotive[2]	**(332)**	-	**-**	-
	(332)	-	**-**	-

[2] Goodwill and Intangible assets that were transferred to held-for-sale were valued on an IFRS 5 basis. There could therefore be additional impairments recognised subsequent to the transfer as these assets will be valued on the lower of carrying value or fair value less cost to sell. Refer to note 34 for additional information.

8. INTANGIBLE ASSETS (continued)

8.1 Impairment test (continued)

Sensitivity analysis - Pepkor Holdings

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.

The recoverable amount substantially exceeds the carrying amount of the following group of CGUs on a Pepkor Holdings level: Clothing and General Merchandise, Furniture, Appliances and Electronics, Building Materials and FinTech. No sensitivity analysis is therefore presented in relation to changes in assumptions underpinning the impairment tests performed.

The recoverable amount of the Tekkie Town CGU is estimated to exceed the carrying amount of the CGU as at 30 September 2018 by R283 million.

The recoverable amount of this CGU in 2018 would be equal to its carrying amount if the key assumptions were to change as follows:

	From	To
Pre-tax discount rate (%)	16.7%	17.5%
Long term growth rate (%)	6.0%	5.0%

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the Tekkie Town CGU to exceed its recoverable amount.

9. 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 in terms of IFRS. It should be noted that the properties were valued on an individual basis and did not assume any portfolio effect.

ACCOUNTING POLICY

Owned assets

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

Leased assets

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

Subsequent costs

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

Depreciation

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over the 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

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.

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

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 2018, managements valuation approximated the carrying values. The valuation of the Group's investment properties have been carried out both internally by the Group's own property division as well as by independent valuers who holds a recognised and relevant professional qualification and has recent experience in the location and category of investment property being valued. The valuations of properties carried out internally were based on the income approach whereby the market related net income of the property was discounted at market yield for a similar property. The external valuations were based on discounted cash flow and assumed market rentals.

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.

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

	Notes	Investment property Rm	Land and buildings Rm	Plant and machinery* Rm	Leasehold improvements Rm	Furniture and fittings Rm	Vehicle rental fleet Rm	Other assets Rm	Total Rm
Balance at 30 September 2016		955	3 266	3 330	704	41	1 150	486	9 932
Additions		36	1 127	793	281	218	1 414	616	4 485
Depreciation		-	(27)	(480)	(182)	(108)	(193)	(296)	(1 286)
From continuing operations	4.3.1	-	-	(382)	(137)	(97)	-	(273)	(889)
From discontinued operations		-	(27)	(98)	(45)	(11)	(193)	(23)	(397)
Disposals		-	(40)	(37)	(20)	(5)	(27)	(42)	(171)
(Impairment)/Reversal of impairment		-	(202)	-	(1)	-	-	-	(203)
From continuing operations	4.2.1	-	(204)	-	(1)	-	-	-	(205)
From discontinued operations	1.2.1	-	2	-	-	-	-	-	2
Acquired on acquisition of subsidiaries		243	104	-	45	18	-	26	436
Eliminated on disposal of subsidiaries		-	(284)	(302)	(359)	(569)	-	(135)	(1 649)
Reclassification		(7)	7	(1 229)	39	628	-	562	-
Transfer to intangible assets		-	-	(2)	-	-	-	(172)	(174)
Transfer to inventories		-	-	-	-	-	(1 290)	1	(1 289)
Exchange differences on translation of foreign operations		-	29	30	(23)	1	-	(7)	30
Balance at 30 September 2017		**1 227**	**3 980**	**2 103**	**484**	**224**	**1 054**	**1 039**	**10 111**
Additions		**41**	**383**	**836**	**194**	**100**	**1 276**	**594**	**3 424**
Depreciation		**-**	**(41)**	**(562)**	**(155)**	**(68)**	**(151)**	**(290)**	**(1 267)**
From continuing operations	4.3.1	**-**	**(38)**	**(552)**	**(141)**	**(58)**	**-**	**(280)**	**(1 069)**
From discontinued operations		**-**	**(3)**	**(10)**	**(14)**	**(10)**	**(151)**	**(10)**	**(198)**
Disposals		**(60)**	**(1)**	**(20)**	**(16)**	**-**	**(21)**	**(50)**	**(168)**
(Impairment)/Reversal of impairment			**(170)**	**(15)**	**(7)**	**(7)**	**-**	**(3)**	**(202)**
From continuing operations	4.2.1	**-**	**(63)**	**(12)**	**(3)**	**(3)**	**-**	**(2)**	**(83)**
From discontinued operations	1.2.1	**-**	**(107)**	**(3)**	**(4)**	**(4)**	**-**	**(1)**	**(119)**
Acquired on acquisition of subsidiaries		**-**	**30**	**11**	**8**	**20**	**-**	**39**	**108**
Reclassification		**226**	**(239)**	**6**	**40**	**4**	**-**	**(37)**	**-**
Transfer to intangible assets		**-**	**-**	**-**	**-**	**-**	**-**	**(61)**	**(61)**
Transfer to discontinued operations and assets held-for-sale		**(10)**	**(982)**	**(28)**	**(32)**	**(32)**	**(1 187)**	**(12)**	**(2 283)**
Transfer to inventories		**-**	**-**	**-**	**-**	**-**	**(971)**	**-**	**(971)**
Exchange differences on translation of foreign operations		**-**	**(33)**	**42**	**1**	**(1)**	**-**	**4**	**13**
Balance at 30 September 2018		**1 424**	**2 927**	**2 373**	**517**	**240**	**-**	**1 223**	**8 704**

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

	Notes	Investment property Rm	Land and buildings Rm	Plant and machinery* Rm	Leasehold improvements Rm	Furniture and fittings Rm	Vehicle rental fleet Rm	Other assets Rm	Total Rm
Cost		**1 424**	**3 160**	**5 121**	**1 105**	**489**	**-**	**2 755**	**14 054**
Accumulated depreciation and impairment		**-**	**(233)**	**(2 748)**	**(588)**	**(249)**	**-**	**(1 532)**	**(5 350)**
Net book value at 30 September 2018		**1 424**	**2 927**	**2 373**	**517**	**240**	**-**	**1 223**	**8 704**
Cost		1 227	4 276	4 651	1 075	509	1 054	2 478	15 270
Accumulated depreciation and impairment		-	(296)	(2 548)	(591)	(285)	-	(1 439)	(5 159)
Net book value at 30 September 2017		1 227	3 980	2 103	484	224	1 054	1 039	10 111

Carrying values of the main components of the other assets per category are: Capital-work-in-progress (2018: R483 million 2017: R301 million), vehicles (2018: R275 million 2017: R252 million) and computer equipment (2018: R444 million 2017: R433 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.

* Plant and machinery includes shopfitting of retail stores for Pepkor Holdings.

Transfers to inventories comprise mainly the vehicle rental fleet that is sold by the Automotive dealerships. The rental fleet is classified as held-for-sale at the end of the Reporting Period. Refer to note 34.

10. INVESTMENTS IN EQUITY ACCOUNTED COMPANIES

ACCOUNTING POLICY

Principles of equity accounting

Associates

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

Joint arrangements

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

Joint ventures

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

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.

10. 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.

10. INVESTMENTS IN EQUITY ACCOUNTED COMPANIES (continued)

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

10.1 Detail of equity accounted investments of the Group

Name of business	Place of business / country of incorporation	Nature of business	% holding 2018	% holding 2017	Quoted fair value[1] Rm 2018	Quoted fair value[1] Rm 2017	Carrying value Rm 2018	Carrying value Rm 2017
Listed								
KAP[2]	South Africa	Diverse industrial and logistics business	**25.9**	43.0	**5 170**	9 635	**3 630**	5 698
PSG[3]	South Africa	Investment company	**-**	25.5	**-**	13 574	**-**	11 974
Unlisted								
IEP Proprietary Limited	South Africa	Investment company	**25.4**	25.4	*	*	**3 175**	2 849
Various other immaterial equity accounted companies	Various	Property, insurance, manufacturing, retail, logistics and financial services	**24.5 - 50.0**	24.5 - 50.0	*	*	**152**	198
							6 957	20 719

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

[2] Partial disposal in the 2018 Reporting Period. The remainder of the investment was disposed of during the 2019 Reporting Period - refer note 35 for transactions after the reporting period

[3] Disposed of in the 2018 Reporting Period.

** Private equity - no quoted price available*

10. INVESTMENTS IN EQUITY ACCOUNTED COMPANIES (continued)

10.2 Reconciliation of the aggregate carrying values of equity accounted companies

		2018 Rm	2017 Rm
Balance at the beginning of the period		**20 719**	19 269
Additions	10.3	**33**	767
Deemed additions/(disposal)		**(27)**	(204)
Disposals		**(14 424)**	(74)
Share of:			
Profit or loss			
From continuing operations		**889**	1 353
Other comprehensive loss		**(11)**	(41)
Other reserves		**15**	201
Dividends received	29.5	**(237)**	(637)
KAP		**(160)**	(429)
PSG		**(77)**	(208)
Other movements		**-**	85
Carrying values of equity accounted companies at the end of the period		**6 957**	20 719

10.3 Additional material investments during the period

As part of the KAP rights offer, the Group subscribed for a further 94 million KAP shares during the 2017 Reporting Period for R719 million.

10.4 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.

10.5 Material disposals

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

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

10.6 Commitments

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

10. INVESTMENTS IN EQUITY ACCOUNTED COMPANIES (continued)

10.7 Summarised information in respect of material equity accounted companies

The table below provides summarised financial information for those equity accounted investments that are material to the Steinhoff Investments 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 financial year ending on 30 September, PSG's interim unaudited results as at 31 August is disclosed. The financial information disclosed for IEP is the 31 December numbers as presented in IEP's annual financial statements, however the Group had access to the unaudited management accounts as at 30 September which was used to equity account for the investment in IEP.

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 2018 Rm	Year ended 31 December 2017 Rm	Year ended 30 June 2018 Rm	Year ended 30 June 2017 Rm	Year ended 31 August 2017 Rm
Revenue	13 069	11 698	22 985	19 783	14 378
Investment income	247	139	37	118	1 878
Depreciation and amortisation	(829)	(914)	(1 045)	(862)	(472)
Interest expense	(627)	(721)	(743)	(633)	(479)
Income tax expense	(463)	(101)	(224)	(248)	(419)
Profit for the period from continuing operations	1 542	1 110	1 610	1 455	2 801
Loss for the period from discontinued operations	-	-	(19)	(62)	-
Profit for the period	1 542	1 110	1 591	1 393	2 801
Other comprehensive (loss)/income for the period	32	(24)	39	(75)	(375)
Total comprehensive income for the period	1 574	1 086	1 630	1 318	2 426

10. INVESTMENTS IN EQUITY ACCOUNTED COMPANIES (continued)

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

	IEP		KAP		PSG
	As at 31 December 2018 Rm	As at 31 December 2017 Rm	As at 30 June 2018 Rm	As at 30 June 2017 Rm	As at 31 August 2017 Rm
Non-current assets	19 836	20 861	19 980	19 391	51 257
Current assets					
Cash and cash equivalents	2 273	1 396	2 151	2 009	55
Other current assets	5 177	4 407	6 373	5 578	36 525
Total current assets	7 450	5 803	8 524	7 587	36 580
Non-current liabilities:					
Non-current financial liabilities	(2 762)	(6 778)	(6 960)	(7 357)	(31 633)
Other non-current liabilities	(2 844)	(2 825)	(3 216)	(2 990)	(823)
Total non-current liabilities	(5 606)	(9 603)	(10 176)	(10 347)	(32 456)
Current liabilities:					
Current financial liabilities	(3 935)	(830)	(1 007)	(481)	(23 645)
Other current liabilities	(2 613)	(2 593)	(4 844)	(4 802)	(4 401)
Total current liabilities	(6 548)	(3 423)	(5 851)	(5 283)	(28 046)
Non-controlling interests	(2 504)	(2 229)	(322)	(313)	(10 943)
Net assets	12 628	11 409	12 155	11 035	16 392
% ownership by Group	25.4%	25.4%	25.9%	43.0%	25.5%
Group's share of net assets	3 207	2 897	3 151	4 743	4 180
Adjustment for material transactions and foreign currency translation	(32)	(48)	(161)	(105)	25
Goodwill	-	-	640	1 060	7 769
Carrying amount of the Group's interest	3 175	2 849	3 630	5 698	11 974

11. INVESTMENTS AND LOANS

		2018 Rm	2017 Rm
Non-current investments and loans			
Available-for-sale financial assets	11.1	**296**	4 905
At fair value through profit or loss		**-**	101
At amortised cost	11.2	**4 658**	839
		4 954	5 845
Current investments and loans			
Available-for-sale financial assets	11.1	**-**	187
At amortised cost	11.2	**-**	91
		-	278
Total investments and loans		**4 954**	6 123

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 19.

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

11.1 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:

	2018 Rm	2017 Rm
Listed equity securities	**296**	4 905
Unlisted equity securities	**-**	187
	296	5 092

Investment in Steinhoff N.V.

The investment in Steinhoff N.V. comprises 114 376 032 (2017: 78 038 848) 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 as a result of the decline in the Steinhoff N.V. share price. The fair value at 30 September 2018 is not indicative of the amount the Group could realise in the normal course of business after the Reporting Date.

		2018 Rm	2017 Rm
Amounts recognised in profit or loss and other comprehensive income			
Loss recognised in other comprehensive income		**(6 376)**	(1 266)
Loss recognised in profit or loss as other expense, being reclassified from other comprehensive income			
On disposal of investment - Other investments		**156**	(322)
Deemed permanent impairment - Investment in Steinhoff N.V.	4.2.3	**(4 016)**	-
		(3 860)	(322)

11. INVESTMENTS AND LOANS (continued)

11.2 Loans at amortised cost

		2018 Rm	2017 Rm
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.			
Loans at amortised cost include the following types of loans:			
Unlisted preference shares	a	**4 308**	81
Unlisted bonds	b	**128**	-
Other unlisted investments		**30**	22
Interest bearing loans	c	**173**	795
Non-interest bearing loans		**19**	32
		4 658	930

a) Unlisted preference shares

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

b) Unlisted bonds

Angola government bonds held by Pepkor Holdings

	Issue date	Coupon rate	Maturity date
Angola government bonds are issued by the ministry of finance in Angola. The bonds are denominated in Angola kwanza. The balance of the ministry of finance bond is R128 million at 30 September 2018.	23/08/2018	12.00% - 12.25%	23/08/2020 - 23/08/2021

c) Interest-bearing loans

Pepkor Holdings loans to current and previous members directors and employees

Included in the balance of interest-bearing loans are loans advanced by Pepkor Holdings to current and previous employees in prior years to enable them to purchase shares in BVI. These loans are repayable by November 2021 and bear interest at market-related interest rates. The gross balance of the loans at 30 September 2018 was R212 million (2017: 145 million), but are disclosed net of a provision for doubful debts of R60 million (2017: Rnil).

Loans to Entrepo Holdings Proprietary Limited

As at the end of the 2017 Reporting Period, the total loan balance amounted to R381 million and consisted 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.

During the 2018 Reporting Period, the repayment terms of these loans were renegotiated and the full facilities were repaid in August 2018.

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

12. TRADE AND OTHER RECEIVABLES

	Notes	2018 Rm	2017 Rm
Financial assets			
Current trade and other receivables			
Trade receivables		**1 538**	1 847
Instalment sale and loan receivables		**2 537**	2 190
Less: Provision for impairments	19.3	**(488)**	(432)
Net trade, instalment sale and loan receivables		**3 587**	3 605
Receivables due from equity accounted companies	29.5	**15**	30
Other amounts due		**1 885**	1 427
Less: Provision for impairments	19.3	**(43)**	(122)
Derivative financial assets	19.1	**318**	202
		5 762	5 142
Non-financial assets			
Non-current trade and other receivables			
Equalisation of operating lease payments		**53**	25
Prepayments		**4**	-
		57	25
Current trade and other receivables			
Prepayments		**182**	303
Value added taxation receivable		**132**	325
		314	628
Total			
Non-current trade and other receivables		**57**	25
Current trade and other receivables		**6 076**	5 770
		6 133	5 795

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 18 and 19.1 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 19.

13. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group holds the following financial assets and financial liabilities.

13.1 Total financial assets and liabilities

	Notes	At fair value through profit or loss Rm	Available-for-sale financial assets at fair value through other comprehensive income Rm	Financial instruments at amortised cost Rm	Total carrying values Rm
2018					
Investments and loans	11	**-**	**296**	**4 658**	**4 954**
Non-current financial assets		**-**	**296**	**4 658**	**4 954**
Trade and other receivables	12	**318**	**-**	**5 444**	**5 762**
Intergroup loans and receivables	31	**-**	**-**	**294**	**294**
Cash and cash equivalents	15	**-**	**-**	**6 484**	**6 484**
Current financial assets		**318**	**-**	**12 222**	**12 540**
Borrowings	16	**-**	**-**	**(19 518)**	**(19 518)**
Non-current financial liabilities		**-**	**-**	**(19 518)**	**(19 518)**
Borrowings	16	**-**	**-**	**(27 552)**	**(27 552)**
Trade and other payables	17	**(84)**	**-**	**(11 617)**	**(11 701)**
Intergroup loans and payables	31	**-**	**-**	**(4 350)**	**(4 350)**
Current financial liabilities		**(84)**	**-**	**(43 519)**	**(43 603)**
		234	**296**	**(46 157)**	**(45 627)**
2017					
Investments and loans	11	101	4 905	839	5 845
Non-current financial assets		101	4 905	839	5 845
Trade and other receivables	12	202	-	4 940	5 142
Investments and loans	11	-	187	91	278
Intergroup loans and receivables	31	-	-	323	323
Cash and cash equivalents	15	-	-	5 593	5 593
Current financial assets		202	187	10 947	11 336
Intergroup loans and payables	31	-	-	(4 558)	(4 558)
Non-current financial liabilities		-	-	(4 558)	(4 558)
Current borrowings	16	-	-	(46 915)	(46 915)
Intergroup loans and payables	31	-	-	(734)	(734)
Trade and other payables	17	(223)	-	(14 329)	(14 552)
Current financial liabilities		(223)	-	(61 978)	(62 201)
		80	5 092	(54 750)	(49 578)

The Group's exposure to various risks associated with the financial instruments is discussed in note 19. The maximum exposure to credit risk at the end of 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.

14. INVENTORIES

	2018 Rm	2017 Rm
14.1 Reconciliation of inventory		
Merchandise and finished goods	**12 391**	13 721
Goods in transit	**1 031**	947
Raw materials and other inventories	**90**	100
Inventory before provision	**13 512**	14 768
Less: provision for inventory write downs*	**(643)**	(1 093)
Net Inventories	**12 869**	13 675

* *Comprises mainly provisions against finished goods and merchandise*

	2018 Rm	2017 Rm
14.2 Amount of inventories recognised as an expense during the period and included in cost of sales (other than direct cost of inventories sold)	**489**	422
Inventory written off	**449**	428
Obsolete stock provided for	**321**	178
Reversal of previous provisions	**(281)**	(193)
Write-down to net realisable value	**-**	9

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.

Inventories carried at net realisable value is immaterial.

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

15. CASH AND CASH EQUIVALENTS

	Note	2018 Rm	2017 Rm
Current assets			
Cash at bank and in hand		**6 484**	5 593
		6 484	5 593

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.

16. INTEREST-BEARING LOANS AND BORROWINGS

16.1 Analysis of closing balance

	Note	2018 Rm	2017 Rm
Secured financing			
Term loans and facilities - Pepkor Holdings	16.8	**9 500**	-
Preference shares - Pepkor Holdings	27	**6 000**	-
Capitalised finance lease and instalment sale agreements		**37**	444
		15 537	444
Unsecured financing			
Bank overdrafts and short-term facilities		**521**	728
Steinhoff Services domestic medium-term note programme	16.5	**-**	7 727
Preference shares: Ainsley Holdings Proprietary Limited	27	**-**	5 985
Preference shares: BVI	27	**451**	422
Syndicated loan facilities and term loans	16.6	**-**	6 163
Guarantee: Convertible bonds	16.7	**25 987**	25 348
Lancaster liability	16.9	**4 305**	-
Other loans		**269**	98
		31 533	46 471
Total interest-bearing loans and borrowings		**47 070**	46 915
Portion payable within 12 months included in current liabilities	16.3	**(27 552)**	(46 915)
Total non-current interest-bearing loans and borrowings		**19 518**	-

16.2 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.

16.3 Compliance with loan covenants

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

16.4 Analysis of repayments

The majority of the outstanding debt as at 30 September 2017 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 Steinhoff Investments Group's debt profile changed significantly since 30 September 2017 and disclosure of details around the 30 September 2017 debt balances is not considered relevant.

The analysis of repayments as at 30 September 2018 is provided below:

	2018 Rm
Next year	27 552
Within two years	10
Within three to five years	19 508
	47 070

16. INTEREST-BEARING LOANS AND BORROWINGS (continued)

	Contractual maturity date	Interest rate %	2018 Rm	2017 Rm
16.5 Steinhoff Services domestic medium-term note programme: senior unsecured				
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 2017 to October 2022	JIBAR plus 1.65% to 2.20%	-	7 471
Listed fixed rate notes	June 2020	9.83%	-	256
			-	7 727

The programme was delisted and settled during the Reporting Period and all entities were released from all guarantees.

16.6 Syndicated loan facilities and term loans

Syndicated term loans	Various maturities ranging from March 2018 to March 2020	JIBAR plus 1.65% to 2.00%	-	6 163
			-	6 163

The term loans were settled during the Reporting Period and all entities were released from all guarantees. In the prior Reporting Period, the term loans were guaranteed by Steinhoff N.V., SIHPL, Steinhoff Investments, Steinhoff Africa, Steinhoff Services Limited and Pepkor.

16.7 Guarantee: Convertible bonds

SIHPL is a guarantor of the 2021 and 2022 convertible bonds issued by SFHG. The convertible bonds bear interest of 4% and 1.25%, respectively.

As a consequence of the Events of December 2017, the 2021 and 2022 convertible bond trustees, on behalf of the bondholders, notified SFHG in December 2018 that the 2021 and 2022 convertible bonds had, as a consequence of the default events, become immediately due and payable. SIHPL is liable to pay amounts due under the 2021 and 2022 convertible bonds trust deeds as if it was the sole principal debtor.

Based on the 2018 financial results, the Group's European subsidiaries do not have sufficient liquid assets available to readily service its external debt. This together with various other information and financial covenant breaches, relating to the external debt of the Group, will probably result in the unavoidable potential outflow of funds by the Company to settle such debt.

The liability is euro-denominated.

Subsequent to year-end, the obligations of SIHPL under the 2021 and 2022 covertible bonds were restated under an instrument referred to as a "contingent payment undertaking" (the "SIHPL CPU"). Refer to note 35 for more detail.

16. INTEREST-BEARING LOANS AND BORROWINGS (continued)

16.8 Pepkor Holdings debt

	Contractual maturity date	Interest rate %	2018 Rm
Term loans	Various maturities ranging from May 2021 to May 2023	JIBAR plus 200 to 225 bps	**7 000**
Revolving credit facility	24 May 2021	Three month JIBAR plus 200bps	**2 500**
			9 500

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

16.9 Lancaster liability

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

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

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

Notwithstanding management's view that the preference shares are void, Steinhoff Africa received R4 billion at the time, for which a liability has been raised equal to the preference share investments disclosed in note 11 reflecting management's view that they are directly related.

16.10 Fair value

The majority of the debt classified as non-current was renegotiated during the 2018 Reporting Period, taking into account current market conditions and are therefore expected to approximate fair value.

16.11 Risk exposures

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

17. TRADE AND OTHER PAYABLES

	Notes	2018 Rm	2017 Rm
Financial liabilities			
Current trade and other payables			
Trade payables		**7 664**	8 004
Payables due to equity accounted companies	29.5	**169**	126
Accruals		**1 198**	1 123
Floorplan creditors		**-**	2 407
Other payables and amounts due		**2 586**	2 605
Shareholders for dividends		**-**	64
Derivative financial liabilities	19.1	**84**	223
		11 701	14 552
Non-financial liabilities			
Non-current trade and other payables			
Equalisation of operating lease payments		**545**	633
Current trade and other payables			
Equalisation of operating lease payments		**86**	59
Deferred income		**19**	18
Value added taxation payable		**124**	185
		229	262
Total			
Non-current trade and other payables		**545**	633
Current trade and other payables		**11 930**	14 814
		12 475	15 447

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

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

Derivatives
Refer to note 18 and 19.1 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.

18. RECOGNISED FAIR VALUE MEASUREMENTS

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

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

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

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

18.1 Fair value hierarchy

	Notes	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2018					
Financial assets					
Available-for-sale financial assets					
Listed equity securities	11.1	**296**	**-**	**-**	**296**
Trade and other receivables					
Derivative - foreign currency forward contracts	19.1	**-**	**318**	**-**	**318**
Total financial assets		**296**	**318**	**-**	**614**
Financial liabilities					
Trade and other payables					
Derivative - foreign currency forward contracts	19.1	**-**	**(84)**	**-**	**(84)**
Total financial liabilities		**-**	**(84)**	**-**	**(84)**
2017					
Financial assets					
Available-for-sale financial assets					
Listed equity securities	11.1	4 905	-	-	4 905
Unlisted equity securities	11.1	-	-	187	187
At fair value through profit or loss					
Unit trusts		101	-	-	101
Trade and other receivables					
Derivative - foreign currency forward contracts	19.1	-	202	-	202
Total financial assets		5 006	202	187	5 395
Financial liabilities					
Trade and other payables					
Derivative - interest rate swap	19.1	-	(196)	-	(196)
Derivative - foreign currency forward contracts	19.1	-	(27)	-	(27)
Total financial liabilities		-	(223)	-	(223)

18. RECOGNISED FAIR VALUE MEASUREMENTS (continued)

18.1 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.

18.2 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.

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

The level 3 investment held at 30 September 2017 relates to the 17% investment in the Steinhoff Sikhulasonke Employee scheme ("SSI"). SSI held 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 during the Reporting Period.

19. FINANCIAL RISK MANAGEMENT

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

However, the investigation 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 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 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 irregularities, the lack of the consolidated financial statements, and the outcome of the forensic investigation, financial creditors withdrew all available banking facilities and/or removed credit facilities during the Reporting Period. The effects include, but are not limited to, limited ability to maintain or open banking facilities, limited and, in most instances, no hedging facilities, and cancellation of suppliers' credit insurance resulting in a dramatic increase in supplier credit facilities. Certain measures have been put into place since the Reporting Date and Management will continue to address these risks.

19. FINANCIAL RISK MANAGEMENT (continued)

19.1 Derivatives

	2018 Rm	2017 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:		
Current assets		
Trade and other receivables		
Foreign exchange forward contracts	**318**	202
Total current derivative financial instrument assets	**318**	202
Current liabilities		
Trade and other payables		
Interest rate swap contracts	**-**	(196)
Foreign exchange forward contracts	**(84)**	(27)
Total current derivative financial instrument liabilities	**(84)**	(223)

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

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

19. FINANCIAL RISK MANAGEMENT (continued)

19.2 Market Risk

19.2.1 Foreign currency risk

The Steinhoff Investments Group's manufacturing and sourcing operating costs and expenses are principally incurred in Chinese yuan, South African rand and US dollars. Its revenue is principally in South African rand. The Steinhoff Investments 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 Steinhoff Investments Group's presentation currency are not taken into consideration.

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

	Euros Rm	US dollars Rm
2018		
Trade and other receivables	**-**	**12**
Cash and cash equivalents	**-**	**403**
Current borrowings	**(25 987)**	**(40)**
Trade and other payables	**(3)**	**(99)**
Related party loans and payables	**-**	**-**
Pre-derivative position	**(25 990)**	**276**
Derivative effect	**-**	**43**
Open position	**(25 990)**	**319**
2017		
Trade and other receivables	-	83
Related party loans and receivables	304	-
Cash and cash equivalents	-	12
Current borrowings	(25 348)	-
Related party loans and payables	(2)	-
Pre-derivative position	(25 046)	95
Derivative effect	1	38
Open position	(25 045)	133

19. FINANCIAL RISK MANAGEMENT (continued)

19.2 Market Risk (continued)

19.2.1 Foreign currency risk

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

	Forecast rate [1]	Forecast rate [1]	Reporting date spot rate	Reporting date spot rate
	2019	**2018**	**2018**	**2017**
South African rand				
Euro	**16.5576**	16.2370	**16.4337**	16.0296
US dollar	**15.2100**	12.8820	**14.2000**	13.5775

[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 Steinhoff Investments Group's sensitivity at year-end to the movements in the major currencies that the Steinhoff Investments 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 2017.

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

	2018 Rm	2017 Rm
Through (profit)/loss		
Euro weakening by 0.8% (2017: weakening by 1.3%) to the rand	**(208)**	(326)
US dollar weakening by 7.1% (2017: strengthening by 5.1%) to the rand	**23**	(7)

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 Steinhoff Investments 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 Steinhoff Investments Group classifies certain of its forward exchange contracts that hedge forecast transactions as cash flow

	2018 Rm	2017 Rm
Fair value loss for the period recognised in other comprehensive income	**(83)**	(725)

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.

19. FINANCIAL RISK MANAGEMENT (continued)

19.2 Market Risk (continued)

19.2.2 Cash flow and fair value interest rate risk

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

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

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

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

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

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

	Subject to interest rate movement				
	Variable JIBAR and SA prime Rm	Variable other Rm	Fixed rate Rm	Non-interest-bearing Rm	Total Rm
2018					
Non-current financial assets	**4 000**	**29**	**-**	**925**	**4 954**
Current financial assets	**6 877**	**1 014**	**-**	**4 649**	**12 540**
Non-current financial liabilities	**(15 518)**			**(4 000)**	**(19 518)**
Current financial liabilities	**(37 699)**	**(71)**	**(95)**	**(5 738)**	**(43 603)**
	(42 340)	**972**	**(95)**	**(4 164)**	**(45 627)**
2017					
Non-current financial assets	689	30	51	5 075	5 845
Current financial assets	6 218	482	189	4 245	11 134
Non-current financial liabilities	-	-	-	(4 558)	(4 558)
Current financial liabilities	(21 158)	-	(25 348)	(15 472)	(61 978)
	(14 251)	512	(25 108)	(10 710)	(49 557)
Effect of material interest rate swaps	167	-	-	(188)	(21)
	(14 084)	512	(25 108)	(10 898)	(49 578)

19. FINANCIAL RISK MANAGEMENT (continued)

19.2 Market Risk (continued)

19.2.2 Cash flow and fair value interest rate risk

	Notes	Interest income Rm	Interest expense Rm
2018			
Financial assets at amortised cost	5	513	-
Financial liabilities not at fair value through profit or loss	5	-	2 298
		513	2 298
Restated* 2017			
Financial assets at amortised cost	5	297	-
Financial liabilities not at fair value through profit or loss	5	-	2 200
		297	2 200

** Refer to note 1 for restatements as a result of classifying certain businesses as discontinued.*

Amounts recognised in profit or loss and other comprehensive income
No material profit/(losses) were recognised in profit or loss and other comprehensive income in relation to interest rate swaps.

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

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

	2018 Rm	2017 Rm
Through profit/(loss)		
JIBAR and SA prime - 100 basis point increase	**423**	141

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

19.2.3 Other price risks

The Group is exposed to other price risks related to:

Steinhoff N.V. share price
The investment in Steinhoff N.V. comprises 114 376 032 (2017: 78 038 848) ordinary shares held by various entities in the Steinhoff Investments Group.

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 share prices.

19. FINANCIAL RISK MANAGEMENT (continued)

19.3 Credit risk

Potential concentration of credit risk consists principally of short-term cash and cash equivalent investments, trade and other receivables, 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 2018, 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:

	2018 Rm	2017 Rm
Non-current financial assets	**4 658**	839
Current financial assets	**12 222**	10 947
	16 880	11 786
Less: Instalment sale and loan receivables[1]	**(2 537)**	(2 190)
	14 343	9 596

[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

	2018 Rm	2018 %	2017 Rm	2017 %
Not past due or impaired	**13 648**	**95.1**	8 768	91.4
Past due 1 to 30 days but not impaired	**303**	**2.1**	329	3.4
Past due 31 to 60 days but not impaired	**139**	**1.0**	85	0.9
Past due more than 60 days but not impaired	**97**	**0.7**	68	0.7
Past due and impaired	**156**	**1.1**	346	3.6
	14 343	**100.0**	9 596	100.0

19. FINANCIAL RISK MANAGEMENT (continued)

19.3 Credit risk (continued)

Credit exposure by class to instalment sale and loans receivables

	Secured Rm	Unsecured Rm	Total Rm
2018			
Up to date	**90**	**1 867**	**1 957**
Performing	**48**	**301**	**349**
Non-performing	**49**	**182**	**231**
	187	**2 350**	**2 537**
2017			
Up to date	27	1 609	1 636
Performing	81	280	361
Non-performing	32	161	193
	140	2 050	2 190

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
2018			
Low risk	**7**	**1 867**	**1 874**
Medium risk	**25**	**-**	**25**
High risk	**58**	**-**	**58**
	90	**1 867**	**1 957**
2017			
Low risk	14	1 609	1 623
Medium risk	13	-	13
	27	1 609	1 636

19. FINANCIAL RISK MANAGEMENT (continued)

19.3 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:

	2018 Rm	2017 Rm
Movement in provision for bad debts		
Balance at beginning of the period	**(554)**	(525)
Provision raised	**(121)**	(459)
Amounts unused reversed	**32**	76
Amounts used during the period	**114**	358
Net acquisition of subsidiaries and businesses	**(56)**	(36)
Disposal of subsidiaries and businesses	**-**	30
Transfer to discontinued operations and assets held-for-sale	**56**	-
Exchange differences on consolidation of foreign subsidiaries	**(2)**	2
Balance at end of the period	**(531)**	(554)

19. FINANCIAL RISK MANAGEMENT (continued)

19.3 Credit risk (continued)

Impairment of assets carried at amortised cost

	2018 Rm	2017 Rm
Past due but not impaired		
As at 30 September 2018, trade receivables of R539 million (2017: R482 million) were past due but not impaired. Instalment sales of R231 million (2017: R193 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	483	452
3 to 6 months	56	30
	539	482

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.

19.4 Liquidity risk

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

The Group 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 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 discussed in note 16, the Steinhoff Investments Group have repaid majority of the external debt during the 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 Reporting Period as well as subsequent Reporting Periods.

19. FINANCIAL RISK MANAGEMENT (continued)

19.5 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 Steinhoff Investments Group consists of debt, which includes the borrowings disclosed in note 16, 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.

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

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

All covenants were met for the Reporting Period.

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

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

Loan covenants - 2017 Reporting Period

Under the terms of the major borrowing facilities, the Group was 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 calculated its financial covenant calculations based on the results and financial position of the Group and have not complied with these covenants at 30 September 2017.

The Group breached the financial statement covenant subsequent to the 2017 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 as at 30 September 2017 listed in note 16 was immediately repayable as a result of the breach of the financial covenants and therefore classified as current.

The Steinhoff Investments Group repaid the majority of the debt during the 2018 Reporting Period.

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

19. FINANCIAL RISK MANAGEMENT (continued)

19.5 Capital risk management (continued)

	2018 Cents	2017 Cents
Dividends to Steinhoff Investments' ordinary shareholders On 20 October 2017 (2017: 20 September 2017), Steinhoff Investments declared and paid a total dividend of R2.2 billion (R41 per share) (2017: R15 billion (R312 per share) to its ordinary shareholder, Steinhoff N.V.	**4 055**	31 248
Dividends to Steinhoff Investments' preference shareholders A preference dividend of 427.42 South African rand cents per share (2017: 436.68 South African rand cents per share) in respect of the period 1 July 2017 to 31 December 2017 (2017: 1 July 2016 to 31 December 2016) was paid on 23 July 2018 (2017: 18 April 2017) to those preference shareholders recorded in the books of the company at the close of business on 20 July 2018 (2017: 13 April 2017).	**427.4**	436.7
A preference dividend of 424.06 South African rand cents per share (2017: 429.56 South African rand cents per share) in respect of the period 1 January 2018 to 30 June 2018 (2017: 1 January 2017 to 30 June 2017) was paid on 20 August 2018 (2017: 23 October 2017) to those preference shareholders recorded in the books of the company at the close of business on 17 August 2018 (2017: 20 October 2017).	**424.1**	429.6

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

20. EMPLOYEE BENEFITS

		2018			2017		
	Notes	Current Rm	Non-current Rm	Total Rm	Current Rm	Non-current Rm	Total Rm
Leave obligations	20.1	**265**	**3**	**268**	309	-	309
Post-retirement medical benefits		**57**	**22**	**79**	68	16	84
Performance-based bonus accrual	20.2	**434**	**66**	**500**	529	97	626
Other[1]		**149**	**-**	**149**	112	-	112
Total liability		**905**	**91**	**996**	1 018	113	1 131

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

20.1 Leave obligations

The leave obligations cover the Steinhoff Investments 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 R265 million (2017: R309 million).

20.2 Performance-based bonus accrual

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

	Rm
Balance at 30 September 2016	773
Acquisition of subsidiaries	2
Disposal of subsidiaries	(503)
Accrual raised	542
Amounts unused reversed	(42)
Amounts utilised	(126)
Exchange differences on consolidation of foreign subsidiaries	(20)
Balance at 30 September 2017	**626**
Acquisition of subsidiaries	**7**
Accrual raised	**298**
Amounts unused reversed	**(47)**
Amounts utilised	**(198)**
Transfer to discontinued operations and assets held-for-sale	**(186)**
Balance at 30 September 2018	**500**

21. PROVISIONS

Movement in provisions

	Dilapidation, onerous lease and onerous contract provisions Rm	Warranty provisions Rm	Contingent liability Rm	Gross incurred but not reported reserve and unearned premiums Rm	Other Rm	Total Rm
Balance at 30 September 2016	334	-	922	207	723	2 186
Provision raised	101	2	-	176	634	913
Amounts unused reversed	(10)	-	-	(101)	(155)	(266)
Amounts utilised	(118)	(9)	(209)	-	(686)	(1 022)
Acquisition of subsidiaries and businesses	15	-	-	-	-	15
Derecognition of subsidiaries	(149)	-	-	-	(7)	(156)
Reclassification from accruals	-	27	-	-	(59)	(32)
Exchange differences on consolidation of foreign subsidiaries	(13)	-	-	-	(1)	(14)
Balance at 30 September 2017	**160**	**20**	**713**	**282**	**449**	**1 624**
Provision raised	**59**	**7**	**-**	**101**	**384**	**551**
Amounts unused reversed	**(6)**	**-**	**-**	**(176)**	**(239)**	**(421)**
Amounts utilised	**(73)**	**(3)**	**(240)**	**-**	**(62)**	**(378)**
Reclassifications	**17**	**-**	**-**	**-**	**(17)**	**-**
Transfer to discontinued operations and assets held-for-sale	**(22)**			**(207)**	**(306)**	**(535)**
Balance at 30 September 2018	**135**	**24**	**473**	**-**	**209**	**841**

	2018 Rm	2017 Rm
Long-term provisions	**564**	750
Short-term provisions	**277**	874
	841	1 624

ACCOUNTING POLICY

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

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

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

21. PROVISIONS (continued)

21.1 Dilapidation, onerous lease and onerous contract provisions

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

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

21.2 Warranty provisions

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

21.3 Contingent liabilities raised on business combinations

IFRS 3 requires certain contingent liabilities of the acquiree to be recognised and measured in a business combination at acquisition date fair value. Therefore, contrary to IAS 37: *Provision, Contingent Liabilities and Contingent Assets,* the acquirer recognises a contingent liability assumed in a business combination at the acquisition date even if it is not probable that an outflow of economic benefits will be required to settle the obligation. This provision includes amounts for possible supplier settlements, customer claims and legal disputes. Refer to note 24 for details of business combinations.

21.4 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.

22. COMMITMENTS, CONTINGENCIES AND GUARANTEES

	2018 Rm	2017 Rm
22.1 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	**176**	430
Capital expenditure authorised but not contracted for	**275**	1 397

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

22.2 Non-cancellable operating leases

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

	2018 Rm	2017 Rm
Next year	**3 383**	3 378
Within two to five years	**6 053**	6 595
Thereafter	**907**	521
Total	**10 343**	10 494

Balances denominated in currencies other than rand were converted at the closing rates of exchange ruling at 30 September 2018 and 30 September 2017.

Rental expense recognised in profit or loss during the period relating to operating leases amounted to R3.6 billion (2017: R3.1 billion). Refer to note 4.3.6 and 4.3.7.

22.3 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 6.

22. COMMITMENTS AND CONTINGENCIES (continued)

22.3 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 provided to them were misleading, it is deemed that the claims received after the 2018 Reporting Period are, in terms of IAS 10, adjusting events. No provisions have been made for these claims as it is not yet possible to determine the timing and outflow, if any, relating to these claims.

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

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

- The Tekkie Claimants have also instituted a claim against Pepkor Holdings, in relation to contractual earn-out payments of up to R890 million. Pepkor Holdings denies liability and is defending the action that has been instituted by the 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 have opposed such joinder and consolidation. The consolidation sought by the Tekkie Claimants was granted.

- The Tekkie Claimants obtained an interdict from the High Court, which inter alia interdicted Steinhoff N.V. and its subsidiaries from disposing of Pepkor shares below the level of majority control. Steinhoff N.V. and Pepkor appealed the Order, and on 21 October 2020, the SCA upheld the appeal with costs, dismissed an application to adduce further evidence with costs, and dismissed the Tekkie Claimants' High Court application with costs.

Thibault Claimants v Steinhoff N.V. and SIHPL

- Thibault and Upington Investment Holdings B.V. ("Upington") (subsequently substituted by Titan Premier Investments Proprietary Limited ("Titan")) ("Thibault Claimants") have instituted a claim against Steinhoff N.V. and SIHPL on 26 April 2018 for the cancellation of subscription agreements based on 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.

22. COMMITMENTS AND CONTINGENCIES (continued)

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

  Proceedings are ongoing.

GT Ferreira Claimants v Steinhoff N.V. and SIHPL

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

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

- The Trustees of Le Toit trust ("Le Toit") have instituted a claim on 31 August 2018 against SIHPL, Steinhoff N.V., Steinhoff Investments, Markus Jooste and Ben la Grange, for the cancellation of share exchange agreements, based on alleged misrepresentations, and claims for damages against all of the defendants for payment of 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 15 February 2019, Enrico De Villiers Greyling ("Greyling") instituted a claim against SIHPL for the return of 500 000 shares in PSG, valued at R196.18 per share, in exchange for 1.3 million Steinhoff N.V. shares issued to him in terms of an exchange agreement entered into on or about 24 June 2015 (initially for shares in SIHPL which were converted at listing of Steinhoff N.V.) which Greyling now seeks to cancel on the basis of alleged misrepresentation. There is no alternative claim for damages. Greyling seeks restitution of 500 000 PSG shares in exchange for 1.3 million Steinhoff N.V. shares. Proceedings are ongoing.

Hamilton v Steinhoff N.V. and SIHPL

- 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 and on applicable law in March 2020. On 26 June 2020, Hamilton initiated separate proceedings in the Western Cape High Court claiming damages of ZAR14 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.

22. COMMITMENTS AND CONTINGENCIES (continued)

22.3 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.

22. COMMITMENTS AND CONTINGENCIES (continued)

22.3 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 Investments' 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 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 Company'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.

22. COMMITMENTS AND CONTINGENCIES (continued)

22.3 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.

An update on the proposed settlement was issued on 9 October 2020.

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") (the South African retail subsidiary), 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.

22. COMMITMENTS AND CONTINGENCIES (continued)

22.3 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 Company ultimately succeeds, it will be entitled to settlement consideration at the same rate as MPC and contractual claims against the Company. 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 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.

22. COMMITMENTS AND CONTINGENCIES (continued)

22.3 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 71 of 2008 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 (renamed to FCSA) 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.

23. CASH FLOW INFORMATION

23.1 Cash generated from operations

	Notes	2018 Rm	Restated* 2017 Rm
Operating (loss)/profit			
Continuing operations		**(428)**	(4 286)
Discontinued operations		**741**	1 334
Adjusted for non-cash adjustments included in continuing and discontinued operations:			
Debtors cost		**302**	284
Depreciation and amortisation	8 & 9	**1 352**	1 386
Net impairment of loans receivable and other related provisions	4.2.2	**2 272**	9 626
Fair value reserve released to profit/loss		**4 016**	(322)
Fair value (gain)/loss on financial instruments	4.3.5	**(196)**	260
Unrealised foreign exchange loss		**576**	2 219
Impairments from continuing operations	4.2.1	**83**	209
Intangible assets		**-**	4
Property, plant and equipment		**83**	205
Impairments from discontinued operations	1.2.1	**619**	-
Goodwill		**332**	-
Intangible assets		**168**	2
Property, plant and equipment		**119**	(2)
Inventories written down to net realisable value and movement in provision for inventories		**489**	439
Net loss on disposal and scrapping of property, plant and equipment, vehicle rental fleet and intangible assets	4.2.4 & 1.2.2	**13**	61
Gain on disposal and part disposal of investments	4.2.5	**(1 824)**	(1 730)
Share-based payment expense		**61**	58
FCTR reclassified to profit or loss	4.2.3	**54**	-
Other non-cash adjustments		**135**	(191)
Cash generated before working capital changes		**8 265**	9 347
Working capital changes			
Increase in inventories		**(1 628)**	(781)
(Increase)/decrease in trade and other receivables		**(1 336)**	96
Movement in net derivative financial liabilities/assets		**(64)**	(8)
Decrease in non-current and current provisions		**(246)**	(407)
Increase in non-current and current employee benefits		**200**	502
(Decrease)/increase in trade and other payables		**(570)**	772
Net changes in working capital		**(3 644)**	174
Cash generated from operations		**4 621**	9 521

* Refer to note 1 for restatements as a result of classifying certain businesses as discontinued operations.

23. CASH FLOW INFORMATION (continued)

23.2 Liabilities included in financing activities reconciliation

	Notes	2018 Rm	2017 Rm
This section sets out an analysis of the movements in borrowings and short term facilities.			
Gross debt			
Current interest-bearing loans and borrowings	16	**(27 552)**	(46 915)
Non-current interest-bearing loans and borrowings	16	**(19 518)**	-
Total gross debt		**(47 070)**	(46 915)

	Notes	Gross debt Rm
Reconciliation of gross debt		
As at 1 October 2017		**(46 915)**
Proceeds from borrowings		**(19 988)**
Repayment of debt		**21 063**
Repayment of interest		**1 779**
Acquisitions of subsidiaries	24.1	**(156)**
Disposal of subsidiaries		**2**
Classification as held-for-sale	34	**318**
Interest accrued		**(2 118)**
Foreign exchange adjustments		**(639)**
Additions to vehicle rental fleet through finance leases		**(416)**
As at 30 September 2018		**(47 070)**

23.3 Dividends paid reconciliation

	Notes	2018 Rm	2017 Rm
Balance at beginning of the year		**(64)**	(64)
Ordinary dividends		**(2 245)**	(18 467)
Preference dividends		**(521)**	(293)
Steinhoff Investments		**(128)**	(130)
Steinhoff Africa		**(393)**	(163)
Balance at end of the year	17	**-**	64
		(2 830)	(18 760)
Ordinary dividends paid		**(2 245)**	(18 467)
Preference dividends paid		**(585)**	(293)
		(2 830)	(18 760)

23. CASH FLOW INFORMATION (continued)

23.4 Restatement of cashflow statement

In the 2017 consolidated annual financial statements, disclosure of major classes of cash receipts and payments in the consolidated statement of cash flows were disclosed on a net basis. In the 2018 Reporting Period management updated these disclosures in order to provide these movements on a gross basis, as is required by IAS 7.

	Restated Rm	Previously reported Rm
Net decrease in investments and loans	-	3 726
Payments for other investments and loans	(1 679)	-
Proceeds from other investments and loans	5 405	-
Net increase in investments in equity accounted companies	-	(853)
Acquisition of additional investment in equity accounted companies	(767)	-
Loans to equity accounted companies	(86)	-
Increase in bank overdrafts and short-term facilities	-	149
Net increase in borrowings	-	2 660
Repayment of borrowings	(3 443)	-
Proceeds from borrowings	4 511	-
Unrealised foreign exchange loss	1 741	-
Net movement in intergroup loans	-	(2 296)
Loans advanced to related parties	(2 907)	-
Receipts from related party loans receivable	1 211	-
Repayment of loans from related parties	(4 341)	-
Proceeds from loans from related parties	3 741	-

24. BUSINESS COMBINATIONS

ACCOUNTING POLICY

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.

24. BUSINESS COMBINATIONS (continued)

24.1 The fair value of assets and liabilities assumed at date of acquisition

	BSG Note 24.2 Rm	Other Note 24.3 Rm	Total 2018 Rm
Assets			
Intangible assets	96	-	96
Property, plant and equipment	89	19	108
Investments and loans	-	10	10
Deferred taxation assets	23	4	27
Cash on hand		13	13
Liabilities			
Interest-bearing loans and borrowings	(73)	-	(73)
Bank overdraft and short-term facilities	(83)	-	(83)
Working capital	165	(19)	146
Existing non-controlling interests	1	-	1
Group's share of total assets and liabilities acquired	218	27	245
Goodwill attributable to acquisition	79	101	180
Total consideration	297	128	425
Cash on hand at date of acquisition	-	(13)	(13)
Net cash outflow on acquisition of subsidiaries	297	115	412

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

24.2 Acquisition of BSG

Effective 1 October 2017, 100% of BSG was acquired by a subsidiary of the Pepkor Holdings group, for an equity purchase price of R297 million, settled in cash.

Revenue of R1.6 billion and net loss after taxation of R96 million have been included in the consolidated income statement as at 30 September 2018.

24.3 Other

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

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

25. NATURE AND PURPOSE OF RESERVES

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.

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 33. 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. These reserves are not considered material by the Group.

26. ORDINARY SHARE CAPITAL

	2018 Number of shares	2017 Number of shares
26.1 Authorised		
Ordinary shares of R0.005 each	**101 000 000**	101 000 000
26.2 Issued		
Balance at beginning of the period	**55 000 106**	48 425 109
Shares issued during the period	**-**	6 574 997
Balance at the end of the period	**55 000 106**	55 000 106

26.3 Issued

	2018 Share capital Rm	2017 Share capital Rm	2018 Share premium Rm	2017 Share premium Rm
Balance at beginning of the period	*	*	**119 020**	81 863
Shares issued during the year net of transaction costs	*	*	**-**	40 224
Distribution	**-**	-	**-**	(3 067)
Total issued ordinary share capital and share premium	*	*	**119 020**	119 020

** Less than R500 000*

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the company.

26.4 Unissued shares

	2018 Number of shares	2017 Number of shares
Total unissued shares	**45 999 894**	45 999 894

27. PREFERENCE SHARE CAPITAL

27.1 Authorised

	Classification of preference shares			2018	2017	2018	2017
	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 International Holdings Proprietary Limited							
Cumulative, non-participating preference shares of no par value	Non-redeemable	Discretionary	Equity	**1 000 000 000**	1 000 000 000	*	*
Steinhoff Africa Holdings Proprietary Limited							
Class A perpetual preference shares (par value R0.01)	Non-redeemable	Discretionary	Equity	**2 000**	2 000	*	*
Class B perpetual preference shares of no par value	Redeemable	Discretionary	Financial liability	**2 000**	2 000	*	*
Cumulative redeemable preference shares (par value R0.01)	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**	7 850	*	*

** Amount less than R500 000.*

27. PREFERENCE STATED SHARE CAPITAL

27.1 Authorised (continued)

	Classification of preference shares			2018	2017	2018	2017
	Redemption	Payment of dividends	Classification of instrument	Number of shares	Number of shares	Rm	Rm
Pepkor Holdings							
Non-redeemable, non-cumulative, non-participating preference shares of no par value	Non-redeemable	Discretionary	Equity	**5 000 000**	-	*	*
Non-redeemable, cumulative, non-participating preference shares of no par value	Non-redeemable	Discretionary	Equity	**2 500 000**	-	*	*
Redeemable, non-cumulative, non-participating preference shares of no par value	Redeemable	Determined upon issue	Financial liability/compound instrument	**2 500 000**	-	*	*
Class A1 redeemable, cumulative, non-participating preference shares of no par value	Redeemable	Determined upon issue	Financial liability/compound instrument	**10 000 000**	-	*	*
Class A2 redeemable, cumulative, non-participating preference shares of no par value	Redeemable	Determined upon issue	Financial liability/compound instrument	**10 000 000**	-	*	*
Class A3 redeemable, cumulative, non-participating preference shares of no par value	Redeemable	Determined upon issue	Financial liability/compound instrument	**10 000 000**	-	*	*
Class A4 redeemable, cumulative, non-participating preference shares of no par value	Redeemable	Determined upon issue	Financial liability/compound instrument	**10 000 000**	-	*	*
Class A5 redeemable, cumulative, non-participating preference shares of no par value	Redeemable	Determined upon issue	Financial liability/compound instrument	**10 000 000**	-	*	*

27. PREFERENCE SHARE CAPITAL (continued)

27.2 Issued

	Notes	2018 Number of shares	2017 Number of shares	2018 Rm	2017 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	**1 414**	1 452
Steinhoff Africa Holdings Proprietary Limited (class A perpetual preference shares)[2]					
In issue at the beginning and end of the period		**1 000**	1 000	**1 555**	1 555
Shares redeemed during the year		**(1 000)**	-	**(1 555)**	-
In issue at the beginning and end of the period		**-**	1 000	**-**	1 555
Steinhoff Africa Holdings Proprietary Limited (class B perpetual preference shares)[2,6]					
In issue at the beginning and end of the period		**2 000**	2 000	**2 125**	2 125
Shares redeemed during the year		**(2 000)**		**(2 125)**	-
In issue at the beginning and end of the period		**-**	2 000	**-**	2 125
Total issued preference stated share capital classified as equity		**15 000 000**	15 003 000	**1 414**	5 132
Classified as liabilities					
Ainsley Holdings Proprietary Limited[3,7]					
In issue at the beginning and end of the period	16	**60 000**	60 000	**5 985**	5 985
Shares redeemed during the year		**(60 000)**	-	**(5 985)**	-
In issue at the beginning and end of the period		**-**	60 000	**-**	5 985
Pepkor Holdings Limited (class A cumulative redeemable preference shares)[4]					
In issue at the beginning and end of the period	16	**-**	-	**-**	-
Shares issued during the year		**6 000**	-	**6 000**	-
In issue at the beginning and end of the period		**6 000**	-	**6 000**	-
Business Venture Investments 1499 Proprietary Limited (RF)[5,8]					
In issue at end of the period	16	3 550	3 550	**451**	422

27. PREFERENCE SHARE CAPITAL (continued)

27.2 Issued

	2018	2017
Summary of preference shares in issue		
Preference share capital and premium	**1 382**	4 882
Owned by preference shareholders of Steinhoff Investments	**1 382**	1 419
Owned by preference shareholders of Steinhoff Africa	**-**	3 463
Accumulated profit/loss attributable to preference shareholders of Steinhoff Investments	**32**	33
Non-controlling interest (note 28)	**-**	217
Liabilities	**6 451**	6 407
	7 865	11 539

[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.

[3] Terms of issued Ainsley Holdings Proprietary Limited preference shares

The preference shares earn dividends on the issue price at the rate of 69% of the SA prime lending rate. The preference shares were redeemed during the 2018 Reporting Period.

[4] Terms of issued Pepkor Holdings Limited preference shares

The preference shares were issued during the Reporting Period and earn dividends on the issue price at the rate of 74% of the SA Prime lending rate. The preference shares has a redemption date of 23 May 2020.

[5]Terms of issued Business Venture Investments 1499 Proprietary Limited (RF) preference shares

The preference shares were issued during the 2012 financial year and earn dividends on the aggregate of the issue price and accumulated dividends which remain unpaid at the rate of 83.5% of the SA prime lending rate. The preference shares has a redemption date of 1 July 2020, however was not redeemed on this date.

[6]Guaranteed by Steinhoff International Holdings Proprietary Limited until 13 February 2017 and by Steinhoff N.V. from 13 February 2017. All guarantees were cancelled at the redemption of the shares.

[7]Guaranteed by Steinhoff N.V., SIHPL and Pepkor Holdings. All guarantees were cancelled at the redemption of the shares.

[8]Guaranteed by Pepkor Holdings.

28. 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.

28.1 Details of material non-controlling interests:

	Proportion of ownership interests and voting rights held by non-controlling interests		Profit or loss allocated to non-controlling interests		Accumulated non-controlling interests	
	2018 %	2017 %	**2018 Rm**	2017 Rm	**2018 Rm**	2017 Rm
Pepkor Holdings	**28.99**	23.20	**768**	33	**16 137**	12 304
Individually immaterial subsidiaries with non-controlling interests			**(383)**	234	**159**	1 929
			385	267	**16 296**	14 233
Preference shares classified as equity (note 27.2)			**176**	269	**-**	217
Total non-controlling interests			**561**	536	**16 296**	14 450

Any non-controlling interests recognised by the subsidiaries are included in the balances above.

28. 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 eliminated and forms part of the net asset value of the investment upon disposal. The difference between the proceeds received and the net asset value disposed is recognised in profit or loss.

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

28.2 Material transactions with non-controlling interests

During the prior reporting period, 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.

On 19 April 2018, the Group disposed of additional shares in Pepkor Holdings resulting in the non-controlling interest share increasing from 23.2% to 28.99%. The Group did not lose control of Pepkor Holdings as a result of this transaction.

The carrying amount of the portion of the investment sold to non-controlling interest amounted to R3 billion and proceeds of R3.7 billion were recovered from the non-controlling interests. The excess of the proceeds received was recognised in equity.

28. NON-CONTROLLING INTERESTS (continued)

28.3 Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests:

	Pepkor Holdings	
	2018	2017
	Rm	Rm
The summarised financial information below represents amounts before intragroup eliminations and consolidation entries.		
Non-current assets	67 918	67 195
Current assets	23 060	19 918
Non-current liabilities	20 860	16 438
Current liabilities	14 407	17 758
Revenue	64 168	57 850
Profit for the year	2 895	3 567
Profit attributable to owners of the parent	2 885	3 550
Profit attributable to the non-controlling interests	10	17
Profit for the year	2 895	3 567
Total comprehensive income attributable to owners of the parent	2 686	4 868
Total comprehensive income attributable to the non-controlling interests	10	17
Total comprehensive income for the year	2 696	4 885
Net inflow from operating activities	2 517	2 247
Net (outflow)/inflow from investing activities	(2 194)	6 211
Net outflow from financing activities	(220)	(7 234)
Net cash inflow	103	1 224

29. RELATED-PARTY TRANSACTIONS

As part of the ongoing investigations into 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.

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 4.2.2.

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
- Toerama Proprietary Limited

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

29. RELATED-PARTY TRANSACTIONS (continued)

Jayendra Naidoo related and affiliated entities

Jayendra Naidoo is the Chairman of Pepkor Holdings and is therefore considered a related party to the Group.

The following were identified by the Group as being material related parties to the Group as a result of the transactions between the Group and these entities related or affiliated to Jayendra Naidoo during the periods presented:

- Lancaster Group Proprietary Limited
- Lancaster 101 (RF) Proprietary Limited and Lancaster 102 Proprietary limited
- Lancaster Electricity Solutions Proprietary Limited

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.

Steinhoff N.V. Group

Steinhoff N.V. is the ultimate holding company of the Steinhoff Investments Group.
Refer to note 31 for balances and transactions with the Steinhoff N.V. Group and note 11 for the investment in Steinhoff N.V. shares held by various subsidiaries of the Steinhoff Investments Group.

The transactions are concluded at arm's length in the normal course of business and include transactions as a result of the group-wide treasury management of foreign currency movements. All material intergroup transactions are eliminated on consolidation.

29.1 Directorate

The below reflects the board of directors 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
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 32.

29.2 Compensation of key management personnel

	2018 Rm	2017 Rm
Short-term employee benefits	**78**	79
Share-based payments - related expense	**-**	2
	78	81

Refer to note 32 for detailed remuneration disclosures.

29. RELATED-PARTY TRANSACTIONS (continued)

29.3 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, former director, is a partner) provided legal services to Group companies. Hoffman Inc received fees and reimbursement of expenses amounting to approximately R11 million as at 30 September 2018 (2017: R23 million).

- Hoffman Inc. rented office space from the Group for an annual amount of approximately R195 000 (2017: R543 000). Mayfair Speculators Proprietary Ltd ("Mayfair"), of which Markus Jooste is/was a director, took over the lease from Hoffman Inc. in February 2018 and vacated the premises in June 2018. The property has since been sold to an independent third party. Total rent of R244 000 was received from Mayfair.

- A loan of approximately R59 million was granted to Hoffman Inc. in the 2017 Reporting Period for the subscription of KAP shares. During the process where the shares were sold in the open market, the proceeds were transferred to the Group; resulting in the loan fluctuating between a loan payable and a loan receivable until the transaction was finally settled. R385 000 of the proceeds on the sale of the shares were shared with Hoffman Inc. Interest was received on the loan receivable, however small amounts of interest were also paid on the loan payable.

- On 13 December 2016, a number of key management personnel of the Group and the greater Steinhoff N.V. group acquired a property in Portugal from Conforama, an indirect subsidiary of Steinhoff N.V, in order to enable these executives to obtain Golden visas for themselves and their families. Conforama received proceeds to the amount of R104 million. This value approximates the net book value of the property on the date of the sale. The price was determined by consulting with external valuation experts and is deemed to be market related. Each of the executives raised their own funding to buy the property and the property was not provided as security for the funding obtained. Conforama entered into a rental agreement with the key management personnel to continue using the property for retail purposes. The rental is considered to be below market, therefore benefitting the Conforama group. In addition, an option can be exercised by each of the key management personnel after five years to sell their share of the property back to Conforama at the original purchase price.

- MJD Aviation Partnership Services (of which Markus Jooste is a partner) provided aviation services to the Group.

- An aircraft retainer agreement was entered into between Toerama, an entity controlled by Christo Wiese, and the Group on 1 October 2016 whereby Toerama was paid a fee of R2.65 million (2017: R11.9 million) (excluding VAT) for the use of its Boeing Business Jet B737-72U. A total hourly tariff of R290 400 (excluding VAT) was also paid to Toerama in the 2017 Reporting Period. The agreement was cancelled in December 2017.

- An office services and office space agreement was entered into between Titan Financial Services Proprietary Limited, an entity controlled by Christo Wiese, and the Group on 1 October 2016. An amount of R496 000 (2017: R2.1 million) was paid as fees in terms of the agreement. The agreement was cancelled in December 2017.

- The Group received rental income to the amount of R3.7 million (2017: R3.4 million) from Titan Asset Management Proprietary Limited for the use of office space and recovered R3.1 million in operating expenses in 2017.

- Pepkor purchases products from Lodestone Brands Proprietary Limited, a company believed to be indirectly controlled by Markus Jooste, for sale in the Pepkor clothing and General Merchandise segment. The purchases amounted to approximately R39 million (2017: R32 million).

- Transaction with Shoprite entails the rental of store from Shoprite, and sale of products to Shoprite by Flash and Building Materials.

- Christo Wiese and Jacob Wiese through Titan and Jayendra Naidoo through Lancaster 101 had an interest in the Shoprite transaction.

29. RELATED-PARTY TRANSACTIONS (continued)

29.3 Interest of key management personnel in contracts (continued)

- Pepkor entered into Call Option Agreements whereby it obtained the right to acquire 128.2 million Shoprite ordinary shares from various parties. Pepkor's board exercised the call options prior to 30 November 2017 as part of the planned expansion of the Pepkor Group, subject to the fulfilment of the Shoprite conditions precedent. This transaction was subsequently not implemented.

  As part of the proposed Shoprite transaction, Lancaster 102, an entity affiliated with Jayendra Naidoo (Chairman of Pepkor Holdings), 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 preference shares issued were later deemed not to be valid by the board of Steinhoff Africa. Refer to note 11 and note 16.

- Christo Wiese and Jacob Wiese had an interest in the contract relating to the acquisition of BSG as both are directors of the seller, Invicta Holdings Limited, and Jacob Wiese was a director of the purchaser, Pepkor. Both Christo Wiese and Jacob Wiese are also shareholders of Invicta Holdings Limited. Refer to note 24.2 for detail on the acquisition.

- Steinhoff at Work, a wholly-owned subsidiary of Steinhoff Africa, entered into an informal agreement (key terms contained in an email between parties) with Toerama, an entity controlled by Christo Wiese, to acquire a Company aircraft, Falcon 900C, for $5 million (R65.3 million) on 1 October 2017. On 25 May 2018, Steinhoff at Work and Toerama, with Steinhoff Africa being a party, entered into a second agreement replacing the original agreement and agreed that Toerama will be seeking an alternative purchaser. The Falcon 900C aircraft was sold to a third party during the Reporting Period. The Group incurred costs in excess of the recovery still due from Toerama of $1.2 million (R15.7 million).

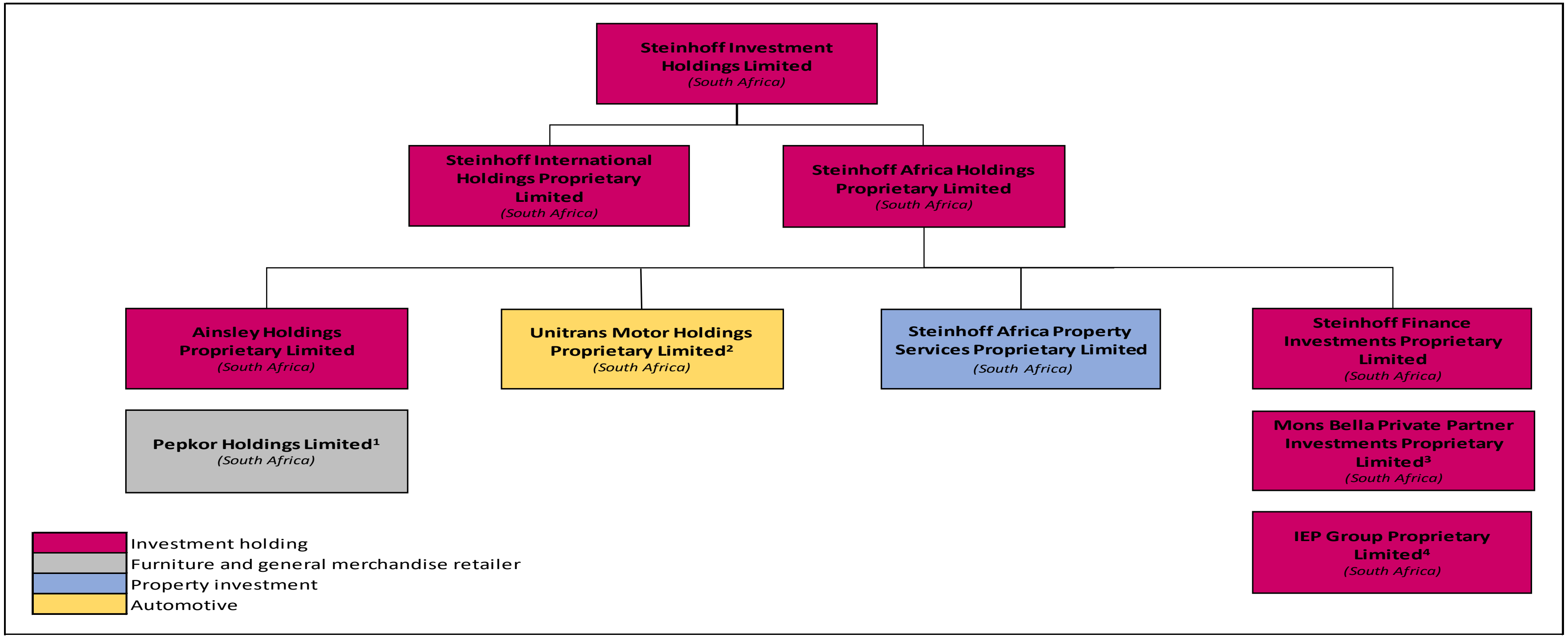
- To fund the acquisition of Mattress Firm and Poundland by the Steinhoff N.V. Group, Steinhoff N.V. launched a capital raise on 28 September 2016. As part of the capital raise, Upington and Lancaster Group agreed to purchase 314 million and 60 million Steinhoff shares respectively. An underwriting commission of 2.5% of the purchase price of Steinhoff shares were paid to Upington (€39.7 million (R636 million)) and Lancaster Group (€8.4 million (R135 million)) of which R518 million was outstanding to Upington on 30 September 2016 and R32 million 30 September 2017. The full amount due to Lancaster was paid during the 2017 financial period.

29. RELATED-PARTY TRANSACTIONS (continued)

29.4 Material subsidiaries

The Steinhoff Investments Group's principal subsidiaries at 30 September 2018 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 2018, 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] *Non-controlling interest of 28.99% (2017: 23.19%)*

[2] *Classified as held-for-sale on 30 September 2018*

[3] *Non-controlling interest of 8% (2017: 8%)*

[4] *Associate investment with shareholding of 25.4% (2017: 25.4%)*

29. RELATED-PARTY TRANSACTIONS (continued)

29.5 Trading transactions

The following is a summary of material transactions and balances outstanding at year-end in relation to transactions with related parties:

	Notes	Sales by Group Rm	Purchases by Group Rm	Net admin or management fees received /(paid) by Group Rm	Net rent received/ (paid) by Group Rm	Net rebates received/ (paid) 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
30 September 2018											
Equity accounted companies											
KAP Industrial Holdings Limited and its subsidiaries	a	**279**	**(689)**	**21**	**2**	**41**	**(6)**	**(1)**	**160**	**15**	**(169)**
PSG Group Limited		**-**	**(2)**	**-**	**-**	**5**	**-**	**-**	**77**	**-**	**-**
Other equity accounted companies	b	**-**	**-**	**-**	**-**	**-**	**-**	**22**	**-**	**-**	**-**
		279	**(691)**	**21**	**2**	**46**	**(6)**	**21**	**237**	**15**	**(169)**
30 September 2017											
Equity accounted companies											
KAP Industrial Holdings Limited and its subsidiaries	a	345	(724)	46	3	42	-	13	429	29	(126)
PSG Group Limited		-	-	-	-	-	-	-	208	-	-
Other equity accounted companies	b	-	(3)	1	-	-	-	(20)	-	1	-
		345	(727)	47	3	42	-	(7)	637	30	(126)

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.

29.6 Elimination of transactions with equity accounted companies

Management assessed the upstream and downstream transactions between Group companies and equity accounted companies. Inventory turnover of stock items purchased is relatively fast and therefore no material inventory is on hand at period end that should be eliminated. The remaining transactions are related to services which are recognised as they are delivered and therefore no further eliminations are required.

30. AFFILIATED-PARTY TRANSACTIONS

During the forensic investigation into the December 2017 Events the Group identified entities with which material transactions occurred, but were not assessed 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.

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.

Campion, Talgarth and Fihag Groups

Critical judgement

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 transactions with these entities and the Group is exposed to variable returns resulting from the recoverability of funding provided and the manner in which certain 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 Steinhoff did 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 the Fihag Group or direct loans outstanding during the current or previous period, other than a deposit from Geros FS mentioned below. Where transactions were entered into with specific entities in the respective groups it was considered whether Steinhoff controlled the specific entity it was transacting with. This has led to the consolidation of certain entities within those groups. With the resignation of certain former key management of the Group, all possible influence or control over these entities ceased.

Also refer to the Basis of Preparation for a list of entities in the Campion Group with whom the Group had transactions during either of the Reporting Periods presented and for which control assessments were performed.

Tekkie Town and Town Investments

The Group acquired a 100% interest in Tekkie Town in 2 phases as follows:

- A special purpose vehicle, Town Investments, was set up for the purposes of the Tekkie Town acquisition. Town Investments was funded and guaranteed by the Group, but owned by a third party in the Campion Group. Town Investments acquired 43.06% of the shares in Tekkie Town from a previous shareholder for cash which was funded by a loan from the Group to Town Investments.
- The Group then obtained 100% of the interest in Tekkie Town in exchange for Steinhoff shares. The Group issued 17 939 979 Steinhoff shares as consideration to Town Investments for the 43.06% interest in Tekkie Town and 25 060 021 Steinhoff shares to the management of Tekkie Town for the remaining 56.94% interest in Tekkie Town.

Critical judgement

Town Investments was established with assistance of the Group in order to acquire Steinhoff shares. There is not sufficient evidence to suggest that the Group can control the activities of Town Investments in the absence of holding voting rights despite indicators of control. The Group is also exposed to variable returns arising from the loan funding provided to acquire the shares.

30. AFFILIATED-PARTY TRANSACTIONS

Management concluded that it should therefore not consolidate Town Investments but accounted for the transaction entered into with Town investments in order to reflect the substance of the transaction and the Group's exposure. Since the only assets held by Town Investments are the shares in Steinhoff N.V., the repayment of the loan to Steinhoff is dependent on the performance of the underlying Steinhoff shares. Steinhoff was therefore exposed to negative returns from Town Investments in respect of the funding it has provided, and the third party shareholders of Town Investments were exposed to possible upside to the extent the value of the Steinhoff shares exceeds the funding provided by Steinhoff. Steinhoff did not consolidate this entity during the 2018 Reporting Period and recoverability of the loan was based on the performance of the underlying Steinhoff N.V. shares.

Refer to note 33.2 for more detail on share-based payment recognised.

During the 2019 Reporting Period the Group acquired 100% of the ordinary shares of Town Investments in January 2019 as part of the Campion Group settlement.

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 not sufficient 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.

30. AFFILIATED-PARTY TRANSACTIONS (continued)

The following is a summary of transactions to provide disclosure relating to ongoing transactions with the affiliated parties:

	Notes	Sales by Group Rm	Operating expenses recovered by Group Rm	Operating expenses paid 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
30 September 2018									
Campion Group	a	667	766	(188)	(13)	(6)	(536)	(171)	-
Geros FS		-	-	-	(4)	-	-	-	(69)
		667	766	(188)	(17)	(6)	(536)	(171)	(69)
30 September 2017									
Campion Group	a	443	707	(274)	(107)	21	46	(299)	(202)
Geros FS		-	-	-	(5)	-	-	-	(69)
		443	433	(386)	(91)	67	(253)	(299)	(271)

Refer to note 11 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.

31. INTERGROUP BALANCES AND TRANSACTIONS

	2018 Rm	2017 Rm
31.1 Intergroup loans and receivables		
Non-current		
SFHG	**28 556**	27 854
SFHG - impairment	**(28 556)**	(27 854)
	-	-
Current		
SFHG Group	**7 658**	7 677
Steinhoff N.V.	**5 110**	2 781
Less: Provision for impairment	**(12 474)**	(10 135)
	294	323
	294	323
31.2 Intergroup loans and payables		
Non-current		
Steinhoff N.V.*	**-**	(4 558)
	-	(4 558)
Current		
SFHG Group	(173)	(170)
Steinhoff UK Group Services	-	(1)
Steinhoff N.V.	(4 164)	(563)
Pepkor Group Sourcing (Fully Sun China Limited (HK))	(13)	-
	(4 350)	(734)
	(4 350)	(5 292)

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.

** Steinhoff N.V. provided a letter of support confirming that the loan will not be called on before 31 March 2019.*

31. INTERGROUP BALANCES AND TRANSACTIONS(continued)

31.3 Intergroup transactions

	Notes	2018 Rm	2017 Rm
Dividends received			
Steinhoff N.V.		-	7
Dividends paid			
Steinhoff N.V.		(2 230)	(18 357)
Net operating fees (including admin and management fees)			
SFHG Group		-	466
Pepkor Group Sourcing (Fully Sun China Limited (HK))		(79)	-
Steinhoff Europe, AG		84	-
		5	466

32. REMUNERATION REPORT

32.1 Remuneration of the board of directors

	Basic remuneration R'000	Pension and other contributions[1] R'000	Annual bonus R'000	Strategic/ deferred bonus paid[2] R'000	Accrued short-term and long-term bonus R'000	Total remuneration and fees R'000
30 September 2018						
Executive directors						
Mariza Nel[4]	2 390	122	-	13 333	-	15 845
Stéhan Grobler[5]	11 441	118	-	13 333	-	24 892
Louis du Preez[6]	9 786	580	-	-	9 331	19 697
Johann Geldenhuys[7]	1 930	403	1 555	-	3 333	7 221
Non-executive directors						
Steve Booysen[3]	3 167	-	-	-	-	3 167
- Paid by Steinhoff N.V.	2 717	-	-	-	-	2 717
- Paid by Steinhoff Investments	450	-	-	-	-	450
Len Konar[3,8]	1 296	-	-	-	-	1 296
Theunie Lategan[3,9]	1 004	-	-	-	-	1 004
Heather Sonn[3]	4 889	-	-	-	-	4 889
- Paid by Steinhoff N.V.	4 439	-	-	-	-	4 439
- Paid by Steinhoff Investments	450	-	-	-	-	450
Total remuneration	35 903	1 223	1 555	26 666	12 664	78 011

[1] *Other company contributions mainly include company contributions to the medical aid and pension schemes as well as expense allowances.*

[2] *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.*

[3] *Fees received for serving on the Supervisory Board of Steinhoff N.V.*

[4] *Resigned 31 January 2018*

[5] *Resigned 2 February 2018*

[6] *Appointed 2 February 2018*

[7] *Appointed 31 August 2018*

[8] *Appointed 6 March 2018*

[9] *Appointed 28 February 2018*

32. REMUNERATION REPORT

32.1 Remuneration of the board of directors

	Basic remuneration R'000	Pension and other contributions[1] R'000	Annual bonus R'000	Strategic/ deferred bonus paid[2] R'000	Accrued short-term and long-term bonus R'000	Total remuneration and fees R'000
30 September 2017						
Executive directors						
Mariza Nel	8 508	366	5 500	16 666		31 040
Stéhan Grobler	10 742	351	7 425	20 000		38 518
Non-executive directors						
Steve Booysen[3]	2 514	-	-	-		2 514
Len Konar[3]	2 958	-	-	-		2 958
Theunie Lategan[3]	2 293	-	-	-		2 293
Heather Sonn[3]	1 479	-	-	-		1 479
Total remuneration	28 494	717	12 925	36 666	-	78 802

[1] *Other company contributions mainly include company contributions to the medical aid and pension schemes as well as expense allowances.*

[2] *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.*

[3] *Fees received for serving on the Supervisory Board of Steinhoff N.V.*

32. REMUNERATION REPORT (continued)

32.2 Steinhoff N.V. share rights

	Offer date	Conditional vesting date	Number of rights as at 30 September 2017	Number of rights exercised/ forfeited during the year	Number of rights as at 30 September 2018
Board of directors					
Stéhan Grobler[2]					
	December 2014[1]	March 2018	203 370	(203 370)	-
	March 2016	March 2019	166 978	(166 978)	-
	March 2017	March 2020	294 290	(294 290)	-
			664 638	**(664 638)**	**-**
Mariza Nel[3]					
	December 2014[1]	March 2018	135 580	(135 580)	-
	March 2016	March 2019	123 687	(123 687)	-
	March 2017	March 2020	235 432	(235 432)	-
			494 699	**(494 699)**	**-**
Johan Geldenhuys					
	March 2016	March 2019	67 301	-	67 301
	March 2017	March 2020	83 438	-	83 438
			150 739	**-**	**150 739**
Total			**1 310 076**	**(1 159 337)**	**150 739**

[1] *The 2014 grant was assessed during June 2019 and no share rights vested under this grant. The 2016 grant was assessed during June 2019 and the share rights will be forfeited in the 2019 Reporting Period. The 2017 grant is also highly unlikely to vest, therefore no values were attributed to any of the shares in the statement of profit or loss.*

[2] *Resigned effective 2 February 2018.*

[3] *Resigned effective 31 January 2018*

Refer to note 33 for more detail regarding the conditions to exercise the rights.

33. SHARE-BASED PAYMENTS

33.1 EMPLOYEE SHARE SCHEME

33.1.1 Steinhoff N.V. Share Right Scheme

SIHPL implemented a long term employee share incentive scheme ("Steinhoff N.V. Share Right Scheme"). Following the scheme of arrangement, 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 for the 2016 Reporting 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 reversed in prior periods. The share rights in terms of the 2014 grant was forfeited during the Reporting Period and the 2016 and 2017 grants were forfeited during the 2019 and 2020 Reporting Periods, respectively.

Total expenses arising from the employee share-based payments of R61 million (2017: R58 million) were recognised in profit or loss as part of employee benefit expense. Refer to note 4.3.3.

Set out below are summaries of share rights granted under the plan:

	2018 Number of rights	2017 Number of rights
The number of share rights outstanding is:		
Outstanding at the beginning of the period	**16 974 831**	15 578 241
Exercised during the period	**-**	(7 374 040)
Transferred from old JD scheme	**-**	1 486 710
Forfeited during the period[1]	**(8 979 395)**	(249 515)
Granted during the period	**-**	7 533 435
Outstanding at the end of the period	**7 995 436**	16 974 831

[1] Certain divisions and individuals did not meet performance targets for the share vesting and forfeited their share rights. The forfeitures in the 2018 Reporting Period included all remaining shares under the 2014 grant.

33. SHARE-BASED PAYMENTS (continued)

33.1 EMPLOYEE SHARE SCHEME (continued)

33.1.1 Steinhoff N.V. Share Right Scheme

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.

	2017 grant	2016 grant
Fair value of share rights and assumptions:		
Fair value at grant date	€4.70	€4.55
Share price at grant date	€4.98	€4.92
Expected volatility	34.78%	26.05%
Dividend yield	2.05%	2.57%
Risk-free interest rate	7.36%	8.16%
Date of grant	1 March 2017	1 March 2016
Conditional date of vesting	1 March 2020	1 March 2019
Exercise price	-	-

Refer to note 32.2 for the interests of the board of directors in the Steinhoff N.V. share right scheme as at the Reporting Date.

33.1.2 Pepkor Holdings Executive Share Rights Scheme

During the 2018 Reporting Period, Pepkor Holdings granted future share rights to share scheme participants under the Pepkor Holdings Executive Share Rights Scheme. The grant remains subject to meeting certain performance conditions over the three-year vesting period:

a) Rights are granted to
b) Vesting of rights occur on the third anniversary of grant date, provided performance criteria, as set by Pepkor Holdings Limited's remuneration committee at or about the time of the grant date, have been achieved.
c) In the event of performance criteria not being satisfied by the third anniversary of the relevant annual grant, all rights attaching to the particular grant will lapse.

Refer to note 4.3.3 for the share-based payment expense.

	2018 Number of rights
The number of Pepkor share rights outstanding is:	
Outstanding at the beginning of the period	**-**
Granted during the year	**11 262 942**
Forfeited during the period [1]	**(1 536 588)**
Outstanding at the end of the period	**9 726 354**

[1] *Certain individuals left the Pepkor Holdings group and therefore forfeited their share rights relating to the initial grants made*

33. SHARE-BASED PAYMENTS (continued)

33.1 EMPLOYEE SHARE SCHEME (continued)

33.1.2 Pepkor Holdings Executive Share Rights 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 scheme is considered equity-settled and was valued using the Monte Carlo simulation model. As the Pepkor Holdings group was only listed in September 2017, the equity volatility was determined using the volatility of surrogate listed daily closing share price over a rolling three-year period.

	2018 grant
Fair value of share rights and assumptions:	
Fair value at grant date	R18.86
Share price at grant date	R20.41
Strike price	nil
Expected volatility	37.00%
Dividend yield	2.70%
Risk-free interest rate	6.90%
Option life	3 years

34. ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE

The following table presents detail of the assets and liabilities that have been classified as held-for-sale as at 30 September 2018. The balances disclosed include impairments recognised on the date of classification as held-for-sale. There were no assets or liabilities classified as held-for-sale on 30 September 2017.

	Notes	Automotive Rm	Africa Properties Rm	Total Rm
Balance at 30 September 2019				
Assets				
Goodwill	8	-	-	-
Intangible assets	8	1 403	-	1 403
Property, plant and equipment	9	2 113	160	2 273
Investment properties	9	-	10	10
Investments and loans	11	266	-	266
Deferred tax assets	6.3	280	-	280
Inventories		3 352	-	3 352
Trade receivables		834	-	834
Other receivables		172	-	172
Cash and cash equivalents		1 257	-	1 257
Total assets		9 677	170	9 847
Liabilities				
Interest bearing loans and borrowings	16	(318)	-	(318)
Provisions	21	(535)	-	(535)
Deferred taxation liabilities	6.3	(315)	-	(315)
Trade payables		(3 321)	-	(3 321)
Other payables		(478)	-	(478)
Total liabilities		(4 967)	-	(4 967)
Net assets		4 710	170	4 880
Impairments recognised through profit or loss	1.2.1	(619)	-	(619)

35. EVENTS OCCURING 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.

Corporate activity after the reporting date

- **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. The Company published its audited 2016 consolidated financial statements and audited 2017 consolidated and separate annual financial statements on 2 October 2020. The 2016 separate financial statements were restated as part of the 2017 separate annual financial statements.

- **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. Deal closed on 15 May 2020.

- **IEP dividend**
  In April 2019 IEP declared and paid a dividend to its shareholders. The total dividend received by Mons Bella amounted to R603 million.

35. EVENTS OCCURING AFTER THE REPORTING PERIOD (continued)

- **JSE Fine**

  On 20 October 2020 the JSE imposed the following penalties on the Steinhoff N.V. Group:

  For the breach of section 8.62(b) in respect of the Company's financial statements for 30 June 2015 and prior financial periods and General Principle (v) for the fifteen months ended 30 September 2016:

  i. A public censure and the maximum permissible fine of R7.5 million as the previously published financial information did not comply with IFRS and was, in the view of the JSE, incorrect, false and misleading in material aspects;

  For the breach of section 9.15 and General Principle (iii) and (v) in respect of specific disposals:

  ii. A public censure and a fine of R5 million for failure to disclose the SGI Transaction on SENS at the time and in the financial results for the fifteen months ended 30 September 2016 when published; and

  iii. A public censure and a fine of R1 million for failure to disclose at the time the Operational Rights Transaction on SENS and in the financial results for the fifteen months ended 30 September 2016 when published.

Material disposals of non core assets to raise funds to repay debt

- **Disposal of KAP interest**

  The Group disposed of its remaing interest in KAP in March 2019 through an accelerated bookbuild for proceeds of 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 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.

Debt paid and/or restructured and settlement of loans receivable

- **Pepkor Holdings**

  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.

- **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. he carrying amount of the loan was R50 million, resulting in a loss of R25.5 million on settlement.

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 greater 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.

35. EVENTS OCCURING AFTER THE REPORTING PERIOD (continued)

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;

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 are to be satisfied prior to implementation of the restructuring. It is envisaged that the relevant consents to make required amendments will be requested by way of a separate CVA consent request. On successful implementation of the CVAs, the SEAG and SFHG debt was reclassified to long-term interest-bearing loans and borrowings.

On 13 August 2019, Steinhoff N.V. announced the successful implementation of the CVAs.

Contingent Payment undertaking ("CPU")

SIHPL 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, a number of events of default have occurred 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 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 on 11 July 2018.

35. EVENTS OCCURING AFTER THE REPORTING PERIOD (continued)

Under the terms of the Lock Up Agreement term sheet, broadly 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, 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 to be restated under an instrument referred to as a “contingent payment undertaking” (the "SIHPL CPU").

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.

The amount that the Group will be required to pay under the SIHPL CPU is limited to the net asset value of SIHPL before inclusion of the CPU financial liability.

Subsequent to year-end there was significant depreciation of the Rand against the Euro, resulting in a material increase in the Rand value of the CPU liability and a corresponding foreign exchange loss as the liability is Euro-denominated. Refer to the foreign currency sensitivity analysis in note 19.

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 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

Changes to the board of directors

- The following changes to the board of directors have occurred subsequent to the Reporting Date:

Resignations

Director	Date of resignation	Role on board of directors
Steve Booysen	30 August 2019	Chairperson of the Audit and Risk Committee
Heather Sonn	18 May 2020	Chairperson
Johan Geldenhuys	31 August 2020	Executive director

35. EVENTS OCCURING AFTER THE REPORTING PERIOD (continued)

Appointments

Director	Date of appointment	Role on board of directors
Moira Moses		
	29 October 2018	Non-executive director and member of the Audit and Risk Committee
	22 May 2020	Chairperson
Alex Watson		
	29 October 2018	Non-executive director and member of the Audit and Risk Committee
	30 August 2019	Chairperson of the Audit and Risk Committee
Theodore de Klerk	30 August 2019	Executive director
Hugo Nelson	30 August 2019	Non-executive director and member of the Audit and Risk Committee

Litigation

- A number of contractual claims have been initiated against the Group following the December 2017 Events. They are all being defended. No provision has been made in the financial statements for the 2018 Reporting Period, 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 22: Contingent assets and liabilities and other litigation 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. An update on the proposed settlement was issued on 9 October 2020. The total provision raised as at 31 March 2020 for Litigation Settlement Proposal in the interim results for Steinhoff Investments is R9.4 billion.

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 2018 Reporting Period and will therefore not have an impact on recognition and measurement of assets and liabilities in the 2018 Reporting Period.

The COVID-19 pandemic had a material impact on the Group's retail businesses from mid-March 2020 when lockdowns were initiated in most of the countries in which the Group operates. These measures resulted in the closure of many of the Group's general merchandise stores and central office and warehousing facilities.

Since the onset of the pandemic, the Pepkor Holdings share price has declined.

Given the significant and immediate impact on revenues and cash, management acted swiftly to implement a definitive COVID-19 response strategy. This focused on ensuring employee and customer safety, securing liquidity and preserving the Group's cash position.

The full impact of COVID-19 on the performance of the Group remains uncertain. It is clear, however, that the virus outbreak and resulting restrictions will have a negative impact on overall turnover and the underlying business performance during this period. However, management is encouraged by the performance of the Group's retail businesses in the period since lockdown restrictions were lifted, which is ahead of management's previous expectations.

While the sustainability of this demand is uncertain, the Group's main trading subsidiaries, with their more resilient and defensive discount and value offering, are well positioned to gain market share in the post-COVID-19 environment.

Pepkor Holdings released a trading statement on 15 October 2020 indicated the expected impact of COVID-19 and the implementation of IFRS 16 on their results for the 2020 financial year.

36. OTHER INFORMATION

New and amended standards adopted by the Group

The Group has applied the following relevant standards and amendments for the first time for their annual reporting period commencing 1 October 2017.

- IAS 7 - Statement of Cash Flows: Disclosure initiative
- IAS 12 - Income Taxes: recognition of deferred tax assets for unrealised losses
- Annual Improvements to IFRSs 2014-2016 Cycle

The adoption of these amendments did not have any material impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 September 2018 reporting periods and have not been early adopted by the Group.

At the date of this report all standards applicable to the Group have been adopted. Only the implementation of IFRS 9 and 16 had a material impact on the financial statements of the Steinhoff Investments Group. The implementation of IFRS 15 did not have a material impact on the Group.

Impact of 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 Steinhoff Investments Group recognised a decrease in retained earnings of R82 million.

Impact of 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 Steinhoff Investments 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.

37. REPORTABLE IRREGULARITIES

Deloitte & Touche have reported the following reportable irregularity to the Independent Regulatory Board for Auditors in South Africa:

- Non-compliance with JSE Listing Requirements relating to the timeous financial reporting of listed entities.

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.

CONTENTS	**PAGES**

STEINHOFF INVESTMENT HOLDINGS LIMITED
SEPARATE STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Notes	30 September 2018 Rm	30 September 2017 Rm
Investment income	1	**56**	15 304
Other income	2.1	**176**	-
Other expenses	2.2	**(2)**	-
Impairments	2.3	**(5 765)**	(53 445)
Administrative expenses		**(42)**	(2)
Operating loss		**(5 577)**	(38 143)
Finance cost	3	**(2)**	(34)
Loss before taxation		**(5 579)**	(38 177)
Taxation	4	**(6)**	(15)
Net loss for the year		**(5 585)**	(38 192)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Fair value adjustments on available for sale financial assets		**(143)**	(122)
Deferred taxation		**32**	27
Total other comprehensive loss for the year		**(111)**	(95)
Total comprehensive loss for the year		**(5 696)**	(38 287)

STEINHOFF INVESTMENT HOLDINGS LIMITED
SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Ordinary share capital and share premium Rm	Preference share capital and share premium Rm	Total share capital Rm	Fair value reserves Rm	Accumulated loss Rm	Total equity Rm
Balance at 30 September 2016	81 987	1 550	83 537	206	(28 347)	55 396
Loss for the year	-	-	-	-	(38 192)	(38 192)
Other comprehensive income	-	-	-	(95)	-	(95)
Total comprehensive loss for the year	-	-	-	(95)	(38 192)	(38 287)
Ordinary shares issued	40 093	-	40 093	-	-	40 093
Ordinary dividends paid	(3 067)	-	(3 067)	-	(15 132)	(18 199)
Preference dividends paid	-	-	-	-	(130)	(130)
Balance at 30 September 2017	**119 013**	**1 550**	**120 563**	**111**	**(81 801)**	**38 873**
Loss for the year	**-**	**-**	**-**	**-**	**(5 585)**	**(5 585)**
Other comprehensive income	**-**	**-**	**-**	**(111)**	**-**	**(111)**
Total comprehensive loss for the year	**-**	**-**	**-**	**(111)**	**(5 585)**	**(5 696)**
Ordinary shares issued	**-**	**-**	**-**	**-**	**-**	**-**
Ordinary dividends paid	**-**	**-**	**-**	**-**	**(2 230)**	**(2 230)**
Preference dividends paid	**-**	**-**	**-**	**-**	**(128)**	**(128)**
Balance at 2018	**119 013**	**1 550**	**120 563**	**-**	**(89 744)**	**30 819**
Notes	**10**	**10**	**10**			

Preference dividends in the amount of R128 million was declared to preference shareholders. This was made up of two dividend declarations of 427.42 cents and 424.06 cents per share, respectively.
An ordinary dividend in the amount of R2 billion (R41 per share) was declared to the holder of the ordinary shares on 20 October 2017.

STEINHOFF INVESTMENT HOLDINGS LIMITED
SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

	Notes	2018 Rm	2017 Rm
Assets			
Non-Current Assets			
Investments in subsidiaries	5	**46 113**	51 694
		46 113	51 694
Current Assets			
Loans to related parties	7	**11 224**	15 335
Investments and loans	6	**-**	264
Trade and other receivables	8	**8**	163
Current tax receivable		**277**	150
Cash and cash equivalents	9	*****	1
		11 509	15 913
Total Assets		**57 622**	67 607
Equity and Liabilities			
Equity			
Ordinary share capital and premium	10	**119 013**	119 013
Preference share capital and premium	10	**1 550**	1 550
Accumulated loss		**(89 744)**	(81 801)
Fair value reserve		**-**	111
		30 819	38 873
Liabilities			
Non-Current Liabilities			
Loans from related parties	11	**-**	28 436
Deferred tax liability	4.3	**-**	32
		-	28 468
Current Liabilities			
Trade and other payables		**8**	-
Loans from related parties	11	**26 795**	-
Interest-bearing borrowings	12	**-**	202
Dividend payable		**-**	64
		26 803	266
Total Liabilities		**26 803**	28 734
Total Equity and Liabilities		**57 622**	67 607

** Amount below R500 000*

STEINHOFF INVESTMENT HOLDINGS LIMITED
SEPARATE STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Notes	2018 Rm	2017 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilised in operations	13	**(39)**	15 126
Dividends paid	15	**(2 422)**	(15 262)
Tax paid	14	**(133)**	(84)
Net cash outflow from operating activities		**(2 594)**	(220)
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans to related parties repaid		**4 424**	1 177
Loans advanced to related parties		**(235)**	(285)
Proceeds on disposal of investments and loans		**220**	-
Net cash inflow from investing activities		**4 409**	892
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in external borrowings		**20**	-
Repayment of loans from related parties		**(1 614)**	-
Repayment of borrowings		**(222)**	(671)
Net cash outflow from financing activities		**(1 816)**	(671)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(1)**	1
Cash at the beginning of the period		**1**	-
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	9	**-**	1

REPORTING ENTITY

The separate financial statements of the Company is included as part of the consolidated financial statements of Steinhoff Investment Holdings Limited ("Steinhoff Investments").

Steinhoff Investments is a public company incorporated and domiciled in South Africa.

BASIS OF PREPARATION

Statement of compliance

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

Historical cost convention

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below.

Going concern assessment

The separate financial statements have been prepared on a going concern basis.

In the 2018 Reporting Period, the Company's current liabilities exceed the current assets.

Refer to the Basis of Preparation section of the consolidated annual financial statements for a detailed going concern assessment of the Group, including the Company.

SIGNIFICANT ACCOUNTING POLICIES

If not stated otherwise, the accounting policies applied are the same as those in the consolidated annual financial statements.

Investments in subsidiary companies

Investments in subsidiaries are carried at cost less any accumulated impairment losses.

The Company recognises impairment losses to the extent that the carrying value of the investment exceeds the net asset value of the subsidiary company. The net asset value of the subsidiary company is based, as far as possible, on the fair value of the underlying assets.

Impairment of related party receivables

An impairment loss for loans and receivables is recognised in profit or loss when there is evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative unrealised gains and losses recognised in equity are reclassified to profit or loss, even though the financial asset has not been derecognised. Impairment losses are only reversed in a subsequent period if the fair value increases due to an objective event occurring since the loss was recognised. Impairment reversals other than available-for-sale debt securities are not reversed through profit or loss but through other comprehensive income.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When trade and other receivables are considered uncollectible, they are written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

BASIS OF PREPARATION (continued)

SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

- **Recoverability of financial and other assets (including investment in subsidiaries)**
  The determination of the amount and timing of the impairment losses necessitate a number of judgements and estimates. These include determination of the recoverable amount based, as far as possible, on the fair value of the underlying net assets.

  The recoverability of loans and assets with related parties have been assessed and where the related party does not have sufficient assets to perform on the obligation, management has deemed it appropriate to impair these assets.

  The recoverable amount of investments in subsidiaries is based, as far as possible, on the fair value of the underlying assets. Where the carrying value exceeds the recoverable amount, the investments have been impaired.

  The determination of the amount and timing of the impairment losses necessitate a number of judgements and estimates. These include determination of the recoverable amount based, as far as possible, on the fair value of the underlying net assets.

Key sources of estimation uncertainty

- **Estimation of uncertain tax positions and future taxable profits in support of recognition of deferred tax assets**
  Due to the uncertainty associated with the tax impact on the restatements relating to the 2016 Reporting Period as reported in the 2017 annual financial statements of the Company, there is a possibility that the final outcome of tax assessments may differ significantly from the current estimate.

  Deferred tax assets are recognised to the extent that it is probable that taxable income will be available in the future against which these can be utilised. Future taxable profits are estimated based on business plans that include estimates and assumptions regarding economic growth, interest, inflation, taxation rates and competitive forces.

	Note	2018 Rm	2017 Rm
1. INVESTMENT INCOME			
Interest received			
Related parties (note 17)	17	**28**	132
		28	132
Dividends received			
Related parties (note 17)	17	**28**	15 158
External		**-**	14
		28	15 172
		56	15 304
2. OTHER INCOME/(EXPENSES)			
2.1 Other income			
Gain on disposal of investment		**33**	-
The Company disposed of their investment in Sikhulasonke during the period for total proceeds of R220 million.			
Fair value released on disposal of investment		**143**	-
Fair value reserve released on disposal of the investment in Sikhulasonke.			
Total other income		**176**	-
2.2 Other expenses			
Net foreign exchange gains			
Unrealised foreign exchange loss		**(2)**	-
Total other expenses		**(2)**	-
2.3 Impairments			
Impairment of investment in subsidiaries		**(5 581)**	(53 372)
Steinhoff Africa		**(5 581)**	(16 263)
As at 30 September 2018 the total investment in Steinhoff Africa exceeded its recoverable amount, as such an impairment of R5.6 billion (2017: R16.2 billion) was recognised.			
SIHPL		**-**	(37 109)
As at 30 September 2017, SIHPL reported a negative asset value resulting in management's decision to fully impair the underlying investment in SIHPL.			
Impairment of receivables		**(184)**	(73)
Receivable from Micawber		**(184)**	(73)
Micawber reported a negative net asset value at 30 September 2017 and 2018. It was therefore assessed that it is highly unlikely that Micawber will be able to repay the entire amount owed to Steinhoff Investments resulting in an impairment.			
Total impairments		**(5 765)**	(53 445)

	2018 Rm	2017 Rm
3. FINANCE COST		
External	**2**	34
	2	34

4. TAXATION

4.1 Income tax recognised in profit or loss

	2018 Rm	2017 Rm
Major components of the tax expense		
Current		
Local income tax - current period	**6**	15
	6	15

4.2 Reconciliation of the tax expense

Reconciliation between accounting loss and tax expense:

	2018 Rm	2017 Rm
Loss before taxation	**(5 579)**	(38 177)
Tax at the applicable tax rate of 28%	**(1 562)**	(10 690)
Tax effect of adjustments on taxable income		
Non-taxable income[1]	**(57)**	(4 248)
Non-deductible expenses[2]	**1 625**	14 965
Utilisation of unrecognised tax losses	**-**	(13)
Other reconciling items	**-**	1
	6	15

[1] *Non-taxable income mostly consist of dividends received and gains on disposal of investments.*

[2] *Non-deductible expenses relate to impairment losses on receivables and investments in subsidiaries.*

4.3 Deferred tax

	2018 Rm	2017 Rm
Deferred tax balances		
Provision for tax on temporary differences resulting from:		
Fair value adjustment on available-for-sale financial assets	**-**	(31)
	-	(31)
Reconciliation of movement in deferred tax liability		
Balance at beginning of the period	**(32)**	(59)
Current year charge	**-**	-
Amounts charged directly to other comprehensive income	**32**	27
Balance at end of the period	**-**	(32)

No deferred tax asset was recognised on calculated tax losses due to uncertainty about the probability that future taxable profits will be available to utilise it against.

	2018 Rm	2017 Rm
Deferred tax asset not recognised in respect of assessed and capital losses	**17**	7

Although the Company is loss-making, the majority of the expenses are non-deductible for tax purposes and therefore does not increase the assessed loss of the Company.

5. INVESTMENT IN SUBSIDIARIES

Name of company	% holding 2018	% holding 2017	Carrying amount 2018 Rm	Carrying amount 2017 Rm
Steinhoff Africa	100%	100%	**67 957**	67 957
SIHPL	100%	100%	**37 109**	37 109
Taycol Investments Proprietary Limited ("Taycol")	100%	100%	*	*
			105 066	105 066
Impairment of investment in subsidiaries			**(58 953)**	(53 372)
			46 113	51 694

** Amount less than R500 000*

5.1 Reconciliation of cost of investment and related impairment provisions per subsidiary

	SIHPL Rm	Steinhoff Africa Rm	Total Rm
Carrying value at 30 September 2016	-	64 974	64 974
Additional investment	37 109	2 983	40 092
Impairment through profit or loss	(37 109)	(16 263)	(53 372)
Carrying value at 30 September 2017	**-**	**51 694**	**51 694**
Impairment through profit or loss	**-**	**(5 581)**	**(5 581)**
Carrying value at 2018	**-**	**46 113**	**46 113**

6. INVESTMENTS AND LOANS

	2018 Rm	2 017 Rm
Unlisted investments		
Ordinary shares	**-**	187
Preference shares	**-**	77
	-	264
Non-current	**-**	-
Current	**-**	264
	-	264

The unlisted investments in Steinhoff Sikhulasonke (RF) Proprietary Limited ("Sikhulasonke") was disposed of during the Reporting Period.

7. LOANS TO RELATED PARTIES

	2018 Rm	2017 Rm
Subsidiaries		
Taycol	*	*
Steinhoff Africa[1]	**9 031**	13 142
SIHPL[1]	**2 193**	2 193
	11 224	15 335

** Less than R500 000.*

[1] The loans payable to Steinhoff Africa and SIHPL are unsecured, bears interest as determined from time to time with reference to various market related interest rates and has no fixed terms of repayment. Subsequent to year-end intercompany loan agreements were entered into with these entities in terms of which the loan receivables and loan payables were set-off against each other.

Fellow subsidiaries		
SFHG	**11 761**	11 472
SFHG - impairment	**(11 761)**	(11 472)
	-	-

[2] The loan receivable from SFHG is unsecured, bears interest as determined from time to time with reference to various market related interest rates and has no fixed terms of repayment. The loan is euro-denominated and movement in the balance from the prior period therefore relates mainly to foreign currency movements.

Split between non-current and current portions		
Current assets	11 224	15 335
	11 224	**15 335**

Fair value of related party loans receivable

Due to the current nature of the loans receivable, the fact that there are no fixed repayment terms and majority of the loans are non-interest bearing, the fair value of related party loans receivable approximates their carrying amounts.

	2018 Rm	2017 Rm
8. TRADE AND OTHER RECEIVABLES		
Related party receivables		
Micawber 455 Proprietary Limited ("Micawber")*	**328**	300
Impairment of receivable	**(320)**	(137)
	8	163
Total trade and other receivables	**8**	163

** The Company is a 100% preference shareholder of Micawber. Although the ordinary shares are held by an outside party, the ordinary shareholder exercises no control over Micawber due to certain terms and conditions described in the preference share agreements.*

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts.

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2018 Rm	2017 Rm
Bank balances	*	1

* Amount less than R500 000

10. SHARE CAPITAL

	2018 Rm	2017 Rm
Authorised		
101 000 000 (2017: 101 000 000) Ordinary shares of R0.005 each	**1**	1
495 000 000 (2017: 495 000 000) Preference shares of R0.001 each	*	*
	1	1

* Less than R500 000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the Company. The authorised unissued ordinary shares will be under the control of the directors until the Company's next annual general meeting, subject to the provisions of the Companies Act, 71 of 2008 of South Africa.

	2018 Rm	2017 Rm
Issued		
Ordinary shares		
55 000 106 (2017: 55 000 106) Ordinary shares of R0.005 each	*	*
Ordinary share premium	**119 013**	119 013
	119 013	119 013
Preference shares		
15 000 000 (2017: 15 000 000) Preference shares of R0.001 each	*	*
Preference share premium	**1 550**	1 550
	1 550	1 550
	120 563	120 563

The preference shares earn cumulative 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.

Although the listing of the preference shares on the JSE has been suspended since March 2018, the Company have continued to pay preference dividends to the shareholders. Details of preference dividend payments subsequent to year-end are disclosed in note 35 of the consolidated annual financial statements.

The directors are authorised, by resolution of the shareholders and until the forthcoming annual general meeting, to issue the unissued preference shares, subject to the Listings Requirements of the JSE relating to a general authority of directors to issue shares for cash.

	2018 Rm	2017 Rm

11. LOANS FROM RELATED PARTIES

	2018 Rm	2017 Rm
Subsidiaries		
Steinhoff Africa	**3 776**	3 936
SIHPL	**19 942**	19 942
	23 718	23 878
Holding company		
Steinhoff N.V.	**3 077**	4 558

The loans payable to Steinhoff N.V. and SIHPL are non-interest-bearing, the loan payable to Steinhoff Africa bears interest as agreed from time to time.

Steinhoff Investments have received letters of support from all above entities confirming that the loans will not be called on before December 2018 in the case of SIHPL, or 31 March 2019 in respect of the loans with Steinhoff Africa and Steinhoff N.V.

Subsequent to year-end intercompany loan agreements were entered into between the Company, Steinhoff Africa and SIHPL in terms of which the loan receivables and loan payables were set-off against each other.

Split between non-current and current portions

	2018 Rm	2017 Rm
Non-current liabilities	**-**	28 436
Current liabilities	**26 795**	-
	26 795	28 436

Fair value of related party loans payable

The fair value of related party loans payable approximates their carrying amounts.

12. INTEREST BEARING BORROWINGS

	2018 Rm	2017 Rm
Abacus Life Proprietary Limited	**-**	137
Abacus Insurance Proprietary Limited	**-**	65
Other payables and accruals	**-**	202

The loans were repaid during the 2018 Reporting Period.

These entities are regarded as affiliated parties to the Group. Refer to note 30 of the consolidated financial statements for more detail.

	2018 Rm	2017 Rm
13. CASH (UTILISED IN)/GENERATED FROM OPERATIONS		
Loss before taxation	**(5 579)**	(38 177)
Adjustments for:		
Profit on sale of investments	**(33)**	-
Fair value release to profit or loss	**(143)**	-
Dividends earned not received	**(28)**	(27)
Interest accrued not received	**(28)**	(132)
Finance cost accrued not paid	**-**	17
Impairment of related party receivables	**184**	73
Impairment of subsidiaries	**5 581**	53 372
Other non-cash adjustments	**(1)**	-
Changes in working capital:		
Trade and other payables	**8**	-
Cash (utilised in)/generated from operations	**(39)**	15 126
14. TAX PAID		
Balance at beginning of the year	**150**	81
Current tax for the year recognised in profit or loss	**(6)**	(15)
Balance at end of the year	**(277)**	(150)
	(133)	(84)
15. DIVIDENDS PAID		
Balance at beginning of the year	**(64)**	(64)
Ordinary dividends	**(2 230)**	(15 132)
Preference dividends	**(128)**	(130)
Balance at end of the year	**-**	64
	(2 422)	(15 262)

16. CONTINGENCIES

Borrowing facilities

In terms of the memorandum of incorporation, the borrowing powers of the Company are unlimited.

Contingent liabilities

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

Refer to the consolidated annual financial statements for detail on claims brought against the Company and its subsidiaries.

The Company was a guarantor for a number of facilities of other Group companies. All guarantees were cancelled during the 2018 Reporting Period.

Beneficiary	Facility	Currency	Previously guaranteed amount R'000
Steinhoff Africa	Syndicated Term Loans	ZAR	6 000 000
	ABSA Revolving Credit Facility	ZAR	300 000
	ABSA General Banking Facility	ZAR	320 000
	RMB Revolving Credit Facility	ZAR	300 000
	Standard Bank Revolving Credit Facility	ZAR	1 500 000
	Standard Bank General Banking Facility	ZAR	567 000
	HSBC Money Market Facility	ZAR	300 000
Ainsley Holdings Proprietary Limited	Syndicated Redeemable Preference Shares	ZAR	6 000 000
Steinhoff Services Limited	Medium Term Note Programme	ZAR	15 000 000
	ABSA General Banking Facility	ZAR	140 000
Unitrans Automotive Proprietary Limited	Toyota Financial Services Floorplan	ZAR	1 500 000
	Ford Financial Services Floorplan	ZAR	81 000

17. RELATED PARTIES

Relationships

Holding company	Steinhoff N.V.
Subsidiaries	Refer to note 5

Related party balances
Refer to note 7 for related party loans receivable and note 11 for related party loans payable.

	2018 Rm	2017 Rm
Related party transactions		
Dividends paid to related parties		
Steinhoff N.V.	2 230	18 199
Dividends received from related parties		
Steinhoff Africa	-	15 132
Micawber	28	26
Interest received from related parties		
Steinhoff Africa	28	132

Directors' remuneration and interest of directors and officers in contracts
For details of the directors' remuneration and interest in contracts, please refer to note 29 and 32 of the consolidated annual financial statements.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial instruments

	Notes	Available-for-sale Rm	Amortised cost Rm	Total Rm
Categories of financial assets				
2018				
Loans to related parties	7	**-**	**11 224**	**11 224**
Investments and loans		**-**	**-**	**-**
Trade and other receivables		**-**	**8**	**8**
Cash and cash equivalents		**-**	*****	*****
		-	**11 232**	**11 232**
2017				
Loans to related parties	7	-	15 335	15 335
Investments and loans		187	77	264
Trade and other receivables		-	163	163
Cash and cash equivalents		-	1	1
		187	15 576	15 763
Categories of financial liabilities				
2018				
Trade and other payables		-	**8**	**8**
Loans from related parties	11	-	**26 795**	**26 795**
		-	**26 803**	**26 803**
2017				
Interest-bearing borrowings	12	-	202	202
Loans from related parties	11	-	28 436	28 436
Dividend payable		-	64	64
		-	28 702	28 702

Pre-tax gains and losses on financial instruments

	Available-for-sale Rm	Amortised cost Rm	Total Rm
Gains and losses on financial assets and liabilities			
2018			
Recognised in profit or loss and other comprehensive income:			
Impairment recognised on related party receivables	**-**	**(184)**	**(184)**
Interest income	**-**	**28**	**28**
Dividend income	**-**	**28**	**28**
Finance cost	**-**	**(2)**	**(2)**
Fair value adjustment recognised in other comprehensive income	**(143)**	**-**	**(143)**
2017			
Recognised in profit or loss:			
Impairment loss recognised on trade and other receivables	**-**	(73)	(73)
Interest income	-	132	132
Dividend income	14	15 158	15 172
Finance cost	-	(34)	(34)
Fair value adjustment recognised in other comprehensive income	(122)	-	(122)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair values

			Fair value	
	Fair value hierarchy	Valuation techniques and key inputs	2018 Rm	2017 Rm
Investment - ordinary shares	Level 3	Quoted 30-day volume weighted average prices in an active market	-	187

The level 3 investment relates to the 17% investment in the Steinhoff Sikhulasonke Employee scheme ("SSI"). SSI holds Steinhoff N.V. shares and has preference share funding through external parties and the Company. The underlying asset being the Steinhoff N.V. 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 investment was disposed of during the Reporting Period.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Capital risk management

The Company's objective when managing capital (which includes share capital, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the Company's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The Company manages capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the company may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, repurchase shares currently issued, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

Financial risk management

Overview

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk and interest rate risk).

Credit risk

Potential concentration of credit risk consists principally of related party loans receivable. The company deposits short-term cash surpluses with major banks of quality credit standing. At 30 September 2018, the company did not consider there to be any significant concentration of credit risk which had not been adequately provided for.

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

The maximum exposure to credit risk at the reporting date, without taking account of the value of any collateral obtained was:

	2018 Rm	2017 Rm
Non-current financial assets	-	-
Current financial assets	11 232	15 499
	11 232	15 499

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk

The Company is exposed to liquidity risk, which is the risk that the company will encounter difficulties in meeting its obligations as they become due.

The Company manages its liquidity risk by monitoring forecast cashflows and by ensuring that adequate borrowing facilities are available.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

	Notes	Less than 1 year Rm	Total Rm
2018			
Loans from related parties	11	**26 795**	**26 795**
Trade and other payables		**8**	**8**
		26 803	**26 803**
30 September 2017			
Loans from related parties	11	28 436	28 436
Interest-bearing borrowings	12	202	202
Dividend payable		64	64
		28 702	28 702

Management have assessed the ability to repay the loans due within the next 12 months and have concluded that the Company's underlying investments are liquid and can easily be disposed of to raise cash in order to fund the repayment of the liabilities as they come due.

Foreign currency risk

All financial instruments of the company are denominated in the functional currency except for the following euro denominated intergroup balances with SFHG:

	2018 Rm	2017 Rm
Related party loans receivable	11 761	11 472
Related party loans receivable - impairment provision	(11 761)	(11 472)
	-	-

Post impairment, the impact of foreign currency risk is reduced and therefore no sensitivity analysis was performed.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

The debt of the Company is comprised of different instruments, which bear interest at either fixed or floating interest rates. The ratio of fixed and floating rate instruments in the loan portfolio is monitored and managed, by incurring either variable rate bank loans or fixed rate bonds as necessary.

There have been no significant changes in the interest rate risk management policies and processes since the 2016 Reporting Period.

Interest rate profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

	Variable interest	Fixed interest	Non-interest bearing	Total
	Rm	Rm	Rm	Rm
2018				
Loans to related parties	**187**	**-**	**11 037**	**11 224**
Trade and other receivables	**8**	**-**	**-**	**8**
Trade and other payables	**-**	**-**	**(8)**	**(8)**
Loans from related parties	**(3 776)**	**-**	**(23 019)**	**(26 795)**
	(3 581)	**-**	**(11 990)**	**(15 571)**
30 September 2017				
Loans to related parties	2 779	-	12 556	15 335
Investments and loans	-	77	187	264
Trade and other receivables	-	-	163	163
Interest-bearing loans and borrowings	(202)		-	(202)
Loans from related parties	(3 936)	-	(24 500)	(28 436)
Dividend payable	-		(64)	(64)
	(1 359)	77	(11 658)	(12 940)

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

	2018		2017	
Increase or decrease in rate	Increase	Decrease	Increase	Decrease
Impact on profit or loss:				
100 basis points	(36)	36	(13)	13

19. EVENTS AFTER THE REPORTING PERIOD

Refer to note 35 of the consolidated annual financial statements for events occurring after the Reporting Period.

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COMPANY SECRETARY:
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SOUTH AFRICAN SPONSOR:
PSG Capital Proprietary Limited

SOUTH AFRICAN TRANSFER SECRETARIES:
Computershare Investor Services Proprietary Limited